**199—19.11(476) Flexible rates.**

**19.11(1)** *Purpose.* This rule is intended to allow gas utility companies to offer, at their option, incentive or discount rates to their sales and transportation customers.

**19.11(2)** *General criteria.*

*a.* Natural gas utility companies may offer discounts to individual customers, to selected groups of customers, or to an entire class of customers. However, discounted rates must be offered to all directly competing customers in the same service territory. Customers are direct competitors if they make the same end product (or offer the same service) for the same general group of customers. Customers that only produce component parts of the same end product are not directly competing customers.

*b.* In deciding whether to offer a specific discount, the utility shall evaluate the individual customer's, group's, or class's situation and perform a cost-benefit analysis before offering the discount.

*c.* Any discount offered should be such as to significantly affect the customer's or customers' decision to stay on the system or to increase consumption.

*d.* The consequences of offering the discount should be beneficial to all customers and to the utility. Other customers should not be at risk of loss as a result of these discounts; in addition, the offering of discounts shall in no way lead to subsidization of the discounted rates by other customers in the same or different classes.

**19.11(3)** *Tariffs.* If a company elects to offer flexible rates, the utility shall file for review and approval of tariff sheets specifying the general conditions for offering discounted rates. The tariff sheets shall include, at a minimum, the following criteria:

*a.* A cost-benefit analysis demonstrating that offering the discount will be more beneficial than not offering the discount.

*b.* The ceiling for all discounted rates shall be the approved rate on file for the customer's rate class.

*c.* The floor for the discount sales rates shall be equal to the cost of gas. Therefore, the maximum discount allowed under the sales or transportation tariffs is equal to the nongas costs of serving the customer.

*d.* No discount shall be offered for a period longer than five years unless the commission determines upon good cause shown that a longer period is warranted.

*e.* Discounts should not be offered if they will encourage deterioration in the load characteristics of the customer receiving the discount.

*f.* Customer charges may be discounted.

**19.11(4)** *Reporting.* Each natural gas utility electing to offer flexible rates shall file annual reports with the commission within 30 days of the end of each 12 months. Reports shall include the following information:

*a.* Section 1 of the report concerns discounts initiated in the last 12 months, which shall include:

(1) The identity of the new customers (by account number, if necessary);

(2) The value of the discount offered;

(3) The cost-benefit analysis results;

(4) The cost of alternate fuels available to the customer, if relevant;

(5) The volume of gas sold to or transported for the customer in the preceding 12 months; and

(6) A copy of all new or revised flexible-rate contracts executed between the utility and its customers.

*b.* Section 2 of the report relates to overall program evaluation. For all discounts currently being offered, the report shall include:

(1) The identity of each customer (by account number, if necessary);

(2) The total volume of gas sold or transported in the last 12 months to each customer at discounted rates, by month;

(3) The volume of gas sold or transported to each customer in the same 12 months of the preceding year, by month;

(4) The dollar value of the discount in the last 12 months to each customer, by month;

(5) The dollar value of volumes sold or transported to each customer for each of the previous 12 months; and

(6) If customer charges are discounted, the dollar value of the discount shall be reported separately.

*c.* Section 3 of the report concerns discounts denied or discounts terminated. For all customers specifically evaluated and denied or having a discount terminated in the last 12 months, the report shall include:

(1) Customer identification (by account number, if necessary);

(2) The volume of gas sold or transported in the last 12 months to each customer, by month;

(3) The volume of gas sold or transported to each customer in the same 12 months of the preceding year, by month; and

(4) The dollar value of volumes sold or transported to each customer for each of the past 12 months.

*d.* No report is required if the utility had no customers receiving a discount during the relevant period and had no customers that were evaluated for the discount and rejected during the relevant period.

**19.11(5)** *Rate case treatment.* In a rate case, 50 percent of any identifiable increase in net revenues will be used to reduce rates for all customers; the remaining 50 percent of the identifiable increase in net revenues may be kept by the utility. If there is a decrease in revenues due to the discount, the utility's test year revenues will be adjusted to remove the effects of the discount by assuming that all sales or transportation services or customer charges were made at full tariffed rates for the customer class. Determining the actual amount will be a factual determination to be made in the rate case.

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