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Don't get burned by bad deals in natural gas market

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By David Kolata

Let's face it, a lot of people like to gamble. And, you have to admit, an occasional trip to the blackjack or poker table can be a lot of fun.

But there's one bet you should beware of: switching natural gas companies.

If you've been approached by one of the new, unregulated gas suppliers, like U.S. Energy, Nicor Advanced Energy or Santanna Energy Services, you know the story. They're on the phone, in the mail and going door to door across the Chicago area peddling plans that offer "peace of mind" from skyrocketing heating bills by "locking in" natural gas prices for up to five years.

Given the volatility of energy markets lately - and the natural gas market in particular - who doesn't want "peace of mind" from soaring natural gas bills?

It's a comforting thought.

But these plans offer anything but comfort. In fact, they're downright risky.

That's because when you opt for an unregulated supplier, you're actually betting on the future price of natural gas. In order to save, gas prices will have to climb higher than the monthly price you're paying, and then some.

How good a bet is that?

A terrible one, according to the Citizens Utility Board's Gas Market Monitor, found at www.citizensutilityboard.org.

The monitor is a one-of-a-kind online tool that tracks the offers of unregulated natural gas suppliers and compares them to utility prices.

That analysis shows 93 percent of the deals offered by these new suppliers so far are money losers for consumers. And the losses are huge, an average of \$270-plus during the life of the plan.

Has anyone saved money by switching gas suppliers? In the four-year history of the program, a few customers have. But at the prices being offered today, you've got a much better shot at the blackjack table.

For example, one aggressive marketer is selling a plan that locks customers in at \$1.18 per therm for four to five years. The Chicago area's natural gas prices have spiked that high only once in Illinois history - for a single month in 2005. The September price for Peoples Gas and Nicor is almost half that, 64 to 66 cents per therm.

Of course, you need a crystal ball to accurately predict natural gas prices.

But based on the track record, it's clear the unregulated suppliers are charging a huge premium for their service, and your chances of saving money with them are slim to none.

But three simple rules can protect you from getting burned in the natural gas market: Don't give out your account number or personal information to any sales person at the door or over the phone; don't sign up for any new gas plan on the spot; and ask your utility to put you on their "Do Not Market" list if you don't want to be bothered by telemarketers or door-to-door natural gas salespeople.

And, if the gambling bug bites you, head to the casino. It'll be a lot more fun and probably a lot less costly.

Citizens Utility Board executive director David Kolata writes a consumer news column the last Wednesday of each month. To reach CUB, call (800) 669-5556 or e-mail info@CitizensUtilityBoard.org.

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