

Gas market's promise is hot air to small firms

Dereg brings turmoil, few savings

BY VIRGINIA CITRANO

There are many details of gas deregulation that just aren't clear to Don Posner.

The chief financial officer for Clean Rite Centers switched to new

Mr. Vazquez's contract should save Ark \$40,000 compared with last year's bills. But that may be due simply to the elimination of the state sales tax: Users who buy from a marketer do not pay the 8.25% sales tax on the delivery of the gas. Some customers are worried that savings could disappear if there is a change of heart in Albany, and some marketers are worried that they will lose customers if those are the only savings they can deliver.

Marketers sign up

It was the size of the small business market here that compelled more than 40 marketers to sign up to serve the Con Ed, Brooklyn Union and Lilco territories. Some are start-ups; others, like PG&E, are subsidiaries of national utilities, such as California's Pacific Gas & Electric.

Some of the marketers have prospered. Saul Horowitz, president of Wesley Hills, N.Y.-based Econergy Inc., has close to 4,000 customers, although he had thought he'd have only 1,500 at this point. He's now positioning his company to supply both electricity and telephone service as well.

Ira Solomon, on the other hand, has said goodbye to New York. He says his Carlstadt, N.J.-based Garden State Natural Gas never made money in the city because the price cut he could give to customers was "just too small." According to statistics from the PSC, most of the unregulated gas marketers have fewer

gas suppliers during the last year. But he can't figure out whether he's saving any money for his Queens-based laundromat company or why his billing cycle has gotten shorter. There are mysterious charges on his

statements. And for the moment, he can't remember the name of the second of his two suppliers.

"I have switched at least once, and I'm sure I'll switch again," Mr. Posner says.

Welcome to the promise and the pitfalls of gas deregulation in New York. Two years into the change,

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Management and Leasing. He maintains detailed records on the infrastructure in the 10 million square feet of office and retail space that Compass manages, and so sees no need for an outside audit. "To reach these savings, you need to understand your building."

Auditors will also create what is known as a load profile for a business customer. They look at approximately two years of bills and analyze how much energy is being used, as well as when and how it's used. To create load profiles, some consultants will install meters that monitor use. Sometimes clients are overpaying or are using electricity and gas at expensive times.

Too confusing for most

"Doing this analysis is the basis of an audit," says Richard Fuller, president of Great Forest Inc., a Manhattan-based recycling adviser that has expanded into energy

consulting. "This is just figuring out the existing Con Ed bill. Most people don't look at their bill. They just pay it. It's just too complicated for most people."

Most auditors use their own computer software and examination

'The basic audit is the same, but the recommendations we consider have changed,' says one energy engineer

methods to analyze the bills. This part of the consultant's work can be pivotal when a client is considering buying deregulated gas because most gas suppliers base their charges on projected use. And they will hit

more companies have signed up with an unregulated gas supplier, but they still represent only a fraction of the gas market here. Confusing bills are making it hard to see savings, except on sales taxes.

While a few of the barriers to entry for the new marketers have been eased, transportation and distribution costs remain high. As a result, some companies have stopped serving New York, and many users are still on the sidelines, sorting through mountains of brochures.

According to the state Public Service Commission, there are now 19,088 small customers signed up with energy marketers. That figure is

up from 6,855 last year at this time, but it is less than 1% of the 2.6 million customers in the Consolidated Edison, Brooklyn Union and Long Island Lighting Co. service areas.

Help for restaurants

Deregulation was supposed to be a boon to heavy gas users, such as restaurants and dry cleaners. It would allow small businesses to do what big companies had long been able to do: shop around for cheaper natural gas. And gas deregulation was supposed to be the ice-breaker for the electricity competition that begins next month.

As director of facilities management for Ark Restaurants, Joe Vazquez buys gas for 15 Manhattan restaurants. He talked to eight different marketers before settling on PG&E Energy Services Inc. in February. Mr. Vazquez demanded not only a good price for his gas, but also a single bill for all his restaurants that shows how much energy each uses. "And one contact person," he adds.

Fewer than 20,000 small clients are with deregulated gas suppliers, which doesn't bode well for electricity deregulation

customers with penalties if the customers underestimate or overestimate demand.

New equipment, suppliers

After the audit, which can take up to a month, consultants will recommend new ways to use energy, different equipment and, possibly, other energy suppliers. Consultants also may develop a long-term strategy for the client, which usually includes a continuing analysis of the customer's energy use and investigation of alternative suppliers.

"The basic audit is the same, but the recommendations we consider have changed," says Adam Procell, an energy engineer at Manhattan-based Harris Energy Systems, a consulting firm. "We hope to develop an energy program so that (the customer) will have a payback. ... You don't want to get stuck. You have to plan around the way fuel could become a high cost in the future." ■