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A gas for the little guy

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By WES COTTER

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Yany Clark photo

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A GAS FOR THE LITTLE GUY

By Wes Cotter

PITTSBURGH In the 1980s, the federal government began allowing natural gas customers to buy their own fuel from Southwest producers. At a time when spot market prices were depressed, by-passing a local utility's higher-priced gas provided a significant cost advantage to the large industrial and commercial customers who had the means to buy gas and arrange pipeline transportation.

Smaller companies could only stand back and watch the savings pass by until now.

A new state law going into effect this month will allow mid- and small sized companies to join the party. The law essentially removes minimum-usage threshold that kept smaller players wallflowers at the 1980's utility-saving bash.

"I think it's great, it's a no-lose situation", said Victor Son, financial officer with Food Services Management Associates, which operates several restaurants here and already is using gas-transport services for its larger facilities. "We're seeing savings between 25 and 30 percent with our usage in the restaurant business, which is considerable."

The transportation restrictions that are being done away with not originally were established by gas companies that wanted to protect their own gas sales and couldn't fathom having to schedule space on their systems for thousands of tiny gas transporters. But Pennsylvania's smaller companies, school districts and real estate concerns finally have convinced the state Public Utility Commission it can be done.

On March 20, the new rules will allow single customers or groups using 5,000 mcf (thousand cubic feet) of gas a year to being using transportation service.

Jim Behr, of Energy Savers, Inc., a Pittsburgh-based natural gas broker, said his company previously signed one to two mid-sized companies to transportation contracts each week, but during the last month he has signed about two contracts a day.

Mr. Behr, who specializes in service smaller customers, said the new regulations have opened up savings to between 6,000 and 8,000 customers in Allegheny, Beaver, Butler, Washington and Westmoreland counties. Providing service to those new customers gives Mr. Behr and other brokers a larger customer base. Many customers, however, are unaware that they are able to transport, he said.

Now the flood gates are opening. Restaurants, small apartment buildings, bakeries, churches, condominiums, small office buildings, and small retail operations have all begun to enter the market, Mr. Behr said.

Obviously, brokers favor the change for business opportunity. But customers are savoring the switch for the chance to slice costs.

Mr. Son, director of finance and administration for Dingbats, Juno Trattoria and Abate restaurants, currently has five larger facilities on transport service and plans to add three more.

Mr. Son said he began using gas last year when he learned that he might find some savings and was encouraged by the owners of the facilities, Dominic Abbott and Joseph DeMartino. Using transportation service, he said, has worked well for him and he is pleased the limits are dropping. Although the law will go into effect March 20, local utilities such as Peoples Natural Gas Co., Columbia Gas of Pennsylvania and Equitable Gas Co. will be required to file documents with the PUC within 10 days, explaining how they intend to comply with the new law and how it will affect their rate structures.

Lawrence Barth, assistant counsel for the PUC, said after the initial 10-day period expires, the compliance filings will go before the PUC board of commissioners and approvals should be handed down in 30 to 60 days.

Mr. Barth explained that efforts to lower the threshold began in July, 1989 and have received favorable reviews while being formulated. During two earlier comment periods on the measure, he said, the PUC received considerable input from school districts voicing their agreement with the measures.

Among those supporting the measure was the Pittsburgh Public School's Thomas Motley, plant operations director, who said the city has used transportation service for four years and has found large savings.

Mr. Motley said almost all of the district's gas is transported here; he believes the new measure will help other districts hold down costs as well.

"We've been saving a bundle for a long time," Mr. Motley said. "We were the first school district in the area to use third-party gas and it's worked well for us. It'll be interesting to see how things develop with churches and smaller folks getting it."

Mr. Barth said that in the past, most utilities set the threshold level between 25,000 mcf and 50,000 mcf, but some already have lowered those levels. Among them is Columbia Gas of Pennsylvania, which has a threshold of 6,000 mcf.

As part of the new law, priority 1 customers, including hospitals and residential customers, will be required to purchase standby, which will provide gas supplies in case of shortages.