

# Iowa's gas system is stable today — but the capital decisions in front of you are anything but simple.

Roughly a million Iowa homes still heat with natural gas, and a large industrial base burns far more. Yet aging main replacement, long-horizon decarbonization, and the memory of Winter Storm Uri's price spike all compete for the same limited capital. Invizion helps gas utilities re-sequence a capital portfolio in a click — and defend every decision to the Commission.

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| <b>~970K<sup>1</sup></b><br>Residential natural gas customers in Iowa (2024) — gas is the state's leading home-heating fuel. | <b>164,134<sup>2</sup></b><br>Black Hills Energy Iowa Gas customers as of December 2024. | <b>~0.8M<sup>3</sup></b><br>MidAmerican Energy retail natural gas customers across Iowa, South Dakota, Illinois and Nebraska. | <b>\$1,193<sup>4</sup></b><br>Per-MMBtu Midcontinent (OGT) spot gas during Winter Storm Uri — up from about \$8.60 a week earlier. |
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## THE IOWA LANDSCAPE

## Four forces are moving your project list at once

Iowa's gas sector is not shrinking — deliveries still run around 424 billion cubic feet a year.<sup>10</sup> But steady demand does not make the capital plan easy. Safety mandates, decarbonization risk, price volatility, and cost-recovery limits all pull at the same budget.

### INTEGRITY — AGING PIPE & SAFETY

#### Replace the leak-prone pipe, on a clock

PHMSA's distribution-integrity rules require operators to find and retire leak-prone cast-iron and unprotected bare-steel main — and to report their remaining inventories every year.<sup>5</sup> Iowa's LDCs run continuous main-replacement programs to meet those obligations.

Black Hills Energy funds this Iowa work through a dedicated System Safety and Maintenance Adjustment Rider.<sup>2</sup> and MidAmerican filed a 2026 rate review to update the delivery portion of its gas rates — the part that supports the pipe in the ground.<sup>6</sup> Every replacement mile competes with every other project for the same crews and dollars.

### TRANSITION — DECARBONIZATION RISK

#### No gas ban — but a long-horizon question mark

Iowa has not adopted building-electrification mandates or a formal “future of gas” proceeding, and its gas customer base is still growing.<sup>1</sup> That makes near-term stranded-asset risk lower than in coastal states — but it does not remove the long-horizon uncertainty.

Heat pumps, tighter building codes, and RNG or hydrogen exploration all reshape throughput assumptions over the multi-decade life of a main. Iowa Code already requires utilities to justify their gas procurement and long-term supply planning before the Commission.<sup>8</sup> Capital committed today has to stay defensible against a demand curve no one can pin down.

### SUPPLY — PRICE VOLATILITY

#### Uri showed how fast the commodity can move

During Winter Storm Uri in February 2021, U.S. dry gas production fell to as low as 69.7 Bcf/d as wells froze off,<sup>7</sup> and Midcontinent spot prices — the market Iowa's utilities buy in — spiked to roughly \$1,193/MMBtu at the OGT hub, with Henry Hub at \$23.61/MMBtu, versus about \$3.68 a week earlier.<sup>4</sup>

Those commodity costs flow to customers through Iowa's automatic gas-cost adjustment,<sup>3</sup> but the episode reset how utilities think about winter peaking, supply contracting, and the capital that buys reliability.

### RECOVERY — RATES & AFFORDABILITY

#### Every capital dollar has to be defensible

Iowa has no standalone infrastructure-replacement surcharge statute like Missouri's ISRS; most modernization is recovered through base rates set by the Iowa Utilities Commission.<sup>9</sup> Black Hills' Iowa Gas rate base is about \$393.8 million at a 7.21% authorized return, settled effective January 2025.<sup>2</sup>

With MidAmerican's 2026 delivery-rate review also before the Commission,<sup>6</sup> the affordability tension is real: rate cases are contested, and every project has to answer why this, why now, why at this cost.

WHO DELIVERS IOWA'S GAS

Three investor-owned LDCs and a bench of municipal systems

Iowa's gas is delivered by two large investor-owned utilities and a smaller one, all rate-regulated by the Iowa Utilities Commission, plus a set of community-owned municipal gas systems that set their own rates. The pressures are shared; the accountability path differs.

Investor-owned gas utilities

Rates & capital recovery regulated by the Iowa Utilities Commission

**MidAmerican Energy** ~0.8M gas customers across IA/SD/IL/NE; serves most of Iowa's metro areas<sup>3</sup>

**Black Hills Energy (Iowa Gas)** 164,134 Iowa gas customers (2024)<sup>2</sup>

**Liberty Utilities (Midstates Natural Gas)** Serves Iowa communities from the former Atmos Energy system acquired in 2012<sup>12</sup>

Black Hills' Iowa Gas rate base is about \$393.8 million at a 7.21% authorized return.<sup>2</sup>

Municipal gas systems

Community-owned; rates set locally, not by the Commission

**Cedar Falls Utilities** Municipal gas since 1963; community-owned, not tax-supported<sup>11</sup>

**Harlan Municipal Utilities** City-owned combined utility including natural gas

**Osage Municipal Utilities** City-owned gas, electric & water system

**Sioux Center Municipal Utilities** Community-owned gas & electric provider

Iowa municipal gas systems set their own rates through local boards or councils rather than the Iowa Utilities Commission — but they face the same aging-pipe and supply-cost pressures.

## How Iowa recovers gas capital

The Iowa Utilities Commission regulates the rates and services of the investor-owned LDCs. Iowa's mechanisms lean on base rates and automatic cost adjustments rather than a dedicated infrastructure surcharge.

