

# Natural Gas Rate Increase Requests

# South Dakota Public Utilities Commission

This guide is intended to offer a simple overview of the Public Utilities Commission's process in considering a rate increase request from a natural gas service provider within its jurisdiction. This guide is informational and does not discuss all situations, variations and exceptions of the rate case process and proceedings of the PUC. See South Dakota Codified Law 49-34A for additional information, on the Internet at [www.legis.state.sd.us/statutes](http://www.legis.state.sd.us/statutes); enter 49-34A to view the chapter.

## Natural Gas Utilities in South Dakota

There are three investor-owned utility companies that provide natural gas service to specific geographic areas in South Dakota. These companies are owned by their investors and are managed as private enterprises. The PUC has regulatory authority, including ratemaking authority, over these investor-owned natural gas utilities: MidAmerican Energy Co., Montana-Dakota Utilities Co. and NorthWestern Energy.

## Rate Case Process

When an investor-owned natural gas utility wishes to modify its rates, it must seek permission from the PUC to do so. The company begins the process by filing an application with the PUC that states the proposed rate of increase for each of its customer classes – residential, commercial and industrial, for example – and the rationale for the requested increase. The PUC has six months to investigate and make a decision about a rate request before the utility may put interim rates into effect, subject to refund depending on the PUC's decision.

## PUC Authority

The South Dakota Legislature gave the PUC authority to ensure utility companies in South Dakota provide safe and reliable service at fair and reasonable rates. In considering a rate case, the commission weighs the public's need for adequate, efficient and reasonable service and the need for the utility to collect revenues to enable it to meet its total current cost of furnishing such service and the opportunity to earn a fair and reasonable return. The commission determines these factors based on definitions, standards and references specified in South Dakota Codified Law. In rendering its decision, the commission may approve, deny or approve with modifications the proposed rate increase as the commission finds appropriate and legally within its jurisdiction. The decision of the commission can be appealed to the

circuit court and, ultimately, to the South Dakota Supreme Court.

The commission strives to issue a reasoned decision and modifications, where appropriate, that uphold the law and discourage a potentially expensive and lengthy appeal process.

The PUC has no authority over the commodity cost of gas and costs of the interstate transmission facilities and service used to transport the gas from the well fields to points of delivery into the utilities' distribution facilities. These costs are regulated by the Federal Energy Regulatory Commission.

## PUC Staff Role

Members of the PUC staff assigned to work on a rate case typically include one attorney and several analysts. Staff attorneys have educational and practical experience in administrative law, business management principles and trial procedure. Staff analysts have expertise in accounting, economics, research and engineering. The staff conducts a comprehensive analysis of the company's request and gathers additional information from the company, intervenors and outside experts as necessary. Company operating expenses, employee benefits, executive compensation, corporate advertising, and the cost of the physical facilities used to provide service to customers, such as pipelines, compressor facilities, valves, regulating equipment, maintenance vehicles, buildings and equipment are among the many facets of the rate case the staff examines. In addition to reviewing the data and evidence submitted by the applicant and intervenors, PUC staff request and analyze opinions from experts and question the parties. The staff considers the information relative to state laws and rules and presents recommendations to the Public Utilities Commissioners.

## Public Involvement

South Dakotans with an interest in a rate case have a variety of ways to stay informed and involved.

- **Review the electronic docket.** A docket is the continually updated collection of documents filed with the commission for a particular case. Dockets are accessible under the Commission Actions tab on the PUC website, [www.puc.sd.gov](http://www.puc.sd.gov). Dockets are labeled to correspond with their type and filing date. For example, NorthWestern Energy's rate case docket is NG11-003; NG for natural gas, 11 for 2011 and 003 to indicate it was the third natural gas docket filed with the commission in 2011.
- **Submit comments.** Members of the public are encouraged to relay written comments or questions about a rate case to the PUC. These informal public comments are filed in the docket and reviewed and considered by the PUC commissioners and staff. Public comments should include the docket number or name of the company proposing the rate increase, commenter's full name and mailing address as well as email address and phone number, if available. These comments should be sent to [puc@state.sd.us](mailto:puc@state.sd.us) or PUC, 500 E. Capitol Ave., Pierre, SD 57501.
- **Become an intervenor.** Individuals who wish to be formal parties in a rate case may apply to the commission for intervenor status. Intervention deadline is clearly indicated within the docket. Intervention is appropriate for people who intend to actively participate in the case through legal motions, discovery (requests for facts or documents), the written preparation and presentation of actual evidence, and in-person participation in a formal hearing. Intervenors are legally obligated to respond to discovery from other parties and to submit to cross-examination at a formal hearing. Individuals seeking only to follow the progress of a rate case or to offer comments for the PUC's consideration need not become intervenors.

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