

SOUTH DAKOTA · GAS UTILITIES · CAPITAL BRIEFING

A small customer base, a cold-climate system, and a decade of rate cases. Your capital plan carries all three.

South Dakota's roughly 241,000 gas customers are spread thin across a winter-peaking territory served by three investor-owned utilities and a handful of municipal systems. Integrity work, renewable-gas interconnections, and volatile winter supply all compete for the same dollars — recovered one rate case at a time. Invizion helps gas utilities re-sequence a capital portfolio in a click, and defend every decision.

241,197¹ Natural gas customers across South Dakota in 2024, up from 232,622 in 2022.	+123%² Jump in South Dakota's citygate gas price in 2021 as the February cold snap hit — from \$3.33 to \$7.43 per Mcf.	3³ Investor-owned gas utilities before the SD PUC with rate increases in consecutive years — MidAmerican, Montana-Dakota, and NorthWestern.	\$9.32² South Dakota residential gas price per Mcf in 2024 — still roughly 31% above the 2020 level even after the spike eased.
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THE SOUTH DAKOTA LANDSCAPE

Four forces are moving your project list at once

South Dakota's gas sector is small, but the pressures on it are not simpler for being smaller — a thin customer base has to absorb the same integrity, supply, and transition costs as everyone else.

INTEGRITY & SAFETY

Aging main, spread across a cold, empty map

Every South Dakota gas distribution operator must run a federally mandated Distribution Integrity Management Program — the risk-based leak-management, monitoring, and accelerated-repair regime under 49 CFR Part 192, Subpart P⁴

Surveying, upgrading, and replacing steel and plastic main across a sparsely populated, winter-stressed territory is continuous work, and it sits inside recent rate cases — Montana-Dakota Utilities' 2023 South Dakota gas case (NG23-014)⁵ and NorthWestern Energy's 2024 case (NG24-005)⁶ — with the cost spread over a base of only a few hundred thousand customers¹

DECARBONIZATION PRESSURE

No gas ban — but RNG and thinning throughput

South Dakota has no “future of gas” docket or building-electrification mandate, so the near-term pressure is muted. It still reaches the capital plan through renewable natural gas: NorthWestern has signed a string of RNG interconnection and purchase contracts with the state's ethanol and dairy producers — POET Biorefining and others in 2024⁷ and Brightmark and POET projects as far back as 2021⁸

Meanwhile residential gas deliveries slipped from about 14.6 million Mcf in 2022 to 12.3 million in 2024 even as customer counts rose⁹ — the early signature of efficiency and milder winters thinning throughput per customer, the dynamic that reshapes long-horizon plans.

SUPPLY & PRICE VOLATILITY

End of the pipe, exposed to the market

South Dakota sits at the end of long interstate pipelines — NorthWestern's supply moves on Northern Natural Gas — and every therm is bought on a volatile continental market and passed through via the purchased-gas adjustment. The February 2021 cold snap made the exposure vivid: the state's citygate price more than doubled year over year, from \$3.33 to \$7.43 per Mcf² and residential prices climbed to a \$10.99 peak in 2022 before easing.²

With winters that regularly demand design-day peaking, reliability rests on firm supply, storage, and capacity contracts. Montana-Dakota's parent runs a regulated transmission and underground-storage system with capacity of about 2.6 Bcf per day that anchors part of the region's supply¹⁰

CAPITAL RECOVERY & REGULATORY

No rider — recovery is one rate case at a time

The tension is affordability against necessary investment, and it plays out case by case. Three investor-owned gas utilities have been before the South Dakota PUC in consecutive years — MidAmerican Energy's 2022 gas case (NG22-005),¹¹ Montana-Dakota's 2023 case (NG23-014),⁵ and NorthWestern's 2024 case (NG24-005).⁶

South Dakota has no automatic infrastructure-replacement surcharge of the ISRS/DSIC/GSEP kind used in many states; recovery runs through periodic base-rate cases plus the purchased-gas adjustment that passes commodity cost straight through.³ That means the timing and sequencing of capital projects directly drives when, and how much, rates move.

WHO DELIVERS SOUTH DAKOTA'S GAS

Three investor-owned LDCs and a set of municipal systems

South Dakota's gas is delivered by three PUC-regulated investor-owned utilities dividing the state geographically, plus several city-owned systems and an intrastate pipeline. The pressures are shared; the accountability path differs.

Investor-owned utilities

Rates & capital recovery regulated by the SD PUC

MidAmerican Energy	Natural gas to Sioux Falls — the state's largest gas market ³
Montana-Dakota Utilities (MDU)	435,350 gas/electric customers in 273 communities across MT, ND, SD, WY ¹²
NorthWestern Energy	Gas & electric across eastern SD; part of 850,300 customers in MT, SD & NB ³

Together these three carry the vast majority of South Dakota's ~241,000 gas customers.¹

Municipal systems & intrastate pipeline

City-owned gas utilities and an intrastate carrier

Watertown Municipal Utilities	City-owned gas department ³
Crooks Municipal Gas	City-owned gas systems ³
Garretson Natural Gas	City-owned gas systems ³
Humboldt Municipal Gas	City-owned gas systems ³
South Dakota Intrastate Pipeline Co.	Intrastate gas transportation ³

Municipal systems set rates through their city councils rather than the PUC, but face the same integrity and supply-cost pressures on a smaller base.