**Iowa Utilities Commission (IUC)** regulates the rates and services of investor-owned gas utilities and reviews their rate cases and gas-procurement practices.<sup>9</sup>

**Automatic adjustment of rates.** Iowa Code §476.6(8) lets gas utilities pass commodity costs through to customers under a Commission-approved schedule — the mechanism that flowed Winter Storm Uri's costs to bills — while §476.6(11) requires periodic contested-case review of gas procurements<sup>8</sup>

**Black Hills Energy Iowa Gas rate case.** A black-box settlement effective January 2025 set an Iowa rate base of about \$393.8 million at a 7.21% authorized return, with a System Safety and Maintenance Adjustment Rider for pipeline modernization<sup>2</sup>

**MidAmerican Energy 2026 gas rate review.** Filed with the Commission in July 2026 to update the delivery portion of natural gas rates that funds infrastructure and operations, with consumer comment meetings underway.<sup>6</sup>

## Recovery mechanisms, not federal windfalls

Iowa gas utilities fund modernization mostly through rate base and cost-recovery mechanisms rather than large federal grants. Knowing which dollars are recoverable — and when — is central to sequencing the plan.

**Rate base & base rates.** Black Hills Energy recovers roughly \$393.8 million of Iowa gas rate base at a 7.21% authorized return, the primary vehicle for funding pipe replacement and system investment.<sup>2</sup>

**Purchased-gas / automatic adjustment.** Under Iowa Code §476.6(8), prudently incurred commodity costs pass through to customers — the channel that recovered Uri-era spot prices that reached about \$1,193/MMBtu at the OGT hub<sup>8,4</sup>

**Dedicated safety rider.** Black Hills' System Safety and Maintenance Adjustment Rider recovers qualifying integrity and maintenance investment between full rate cases<sup>2</sup>

**Federal PHMSA NGDISM grants** for modernizing leak-prone distribution pipe are available and competitive — but Iowa's investor-owned LDCs recover most modernization through rates, not grants, so plans cannot assume federal money<sup>5</sup>

## IOWA'S GAS SECTOR, IN BRIEF

## Questions Iowa gas utility leaders are asking

Short, sourced answers — the same facts we dig into with utilities looking at their capital programs.

### How many natural gas customers does Iowa have?

Iowa had about 969,793 residential natural gas customers in 2024, and gas is the leading home-heating fuel; total deliveries run around 424 billion cubic feet a year, much of it to Iowa's large industrial base<sup>110</sup>

### Who are Iowa's main gas utilities?

MidAmerican Energy serves about 0.8 million gas customers across Iowa and three neighboring states; Black Hills Energy's Iowa Gas serves 164,134; and Liberty Utilities (Midstates Natural Gas) serves communities from the former Atmos system. Municipal systems like Cedar Falls Utilities serve their own towns<sup>21211</sup>

### Does Iowa have an infrastructure-replacement surcharge?

Not a standalone statute like some states' ISRS or DSIC. Most pipe modernization is recovered through base rates set by the Iowa Utilities Commission, supplemented by mechanisms such as Black Hills' System Safety and Maintenance Adjustment Rider<sup>92</sup>

### How did Winter Storm Uri affect Iowa gas costs?

Uri froze off production and drove Midcontinent spot gas to roughly \$1,193/MMBtu at OGT and Henry Hub to \$23.61/MMBtu, versus about \$3.68 a week earlier. Those commodity costs flowed to Iowa customers through the state's automatic gas-cost adjustment<sup>748</sup>

### Is Iowa banning natural gas or electrifying buildings?

No. Iowa has not adopted gas bans or a formal "future of gas" proceeding, and its gas customer base is still growing. The pressure is long-horizon — heat pumps, codes, and RNG or hydrogen — which reshapes throughput assumptions over the decades-long life of a main<sup>18</sup>

### How does Invizion help Iowa gas utilities plan capital?

Invizion is scenario-based capital portfolio optimization for utilities. It lets you model how a main-replacement mandate, a commodity spike, or a rate-case outcome reshuffles your whole project list, re-sequence the portfolio automatically, and keep a defensible record of every decision for the Iowa Utilities Commission or your board.

## REFERENCES

## Sources

Every figure in this briefing is tied to a primary or authoritative source.

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2. Black Hills Corporation, Form 10-K for fiscal year 2024 (SEC) — Iowa Gas 164,134 customers; Iowa rate base ~\$393.8M at 7.21% return, effective Jan 2025; System Safety and Maintenance Adjustment Rider. [www.sec.gov](http://www.sec.gov)
3. MidAmerican Energy Company / Berkshire Hathaway Energy, Form 10-K for fiscal year 2024 (SEC) — ~0.8M retail natural gas customers in Iowa, South Dakota, Illinois and Nebraska. [www.sec.gov](http://www.sec.gov)
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12. Liberty Utilities (Algonquin Power & Utilities) — acquired the natural gas operations of Atmos Energy in Iowa in 2012 (Midstates Natural Gas). [en.wikipedia.org](http://en.wikipedia.org)

## ABOUT INVIZION

## Capital program optimization for utilities

Invizion is a purpose-built capital lifecycle management platform for utilities. It integrates budgeting, CIP, scenario analysis, and funding-source tracking in one system — so utilities can re-sequence a capital portfolio in a click and demonstrate audit-ready, defensible decisions to regulators, boards, and rating agencies.

**See how utilities keep capital plans current and defensible with Invizion.**

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