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SENATE FILE 2165
BY GRONSTAL

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the adoption of flexible tariffs for gas
2 utilities and providing an effective date.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2165

1 Section 1. NEW SECTION. 476.4B FLEXIBLE TARIFFS
2 PERMITTED FOR CERTAIN GAS UTILITIES.

3 1. DEFINITIONS. As used in this section, unless the
4 context otherwise requires:

5 a. "Effective competition" means that a customer of a gas
6 utility either receives interruptible service or maintains or
7 plans on acquiring the capability to switch to an equal,
8 equivalent, or alternative fuel energy supply or service, at
9 comparable prices, from a supplier not regulated by the
10 utilities board.

11 b. "Flexible tariff" means a rate schedule under which a
12 gas utility may set or change the price for its service to an
13 individual customer or group of customers without prior
14 approval of the board provided the price charged is within a
15 range of prices determined by the board to be just and
16 reasonable.

17 2. FLEXIBLE TARIFFS PERMITTED. Notwithstanding any other
18 contrary provision of this chapter, the board may approve a
19 flexible tariff for any class of customers of a gas utility
20 when the provision of service, including the sale or
21 transportation of gas, to any customers within the class is
22 subject to effective competition. Upon application of a gas
23 utility, the board shall determine whether effective
24 competition exists for a class of the utility's customers. A
25 gas utility shall only apply a flexible tariff to a customer
26 that is subject to effective competition. Any customer
27 subject to effective competition may elect to take service
28 either under the flexible tariff or under the appropriate
29 nonflexible tariff for that class of service set in accordance
30 with section 476.4. However, a customer of the utility who,
31 at the time of implementation of the flexible tariffs, uses an
32 alternative energy supply or service for reasons of price
33 shall be deemed to have elected to take service under the
34 flexible tariff.

35 3. ESTABLISHING OR CHANGING A FLEXIBLE TARIFF. The board

1 may establish a flexible tariff through a miscellaneous rate
2 filing, but only if the filing does not seek to recover any
3 revenues which the utility expects to lose by implementing
4 flexible tariffs from any customers who do not take service
5 under the flexible tariff, and if the filing does not seek to
6 change any other rates. If a gas utility requests authority
7 to establish a flexible tariff and as part of that request
8 seeks to recover revenues which the utility expects to lose by
9 implementing flexible tariffs from any customers who do not
10 take service under the flexible tariff or to change any other
11 rates, the board may only establish that flexible tariff
12 within a general rate case for the gas utility. The board
13 shall only change the rates in a flexible tariff within a gas
14 utility's general rate case.

15 4. RATES AND TERMS OF SERVICE. If a company elects to
16 offer flexible rates, the utility shall file for review and
17 approval tariff sheets specifying the general conditions for
18 offering flexible rates. The tariff sheets shall include, at
19 a minimum, all of the following terms and conditions of
20 service:

21 a. That the minimum rate for the tariff shall recover at
22 least the incremental cost of providing the service.

23 b. That the maximum rate shall be as negotiated between
24 the customer and the utility.

25 c. That a customer who elects to take service under the
26 flexible tariff shall remain on that tariff for a reasonable
27 period of time, which shall not be less than one year, but not
28 longer than a total of thirty-six consecutive months.

29 d. That any customer changing from a flexible tariff to
30 the appropriate nonflexible tariff for that class shall pay
31 all costs incurred by the utility due to that change.

32 5. RATE CASE TREATMENT. If there is an increase in
33 revenues resulting from a negotiated rate with a customer
34 capable of using an alternative energy source, the utility's
35 test year revenues will be adjusted to remove the effects of

1 the increase by assuming all sales were made at the full
2 tariffed rate for the customer class in which the customer was
3 previously served. If there is a decrease in revenues due to
4 a discount, the utility's test year revenues will be adjusted
5 to remove the effect of the discount by assuming all sales
6 were made at the full tariffed rate for the customer class.
7 Determining the actual amount is a factual determination to be
8 made in the rate case.

9 6. RULES. Rules necessary to implement this section shall
10 be adopted by the utilities board.

11 Sec. 2. This Act, being deemed of immediate importance,
12 takes effect upon its enactment.

13 EXPLANATION

14 This bill allows the utilities board within the utilities
15 division of the department of commerce to allow certain gas
16 utilities to implement flexible tariffs to customers. A
17 flexible tariff is defined as being a rate schedule under
18 which the utility may set or change the price for its service
19 to an individual customer or group of customers without prior
20 approval of the board provided the price charged is within a
21 range of prices determined by the board to be just and
22 reasonable. The board may only approve the use of a flexible
23 tariff if the board finds that effective competition exists
24 for a class of the utilities customers which receive
25 interruptible service or have the ability to switch to
26 alternative fuel supplies.

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