Every capital dollar has to be defensible

With no automatic infrastructure rider, South Dakota gas utilities make their case in full base-rate proceedings — where the question is always why this project, why now, why at this cost.

South Dakota Public Utilities Commission (PUC) regulates the rates and capital recovery of the investor-owned gas utilities — MidAmerican, Montana-Dakota, and NorthWestern — plus the intrastate pipeline.³

MidAmerican Energy, 2022 (NG22-005) — application to increase South Dakota natural gas rates, opened May 2022 and closed March 2023.¹¹

Montana-Dakota Utilities, 2023 (NG23-014) — application to increase South Dakota natural gas rates, settled and closed September 2024 with a customer refund on the interim rates⁵

NorthWestern Energy, 2024 (NG24-005) — application to increase South Dakota natural gas rates, filed June 2024 and settled by December 2024.⁶

Purchased-gas adjustment passes commodity cost through to customers between rate cases — the mechanism that absorbed the 2021 winter spike rather than a capital rider³

No surcharge shortcut — the plan is the funding case

South Dakota gives gas utilities fewer automatic recovery tools than surcharge states, so what earns a return depends on what lands in the next rate case — and the numbers behind those plans are large relative to the customer base.

No ISRS / DSIC / GSEP rider. South Dakota gas utilities recover capital through periodic base-rate cases and pass fuel cost through the purchased-gas adjustment — there is no standalone infrastructure-replacement surcharge.³

MDU Resources ~\$3.1B capital forecast. Montana-Dakota's parent carries a roughly \$3.1 billion capital program, with a proposed Bakken East pipeline project estimated at an additional \$2.7–\$3.2 billion.¹⁴

Rate-case revenue funds system work. Montana-Dakota's 2023 gas settlements⁵ and NorthWestern's 2024 settlements⁶ both fund continued South Dakota system investment.

RNG interconnections add contract-backed capital. A dozen-plus NorthWestern renewable-natural-gas agreements with ethanol and dairy producers since 2021 bring a new capital and revenue stream tied to specific projects.⁷⁸

SOUTH DAKOTA GAS, IN BRIEF

Questions South Dakota gas 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 South Dakota have?

About 241,197 in 2024 — roughly 212,508 residential, 28,125 commercial, and 564 industrial — up from 232,622 in 2022¹

Which utilities provide natural gas in South Dakota?

Three investor-owned utilities divide the state — MidAmerican Energy (Sioux Falls), Montana-Dakota Utilities, and NorthWestern Energy (eastern SD) — alongside municipal systems such as Watertown, Crooks, Garretson, and Humboldt and an intrastate pipeline, all overseen by the SD PUC²

How did the February 2021 cold snap affect South Dakota gas prices?

The state's citygate price more than doubled from \$3.33 per Mcf in 2020 to \$7.43 in 2021, and residential prices climbed to a \$10.99 peak in 2022 before easing to \$9.32 in 2024. Those commodity costs flow to customers through the purchased-gas adjustment³

Does South Dakota have a gas infrastructure-replacement surcharge?

No. Unlike ISRS or DSIC states, South Dakota has no standalone capital rider; utilities recover investment in full base-rate cases — three of which (MidAmerican, Montana-Dakota, NorthWestern) ran in consecutive years from 2022 to 2024^{4,5,6}

Is South Dakota restricting natural gas use?

There is no “future of gas” docket or gas ban. The decarbonization signal shows up mainly through renewable-natural-gas contracts with ethanol and dairy producers and a slow decline in residential throughput per customer^{7,8}

How does Invizion help South Dakota gas utilities plan capital?

Invizion is scenario-based capital portfolio optimization for utilities. With no surcharge to smooth recovery, timing is everything in South Dakota — Invizion lets you model how a rate-case outcome, a winter cost shock, an integrity finding, or a new RNG interconnection reshuffles your whole project list, re-sequence the portfolio automatically, and keep a defensible record of every decision for the PUC or your board.

REFERENCES

Sources

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

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3. South Dakota Public Utilities Commission — Natural Gas: regulated utilities (MidAmerican, Montana-Dakota, NorthWestern), municipal systems, and dockets. puc.sd.gov
4. eCFR — 49 CFR Part 192, Subpart P, Gas Distribution Pipeline Integrity Management (DIMP). www.ecfr.gov
5. South Dakota PUC — Docket NG23-014, Montana-Dakota Utilities application to increase natural gas rates (settled/closed 09/2024). puc.sd.gov
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7. South Dakota PUC — 2024 Natural Gas Dockets, including NorthWestern RNG/POET Biorefining contract approvals. puc.sd.gov
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9. U.S. Energy Information Administration — Natural Gas Consumption by End Use, South Dakota (residential deliveries 14,579 MMcf in 2022 vs 12,272 MMcf in 2024; total ~95 Bcf). www.eia.gov
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12. Montana-Dakota Utilities Co. — more than 435,350 customers in 273 communities across North Dakota, South Dakota, Montana, and Wyoming. www.montana-dakota.com
13. NorthWestern Energy — 850,300 customers across Montana, South Dakota, and Nebraska; gas and electric service in eastern South Dakota. www.northwesternenergy.com
14. StockTitan — MDU Resources ~\$3.1 billion capital forecast; proposed Bakken East pipeline estimated \$2.7–\$3.2 billion (2026). www.stocktitan.net

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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