

From: PUC

Sent: Monday, December 13, 2021 3:28 PM

To: [REDACTED]

Subject: FW: [EXT] Natural Gas Pricing

Ms. Pugh,

You are seeing the effects of dramatically increased wholesale natural gas prices over the last year (see graph below) and the February_Winter Storm Uri costs in your MidAmerican Energy natural gas bill. I empathize with you on the high cost. The commission issued a [press release](#) on this matter on Oct. 5, given our concerns about the expense this event created for South Dakota consumers. We also posted a [frequently asked question document](#) on our website to help explain the NG pricing issue.

As relayed in these documents, the Public Utilities Commission does not regulate the wholesale NG price. That cost is passed on from each utility to their consumers without any increase. This item is typically referred to as the Purchased Gas Adjustment on bills. The utility's cost to deliver NG to consumers is typically about 30 percent of a consumer's bill, and that infrastructure and portion of the bill is regulated by the PUC. This part of the bill has not increased.

As to explaining the large increase, it is a market supply and demand issue. Liquefied NG is priced even higher in other countries beyond the United States, and that has led to high LNG exports. Meanwhile, production losses in NG due to hurricanes during the past year have led to low storage of LNG in our country. The combination of factors has driven NG prices higher throughout the country, including South Dakota. Adding to all this was February Winter Storm Uri that caused unprecedented freezing in the southern states, resulting in high demand for NG and the historic increase in usage and prices. Each utility's PGA is constructed differently, so the impact to consumers of each utility was different, and MidAmerican Energy's consumers certainly saw and are seeing large increases. MidAmerican is collecting those winter storm NG costs and this will continue until those expenses are recouped, in addition to their billing for current NG usage.

I encourage you to read the linked documents as these will help explain why NG prices are high at present. You may also wish to speak with one of the PUC's Consumer Affairs staff members for guidance on bill options, such as a balanced billing plan. Call 605-773-3201 or 800-332-1782 and request to speak with a Consumer Affairs staff member.

Thank you for reaching out to the commission. Let us hope for a milder winter and no extreme weather events in the months ahead.

Chairman Chris Nelson
South Dakota Public Utilities Commission
PUC.sd.gov

