

South Dakota Public Utilities Commission

FAQ Regarding Natural Gas Prices

10/25/22

How is the price of natural gas determined?

The natural gas commodity has been substantially deregulated by various federal enactments and is therefore subject to pricing by supply and demand. The cost is determined by the market. The South Dakota Public Utilities Commission does not regulate the wholesale price of natural gas.

What is the PGA on my bill?

Utility companies are allowed by state law to file rates recovering costs for wholesale natural gas purchased. These costs are the Purchased Gas Adjustment portion of your bill. These costs are passed through to customers dollar-for-dollar as the utility is not allowed to profit from them. These costs are separate from base rates on your utility bill. Base rates allow the utility to recover expenses and investment in providing service, including the infrastructure necessary to provide and maintain the utility's natural gas system.

Why do natural gas prices continue to be high?

First, it is an issue of supply and demand. Warmer than normal weather across the nation in the summer results in increased natural gas usage for electric generation as people use more electricity cooling their homes. With natural gas prices in other countries at even higher levels than the United States, liquified natural gas (LNG) exports continue to be high. Additional natural gas usage for electric generation and LNG exports have resulted in low national storage inventory as we head into the winter season. These combined factors continue to drive high natural gas prices throughout the country.

What can I expect my natural gas to cost this winter?

Customers have benefitted from low gas prices for the last several years prior to last winter, so the winter 2021-2022 gas prices came with sticker shock. Average winter bills last year were at levels not seen in well over 10 years. Customers should expect natural gas bills this winter to continue to be higher-than-normal, similar to last year. Actual bill impacts may end up being higher or lower than what utilities are projecting. Bill impacts will vary from utility to utility and will also vary for each individual customer depending on usage, which is highly dependent on the weather.

What do utility providers do to lessen the financial impact to the customer of rising prices?

The utilities aim to mitigate price increases for customers by purchasing a portion of the natural gas supply needed throughout the year at fixed prices. Companies also utilize storage withdrawals during winter months, when available. For utilities with hedging programs, if profits are realized those will also help offset higher costs.

What steps can I take to reduce my natural gas usage?

Consumers can reduce their natural gas usage by setting their thermostats to a lower temperature, installing a programmable thermostat, maintaining natural gas appliances, changing furnace filters, and conserving hot water (if using natural gas for water heating).

What are my options if I cannot afford to pay my increased natural gas bills?

You should first talk with a representative of your utility company to ask about your options. That may be moving to a budget or balanced billing plan if your utility offers that, to help level out your monthly payments so you can better budget and pay for them. There may be local organizations that can help you pay for your spike in natural gas costs. Another option is to seek assistance from the South Dakota Department of Social Services' Low Income Energy Assistance program, <https://dss.sd.gov/economicassistance/energyassistance/>.

Will my electricity bill increase this winter also?

Natural gas prices may impact electricity prices as well since some electric generation plants use natural gas for fuel. However, the impact will depend on several factors, most of all each utility's reliance on natural gas for creating electricity this winter.