

Natural Gas Procurement

Indianapolis hotel reduces natural gas costs with new tariff rate and competitive supply agreement



Tradition helps an Indianapolis hotel generate a cost savings of approximately \$25,000 annually.

Services Provided

- Market Research & Intelligence
- Strategic Risk Management
- Supply Management & Procurement: Natural Gas
- Tariff Rate & Tax Analysis

Opportunity

- A large hotel in the downtown area of Indianapolis was experiencing large monthly variances in their natural gas unit costs and observing increases in their utility budgets.

Approach

- Tradition proposed an audit of the most recent 12+ months of electric, gas, and water/sewer invoices as well as an investigation into competitive purchasing options for natural gas. The management of the hotel provided copies of utility invoices and information regarding major drivers of consumption.

Analysis

- After a thorough review of invoices, usage patterns, and published utility rate schedules, Tradition developed the following findings:
 - ✓ Electric accounts were on the correct rate schedules, but low Power Factor was resulting in increased monthly charges. This prompted a discussion of possible causes and solutions to the issue.
 - ✓ Water and sewer billings were correct.
 - ✓ Natural Gas unit cost variances were driven by the Citizens' Energy Normal Temperature Adjustment Rider. This rider can be a charge or a credit and can result in large swings in unit costs when temperatures are colder or warmer than average during the heating season.
 - ✓ The hotel had sufficient year round natural gas load to qualify for the D5 distribution rate. Tradition's analysis, confirmed by Citizen's Energy staff, indicated a **cost savings of approximately \$25,000 annually** could be realized from switching from the D4 to the D5 distribution rate.
 - ✓ The hotel's natural gas load pattern was consistent enough to allow for competitive purchasing of natural gas commodity.

Results

- Tradition Energy analysts worked with the management of the hotel and Citizen's Energy to move the large natural gas account at the hotel from the D4 to the D5 rate.
- Since the D5 rate requires the customer to take competitive gas supply, Tradition arranged an RFP among gas suppliers and facilitated a contract for gas commodity supply between the hotel and a competitive natural gas supplier.
- Based on present information, **the hotel expects to reduce their energy spend as well as monthly volatility in unit costs** based on the work plan executed by Tradition Energy.