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"We Know Real Estate."

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Transportation gas:

It could reduce utility costs by 20 to 30 percent

By

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Guest
Contributor



Although it's not for everyone, transportation or "self help" gas can offer at least some degree of relief from today's high utility costs.

Until a few years ago, unlike oil, natural gas moved from producer to pipeline to local utilities and ultimately to you, the end user.

Only the largest consumers of natural gas were in the enviable position of purchasing direct from producer or negotiating with local utilities.

Recent legislation, however, allows medium-sized facilities the same option of improving their bottom line. Hospitals, schools, hotels, condominiums,

apartment buildings and other medium to large commercial enterprises may qualify. The more natural gas you consume the better your chances are of qualifying.

The process of direct purchasing is fairly simple, not complex, and definitely confusing.

Each utility is free to structure rates relative to minimum annual consumption and transportation costs. Within the metropolitan Pittsburgh area about 1,000 gas utilities require a minimum annual consumption of 50,000 MCF (about \$100,000) while a dual well agree to transport 5,000 MCF (\$52,000). The utility requiring only 6,000 MCF encourages transportation while the others actually discourage it.

Should minimum requirements prevent a producer, you may elect to join forces with other similar-sized consumers. This alternative allows several smaller consumers to pool their cumulative consumption, thereby qualifying by forming a buyer's group. Again, buyer's groups are controlled by utility rates and regulations governing

the maximum number of meters and minimum consumption flowing through each.

Assuming you and your facility survive the initial pitfalls of qualifying, you now face the problem of locating a supplier willing to meet your needs.

Natural gas producers actively seek consumers with steady consumption patterns. Hotels, condominiums, office buildings, apartment buildings, and schools do not meet this criteria.

Natural gas primarily is used for space heating and heating domestic hot water. About 70 percent of the annual consumption is consumed within a five-month period.

Once a supplier is located and agreements executed, you're almost complete. All that remains is paperwork.

Factor: that a single monthly utility bill, you now must deal with a minimum of two. The local utility continues to read the meter and bill transportation charges plus their normal customer charge. A second invoice is generated by the producer and possibly a third if another pipeline is involved.

The process also involves tracking the following: variations in monthly consumption, pipeline shortages, over-consumption, inadequate supply, and storage. However, the benefits of an improved bottom line are well worth the effort. Savings of 20 to 30 percent are common.

As an example, assume a 1,000 MCF of natural gas per year and utility tariffs of \$5.23/MCF. This contribution results in an annual expenditure of \$51,200.

Transportation gas can reduce that by as much as \$10,000, depending on transportation costs charged by the local utility.

Don't quibble over pricing the natural gas based on experience and service. An unreliable supplier may save you \$0.10 or \$0.15 per MCF.

However, if his supply is interrupted during January or February, or he is unable to operate during contingencies, you are forced to pay the normal higher rate charged by the local utility, a difference of perhaps \$1.50 to \$2.00 per MCF — more if penalties are involved.

Using a consultant is an option. Owners and property managers can spend months agonizing and researching utility rate structures, attempting to buy non-conventional supplies, only to be discouraged by an uncooperative utility or sidetracked by other more immediate day-to-day problems.

A knowledgeable consultant is familiar with the process, knows how to expedite the paperwork and select dependable suppliers.

One thing should be perfectly clear. The regulation has caused oil and natural gas to become an openly traded commodity in an extremely aggressive and competitive market. If you own or control facilities that consume large quantities of these fuels, you now have the unique opportunity of controlling your own destiny.

There is also potential and general assistance of Energy Future Inc., a Pittsburgh cost broker and consultant specializing in energy management, building automation and energy-related consulting services.

Transportation gas

It could reduce utility costs by 20 to 30 percent

By: James R. Behr

Although it's not for everyone, transportation or self help gas can offer at least some degree of relief from today's high utility costs.

Until a few years ago, unlike oil, natural gas moved from producer to pipeline to local utilities and ultimately to you, the end user.

Only the largest consumers of natural gas were in the enviable position of purchasing direct from producers or negotiating with local utilities.

Recent legislation, however, allows medium-sized facilities the same option of improving their bottom line. Hospitals, schools, hotels, condominiums, apartment

buildings and other medium to large commercial enterprises may qualify. The more natural gas you consume, the better your chances are of qualifying.

The process of direct purchasing is fairly simple, yet complex, and definitely confusing.

Each utility is free to structure rules relative to minimum annual consumption and transportation costs. Within the metropolitan Pittsburgh area alone, two gas utilities require a minimum annual consumption of 50,000 MCF (about \$300,000) while a third will agree to transport 6,000 MCF (\$32,000). The utility requiring only 6,000 MCF encourages transportation while the others actually discourage it.

Should minimum requirements present a problem, you may elect to join forces with other similar-sized consumers. This alternative allows several smaller consumers to pool their cumulative consumption, thereby qualifying by forming a buyer's group. Again, buyer's groups are controlled by utility rules and regulations governing the maximum number of meters and minimum consumption flowing through each.

Assuming you and your facility survive the initial pitfalls of qualifying, you now face the problem of locating a supplier willing to meet your needs.

Natural gas producers actively seek consumers with steady consumption patterns. Hotels, condominiums, office buildings, apartment buildings, and schools do not meet this criteria.

Natural gas primarily is used for space heating and heating domestic hot water. About 70 percent of the annual consumption is consumed within a five-month period.

Once a supplier is located and agreements executed, you're almost complete. All that remains is paperwork.

Rather than a single monthly utility bill, you now must deal with a minimum of two. The local utility continues to read the meter and bill transportation charges plus their normal customer charge. A second invoice is generated by the producer and possibly a third if another pipeline is involved.

The process also involves tracking the following: variations in monthly consumption, pipeline shrinkage, over-consumption, inadequate supply, and storage. However, the benefits of an improved bottom line are well worth the effort. Savings of 20 to 30 percent are common.

As an example: Assume 6,000 MCF of natural gas per year and utility tariffs of \$5.20/MCF. This combination results in an annual expenditure of \$31,200. Transportation gas can reduce that by as much as \$10,000, depending on transportation costs charged by the local utility.

Don't quibble over pricing. Buy natural gas based on experience and service. An unreliable supplier may save you \$0.10 or \$0.15 per MCF. However, if this supply is interrupted during January or February, or he is unable to re-route during curtailments, you are forced to pay the normal higher rate charged by the local utility, a difference of perhaps \$1.50 to \$2.00 per MCF - more if penalties are involved.

Using a consultant is advisable. Owners and property managers can spend months agonizing and researching utility rate structures, attempting to buy non-conventional suppliers, only to be discouraged by an uncooperative utility or sidetracked by other more immediate day-today problems.

A knowledgeable consultant is familiar with the process, knows how to expedite the paperwork and select dependable suppliers.

One thing should be perfectly clear. De-regulation has caused oil and natural gas to become an openly traded commodity in an extremely aggressive and competitive market. If you own or control facilities that consume large quantities of these fuels, you now have the unique opportunity of controlling your own destiny.