

In the '80s, even gas company must compete

By Tim Richard

Selling natural gas sounds easy. You're a utility — no competition. Just pump the stuff, send out bills and grow with the economy.

"We're very competitive," says the dissenting voice of Edgar L. (Ed) Doss. He is in the metro region general manager's office at Consumers Power Co., and he repeatedly used the word "competition" in talking about the big changes in his industry.

There's competition with oil . . . competition with Detroit Edison's electricity . . . competition across city boundaries with MichCon . . . competition to buy from the cheapest sources.

"In order to grow, we're going to need not only a major portion of the new construction, but to convert customers from other fuels," said the Rochester Hills resident.

HIS REGION — most of Oakland County; southern Macomb; and Livonia, Plymouth, Westland and Wayne in the Wayne County suburbs — serves 51 percent of Consumers Power's 1.2 million statewide gas customers. (Outstate, Consumers also sells electricity.)

"In the 1950s, the federal government set an artificially low price ceiling for gas at the wellhead. Producers were miffed," Doss began.

"Then the North Sea opened up, and rigs went there from the Gulf of Mexico. The Arab oil embargo began in 1973. Gas was tight. People tried switching to alternative fuels.

"When the oil embargo hit, we (Consumers) were selling 350 billion cubic feet annually. Now we're at 270 BCF. So we're looking for new markets — water heating, drying, cooking, lighting.

"In 1976, the federal government began to deregulate," said Doss, describing a process that extended over several years. "Basically, today

'In order to grow, we're going to . . . to convert customers from other fuels . . . We're picking up (former) oil customers . . . We're going to raid Edison's market.'

— E.L. Doss
Consumers Power Co.

we're a supply and demand industry.

Consumers is strictly a distributing company, picking up natural gas from a transmission company at White Pigeon, Mich., on the Indiana border.

It negotiates contracts of 15-25 years with pipeline suppliers, who in turn buy from producers on a "take-or-pay" basis: You pay even if you don't use it all.

Enter: a new form of competition.

LARGE FUEL users find they don't have to buy retail at state-regulated prices from Consumers. They can negotiate lower prices for short-term supplies with producers. At first that sounds like bad news for local utilities like Consumers. But wait. The big customers still must find someone to pipe that gas to their plants.

"We're encouraging it," Doss said. "FERC (Federal Energy Regulatory Commission) says pipelines and distribution companies should be common carriers. So a customer hires a pipeline and distribution company to transport his gas. We're paid a fee, but we never own the gas.



"We're picking up (former) oil customers," Doss said. In his metro region, Consumers carries gas for 250 such customers

— large schools, Beaumont Hospital, Somerset Apartments, several auto plants.

TAKE OAKLAND County's Service Center in Pontiac, for example. The county can choose between burning either oil or gas. And it can choose between Consumers' "system" gas and "transportation" gas that Consumers just carries.

Last year Consumers carried 12 percent of its volume as "transportation" gas. "We're forecasting that will go to 18.5 percent in the 1987 calendar year," adds Michael Bridges, company spokesman.

Right now there's a "gas bubble," an oversupply that is bringing down prices, Doss said. Home heating prices are coming down.

"WE'RE LOOKING to new markets."

"We're putting a proposal for customers with gas lights in their front yards that we're going to start mar-

keting next spring. Frankly, we're a very competitive method of security lighting."

"In the commercial and industrial sector, propane dealers have provided construction heat during the winter phase. We're actively and aggressively seeking that business. We can beat the propane cost."

Doss, 46, joined Consumers in 1965 after earning a degree in civil engineering from the University of Wisconsin and rose to energy services manager.

Along the way, he picked up a master's degree in management

from Central Michigan University and was promoted to regional general manager in July of 1986.

He served on the Rochester Board of Education and was its president in 1985-6. Other activities are with Kiwanis, his city's economic development corporation and the local chamber of commerce.

"It's going to be an exciting time," said Doss. "Our CEO (William T. McCormick Jr.) believes utilities are market driven."

"We're going to bring more industry into the area. We're going to raid Edison's market."

FRANK H. BOOS GALLERY AUCTION



The October auction features important paintings by Josef Brandt, the 19th century American painter, John Mix Stanley, Max Gaisner and Edward Kinter. Some other artists represented are L. Heron, C. DeAngelis, A.D. Trecker, L. Griset, J. Hersch, R. Wood, and V. Zilla.

Graphics collectors will find works by Thomas Hart Benton, Paul Germaine, Marc Chagall, Louis Ratt, Rousseau, Kert, Marie Laurencin, Manuel Robbe, John Sloan, Moses Suter and Raphael. Next, antique oilers.

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Also offered are Russian objects of vertu, porcelain, Oriental art glass, art posters, bronzes, fine furniture, antique smoking accessories, silver, a diamond necklace containing approximately 100 carats of round cut diamonds, a 10+ carat emerald cut diamond ring, a 4.0 carat pear shaped diamond ring, Royal Doulton, Hummel, a 1969 Mercedes 240 sedan and much, much more.

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Wed., October 21 - 12 noon - 6 p.m.
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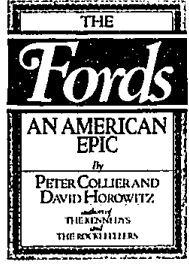
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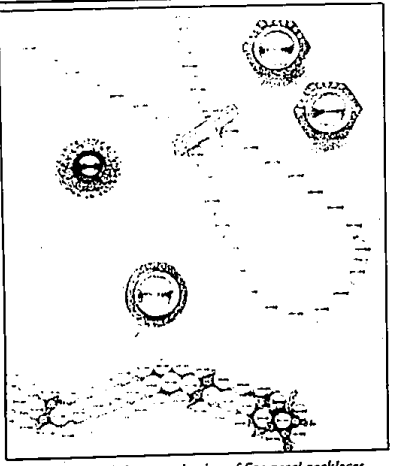


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