South Dakota Electric Service Laws FAQ

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What are the laws governing electric utilities in South Dakota?
The laws and rules governing electric utilities as regulated by the South Dakota Public Utilities Commission can be found in South Dakota Codified Law Chapters 49-34A and 49-50, as well as in Chapter 20:10 of the Administrative Rules.

Can you give a brief explanation of these laws?

These laws can be categorized as such: electric service territories for all electric utilities operation in South Dakota; the PUC's—also referred to as the commission's—authority and standards for rate-regulation of investor-owned utility companies, referenced here as IOUs; performance expectations of IOU companies; and other policy matters for electric utilities that the South Dakota Legislature has chosen to enact.

What is an electric service territory and how are the electric service territories in the state determined?

In 1975, the Legislature established each electric utility's service territory. The service territory is the geographic area in which that utility has not only the exclusive right to provide retail electric service, but also the obligation to provide reasonable and adequate service upon request to all customers. The geographic territories as originally established can only be altered by Commission order.

South Dakota law specifies that the PUC has the authority to approve of and be a repository of each electric utility's service territory boundary, to include IOUs, cooperatives, and municipal systems—all electric providers in the state. These boundaries can be found on the PUC's website at https://puc.sd.gov/energy/electricmaps/default.aspx.

What are the IOU companies and why does the commission regulate their rates?

There are six IOUs that provide electric service to specific geographic areas in South Dakota. Because these companies are regulated monopolies, owned by their investors and managed as private enterprises, state law provides the PUC with authority over rates and service requirements. These IOUs are Black Hills Energy, MidAmerican Energy Co., Montana-Dakota Utilities Co., NorthWestern Energy, Otter Tail Power Co., and Xcel Energy. Here is contact information for the IOUs, https://puc.sd.gov/energy/investorowned.aspx.

The Legislature gave the PUC authority to ensure the IOUs provide safe and reliable service at fair and reasonable rates. For example, when considering a rate increase request filed by

any one of these utilities, the Commission must process such a case according to the law. This means the Commission must balance the public's need for adequate, efficient and reasonable service along.with each utility's need to collect revenues enabling it to meet its cost of furnishing such service and the opportunity to earn a fair, reasonable return. The Commission determines these factors based on definitions, standards and references specified in South Dakota Codified Law.

Does the PUC regulate rural electric cooperatives and municipal electric systems?

The Legislature has not delegated the PUC the same oversight by law when it comes to rural electric cooperatives or municipal electric systems. The reason for this is that the members of each co-op and municipality elect those that represent them and manage their system. Thus, those customers have a voice in their service and its oversight, unlike in the case with customers of the six IOUs. The Commission has authority to ensure every one of South Dakota's electric utilities—whether IOU, co-op or municipal—provides adequate electric service, as provided by SDCL 49-34A-58.

Here is contact information for the rural electric cooperatives, https://puc.sd.gov/energy/electriccooperative.aspx, and municipal systems, https://puc.sd.gov/energy/municipal.aspx.

What is the definition of an electric service provider in South Dakota law?

The key is what is electric service and who is providing it, as defined in SDCL 49-34A-1(6) and (7). See excerpts:
(❷)»Electric.service?.furnished.to.a.customer.for.ultimate.consumption?but.not.including. wholesale.electric.service.furnished.by.an.electric.utility.to.another.electric.utility.for. resale·
(❸)»Electric.utility?.any.person.operating?maintaining?or.controlling.in.this.state?. equipment.or.facilities.for.providing.electric.service.to.or.for.the.public.including.facilities. owned.by.a.municipality¡

Can my electric service be disconnected in the winter months due to nonpayment?

This is a question the PUC is asked frequently. While the PUC does not regulate the disconnection policies of cooperatives and municipal electric utilities, the PUC's Administrative Rules allow an IOU to disconnect for nonpayment as long as proper notice has been given to the customer. Electric service can be disconnected in the winter; however, the notice period is extended during the winter months.

When a utility files a general rate case to increase base rates, can they include incentives to attract future customers such as data centers?

No. Customer base rates, which are set through rate case proceedings, are based on a historic test year and are not forward-looking. These rates include cost recovery for plant in service at the time of the rate case, to the extent the Commission finds that the expense was prudent. As a general rule, the cost must be used and useful with respect to the customer base at the time.

SDCL 49-34A-8.4 provides that the rates must be "prudent, efficient, and economical and are reasonable and necessary to provide service to the public utility's customers in this state."

Can costs to serve large data centers be passed on to residential customers in base rates?

In 2026, the Legislature enacted SDCL chapter 49-50, which applies to data centers with a peak demand of 10 megawatts or more. Pursuant to the requirements of this chapter, the data center, must pay "all costs fairly attributed to the data center for service demand and utility consumption, including costs incurred to serve the data center if the data center departs the system or materially reduces its load."

In addition, SDCL 49-34A-3 prohibits a public utility from charging rates that give any customer an unreasonable preference or advantage or subject any person to unreasonable prejudice or disadvantage. This means that the rates cannot be set in a way that unreasonably favors one customer class over another.