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A gas for the little guy

For years, large firms have not woken by importing fuel over natural gas rates, until now, as it's jolting in.

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—and lose.

A new state law going into effect this week will do exactly what you need: it will let companies join the party. The law essentially removes minimum-usage thresholds that kept smaller players wallflowers at the 1980's utility-savings 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, 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 were originally established by gas law parties that wanted to protect their own gas utility and control pipeline buying to stabilize rates in their systems for thousands of the gas transporter. The Pennsylvania state legislature, which also controls the Public Utility Council,



Food Services' Victor Son, left, and John Behl of Energy Services, Inc., for small companies and the gas buyers who came to them, a happy spring. Tony Clark photo

simply can't be done.

On March 22, the new rules will allow single customers or groups using 7,000 and 10,000 cubic feet of gas a year to begin using transportation services.

John Behl of Energy Services Inc., a Pittsburgh-based natural gas broker, said his company previously signed on at two mid-size companies to transportation contracts each week, but during the last month he has signed about two more a day.

Mr. Behl, who specializes in serving smaller customers, said the new regulations have opened up gas to between 6,000 and 10,000 customers in Allegheny, Beaver, Butler, Washington, and Westmoreland counties. Providing access to these new customers gives Mr. Behl and other brokers a larger customer base. Many customers, however, are unaware that they need to transport, he said.

New-to-facilities are joining. Restaurants,

small apartment buildings, bakeries, churches, nondescript small office buildings and small retail operations are all beginning to use the market, Mr. Behl said.

Obviously, prices favor the change for business opportunity. But customers are seeing the switch for the chance to save costs.

Mr. Son, director of finance and administration for Dunham, Fero Vitanna and Albino restaurants, currently has five large facilities, or 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 success of the facilities. Dunham, Albino and Joseph Dobbler's. Using transportation services, he said, his workload will be fine and he is pleased the books are dropping. Although the law will go into effect March 22, local utilities such as Peoples Natural Gas Co., Columbia Gas of Pennsylvania and Republic Gas

Co. will be required to file documents with the P.U.C. within 10 days, explaining how they intend to comply with the new law and how it will affect their rate structure.

Lawrence Berkowitz is the counsel for the P.U.C. and after the initial 30-day period expires, the compliance filings will go before the P.U.C. board of commissioners and approvals should be handed down in 30 to 60 days.

Mr. Behl explained that efforts to lower the market's began in July 1988 and have since shifted to some extent being frozen at that. During two earlier contract periods on the contract, he said, the P.U.C. received considerable input from school districts seeking their agreement with the industry.

Among those supporting the contract was the Pittsburgh Public School District, then city plan operations director, who said the city has used transportation services for four years and has found large savings.

Mr. Mottley said almost all of the district's gas is transported from his facilities and now contracts will help other districts make lower costs as well.

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

Mr. Behl said that in the past, most of the cost of the distribution of between 25,000 and 50,000 cubic feet, but some already have lowered those levels. Among them is Columbia Gas of Pennsylvania, which has a direct cost of 6,000 cubic feet.

As part of the new law, "priority" customers, including hospitals and residential customers, will be required to purchase steadily, which will provide gas suppliers in case of shortages. ■

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-savings 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.