

Houston–Area Small Businesses

SAVE BUNDLES ON NATURAL GAS EXPENSES

with New Provider Choices

By Alan Lammey

If you reside in Texas, then you already know that businesses, home owners, and renters can choose from several dozen electricity providers to serve their electricity needs. But what isn't all that widely known is that certain Houston-area businesses now have a choice of natural gas providers as well—and the savings to be realized are downright impressive. The only problem is, not every business qualifies. But don't worry: in this article, we'll help you figure out whether you do or don't.

In January of last year, the CenterPoint Energy/Entex natural gas utility embarked on a new program allowing its business customers to choose a different, lower-cost natural gas supplier. Prior to this initiative, no competitive choices were available for smaller natural-gas-using business customers. But that has all changed: a percentage of Houston-area businesses can now save money on energy costs by buying their natural gas directly from another gas provider rather than from the utility. Keep in mind, however, that this option to switch natural gas



providers is not aimed at or available to the residential market; for the time being, it is open to business entities in the CenterPoint Energy territory. And there is a catch: businesses must meet a minimum-usage requirement to be eligible to switch to a new provider.

So, what's the minimum usage?

CenterPoint Energy customers who use at least 3,650 Mcf (thousand cubic feet) of natural gas per year, per meter—an average of 10 Mcf/day—are eligible to switch from CenterPoint Energy/Entex to a lower-priced competitive provider. This relatively

new minimum threshold of gas usage is far lower than the previous low threshold (25 Mcf/day).

Customers taking advantage of this alternative-provider option can realize several benefits. The most obvious is cost savings. Using the option would, on average, save a typical

business about 15 to 20 percent annually in natural gas expenses. If, for example, a business is spending \$5,000 per month on natural gas, it could save roughly \$9,000 to \$12,000 per year, which isn't chump change. Local Houston businesses that are intensive natural gas users include apartment complexes, condominium complexes, large office buildings, shopping malls, hotels, restaurant chains, large food producers, manufacturing firms, and industrial users, just to name a few.

Additionally, this alternative-provider option allows a business direct control of its commodity-pricing decisions.

Here's how it works: When a business buys natural gas directly from the utility, in this case Centerpoint Energy/Entex, it is buying a "bundled service" under which the utility handles all phases of moving natural gas to the customer, including purchasing the customer's natural gas. When a customer buys natural gas from a competitive gas supplier, however, a portion of the utility's rate components are unbundled and charged separately.

Customers who choose to participate in the competitive-choice program pay the utility only for local gas transportation. The utility still transports the customer's gas, similarly to the process involved in purchasing electricity in Texas. However, the largest component of a business's natural gas bill is the actual cost of the natural gas itself. Buying from a competitive supplier allows the customer to receive a custom rate based on its own actual energy use, rather than the rate paid when bundled with all other utility customers.

Additionally, customers have options for both price and volume. Customers can elect to pay an "index price" that floats with the market, in which case their price would go up or down monthly depending on market fluctuations. There is also the daily cash or "spot" price, which changes daily based on the demand for natural gas on that particular day.

Customers can also lock in a "fixed price" for future months based on current market prices for set monthly volumes. This is the most popular pricing option. This fixed-price time period can range from two months to several years. Common fixed-price periods are one year and the "winter strip" (November through March). In this case, regardless of whether the future market price increases or decreases, the customer

pays the fixed price for the requested volumes, which is especially helpful for budgeting a customer's natural gas costs.

Natural gas customers may choose a combination of the above pricing mechanisms to tailor supply and pricing requirements to business needs and, as a result, maximize the value of their natural gas consumption. But given that natural gas prices are currently at near-record lows, many customers consider the idea of locking in a fixed-rate price for natural gas for a multiyear period to be a no-brainer.

According to the CenterPoint Energy transportation department, hundreds of thousands of eligible commercial accounts meet this new annual-load threshold. Commercial customers needn't worry about selecting from dozens of providers, however; currently, only a handful of suppliers are actively marketing to these commercial accounts.

Additionally, a customer using the alternative-provider option must have a telemetry meter device, similar to a smart meter. The meter is installed by CenterPoint, billed to the new gas supplier, and then billed to the consumer. The telemetry device uses a dedicated telephone line so that real-time usage data is available to the new gas supplier at any given time. The savings realized in the lower price for natural gas far outweigh the cost of the telemetry device, which is included as a line-item expense on the provider's bill.

The efficiency of the deregulated electricity market in Texas offers a successful business model for other areas of the U.S., as well as parts of the world that are moving toward a deregulated energy market. Now that some businesses can lock in ultra-low rates on natural gas, it appears that the bottom line on energy expenses just improved notably in the Houston area. Texas leads the way again! **N**

Alan Lammey has 15 years of experience as an analyst and journalist on the topics of crude oil, natural gas, power markets futures, basis and options markets. For seven years, Alan has also hosted a radio program, Energy Week, on Houston's NewsTalk 1070 AM. Alan can be reached via his website, www.TexasEnergyAnalyst.com, or at alammey@TexasEnergyAnalyst.com.

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