

Yankee Gas

Update:

Making Natural Gas Deregulation a Competitive Advantage For Business.

SUMMARY.

Since April of 1996, businesses in Connecticut have had a choice of how they buy natural gas. While the deregulation of commercial and industrial natural gas markets has allowed market forces to operate in the natural gas business, many companies have not discovered how to make deregulation work to their advantage. As competition among natural gas marketers increases, opportunities exist for Connecticut businesses to realize cost savings by becoming more savvy about how they purchase natural gas for heating, cooling, cooking and generating power.

BACKGROUND.

The Federal Energy Regulatory Commission (FERC) issued Order 636 in April 1992, requiring pipeline companies “unbundle” the sale and transportation of natural gas to local distribution companies (LDC) like Yankee Gas. Since Order 636, LDCs are able to purchase natural gas from entities other than pipelines, and they pay

the pipeline only for the infrastructure necessary to transport natural gas to the point where it is used. In 1996, that same choice – the option to purchase natural gas from a company other than the traditional supplier – was extended to commercial and industrial customers in Connecticut. This is similar to the deregulation of phone services: Consumers choose their long distance service but still pay their local phone company for the use of the lines that carry the calls.

YANKEE RATES FOR NATURAL GAS VS. OTHER SOURCES.

Under deregulation, businesses can still purchase natural gas through their LDC. Yankee Gas, however, does not, by DPUC regulations, earn a profit on its sales of natural gas – it is only allowed to profit from the distribution of it. So consumers who work directly with a natural gas marketer to purchase natural gas do not have an adverse effect on Yankee Gas’ net revenues.

Yankee Gas must calculate its price for the natural gas commodity based on average usage across its customer base, including both large and small businesses. Businesses working directly with a marketer, particularly those using large amounts of natural gas consistently throughout the year, may be able to achieve savings when the marketer figures its charge based only on that particular business’ actual overall usage.

WHEN SHOULD A COMPANY USE A NATURAL GAS MARKETER?

Gas marketers can offer natural gas at competitive rates because they can price natural gas according to a company’s requirements and are not regulated by state or federal agencies.

Here are some criteria companies often consider when deciding whether to use a gas marketer:

Time. Analyzing competitive bids takes time. There are many issues that need to be addressed in selecting and maintaining a relationship with a natural gas marketer. A company must ensure the anticipated savings offset the time spent managing the process of retaining a marketer.

Energy loads. A firm's load profile is its total natural gas consumption and how steady that consumption is over the course of a calendar year. A company that shifts to greater natural gas usage for cooling as well as space heating and hot water, therefore using natural gas consistently over the course of the year, is a more attractive customer to a marketer and may realize a better price.

EVALUATING A GAS MARKETER'S BID: PRICE.

Marketers submit a bid or contract for a company's business. Companies often request multiple bids from different marketers to get an overview of the competitive environment and ensure the best choice for their organization. Contracts vary in pricing, terms of service, length of service, and contingencies for failure to meet the terms of the agreement. Any company considering signing an agreement with a gas marketer should be certain the marketer has signed an agreement with the company's LDC. For Yankee Gas customers, a current list of approved marketers can be found on the Yankee Energy System web site, www.yankeenergy.com*. These marketers have gone through DPUC registration procedures as well as Yankee Gas registration.

OTHER PRICE-RELATED ISSUES INCLUDE:

Fixed vs. flexible pricing. Gas secured through a marketer may be sold at a fixed price or may change in accordance with a price point determined by a third party. It also is possible the price may change monthly, seasonally, annually, or longer.

* After accessing the Yankee Energy System web site, choose "Yankee Energy Companies," then "Yankee Gas," and, finally, "Marketer's Corner."

Cost comparison. A natural gas bill typically consists of charges for the natural gas commodity and costs for delivering it. A cost savings analysis should be based only on the cost of natural gas, not its delivery, which a company will continue to pay to the LDC regardless of how natural gas is purchased.

Terms. A business can negotiate a contract with a marketer of any length and flexibility to accommodate a change of usage requirements. However, a business may need to remain on its transportation rate with its LDC for a specific period of time. For Yankee Gas customers, this period of time is one year. Businesses switching to a new gas marketer should contact their LDC to coordinate the switch. The LDC will want the switch to take place on a certain date and will require that the new marketer have a signed agreement with the LDC.

Note: With written permission, some LDCs (such as Yankee Gas) will provide a marketer with a company's gas usage history. Credit and billing history are not presented in this profile.

Billing. If a business chooses to purchase its natural gas through a marketer, it may have up to three options in how billing is presented. It can receive separate bills – one for natural gas from the marketer and one for delivery charges from the LDC. It could also receive a single bill from either the marketer or the LDC representing both charges. If a single bill is chosen, the customer sends payment to either the marketer or the LDC, which then pays the other party. Companies are encouraged to call their LDC to see what options are available in their particular area.

FOR MORE INFORMATION.

For more information on how natural gas deregulation can work for your business, call your Yankee Gas account representative or the Yankee Energy Business Response Center at 1-888-2YANKEE. For more information on natural gas, visit the Yankee Energy System web site, www.yankeenergy.com.