



## Contacts:

### Senator Tom Daschle

**Toll Free: 800-424-9094**

Washington Office: (202) 224-2321

Sioux Falls Office: (605) 334-9596

Rapid City Office: (605) 348-7551

Aberdeen Office: (605) 225-8823

### Senator Tim Johnson

**Toll Free: 800-537-0025**

Washington Office: (202) 224-5842

Sioux Falls Office: (605) 332-8896

Rapid City Office: (605) 341-3990

Aberdeen Office: (605) 226-3440

### Representative John Thune

Washington Office: 800-755-5646

Sioux Falls Office: (605) 331-1010

Rapid City Office: (605) 342-5135

Aberdeen Office: (605) 622-7988

*200 copies of this publication were printed  
at a cost of 50¢ per copy.*

**State Capitol Building  
500 East Capitol  
Pierre SD 57501**

**Call: 800-332-1782**

**Fax: (605) 773-3809**

**Website: [www.state.sd.us/puc](http://www.state.sd.us/puc)**

**South Dakota  
Public Utilities Commission**



# Natural Gas Regulation

**Impact of  
regulatory bodies  
on the price of  
natural gas**



**South Dakota  
Public Utilities Commission**

**Website: [www.state.sd.us/puc](http://www.state.sd.us/puc)**

## Federal Energy Regulatory Commission (FERC)

Prior to the late 1970s, the producer price of natural gas was regulated by the federal government. At that time the price was held down to the historical cost of drilling and production. As inflation caused the cost of production to increase, the price allowed by federal regulators failed to keep up and drilling and production slowed significantly.

As a result, by 1977 a severe gas shortage existed. Federal regulators then began a phased-in deregulation of the prices for the natural gas commodity.

Today federal regulators control the interstate pipeline charges. Interstate pipelines generally deliver gas to the edge of a community where the local gas utility receives it. These rates have been stable and are not the cause of the dramatic price increases.

## South Dakota Public Utilities Commission (PUC)

Because Congress has largely deregulated the price of natural gas, and the federal government has jurisdiction over interstate transmission, state regulators influence only a small part of the overall cost of natural gas service. The price for the part of the service that state regulators control includes the costs of

- pipeline and its construction within the community,
- infrastructure maintenance within the community,
- meter reading and billing.

A utility company must request approval of an increase in these pipeline distribution costs. Rates cannot be changed without PUC approval through a formal rate case pursuant to state statute and administrative rules. Due to the complexities involved in a rate case, South Dakota law allows the PUC a 6-month period in which to analyze data and make a decision.



## Unregulated Producers & Marketers

The price of the natural gas commodity itself has largely been deregulated by Congress. It is now subject to the economic law of **supply and demand**. This is the price which has dramatically increased recently, not only in South Dakota, but nationwide as well.

The cost of this deregulated natural gas commodity is passed directly to the consumer after traveling through the regulated transmission and distribution pipelines.

If irregularities are suspected in the pricing of the actual natural gas commodity, Congress would need to investigate current marketing practices.

## South Dakota Public Utilities Commission

State Capitol Building  
500 East Capitol  
Pierre SD 57501

Call: 800-332-1782  
Fax: (605) 773-3809

Website: [www.state.sd.us/puc](http://www.state.sd.us/puc)