

Home heating wars

As prices drop, heating oil companies aggressively seek a larger market share

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Heating oil companies never stopped touting their product as a viable home heating option. The case just became more difficult when oil prices hit the stratosphere.

The recent slide in oil prices, however, has created an opening for Portland heating oil businesses. Now they're stepping up their efforts to regain ground from natural gas companies.

"We're back in the game," said Molly Brady, president of First Call Heating & Cooling Co., the Portland area's largest heating oil dealer.

Over the past three decades, the natural gas industry has overtaken home heating oil as the region's primary source of heating fuel by touting it as clean and efficient, Brady said.

By extension, that branded heating oil as dirty and wasteful.

"The one card we always held was that heating oil was less expensive than natural gas and always has been," Brady said. "Once the tables turned on the price and natural gas was less expensive, they just went after our market with a vengeance."

Now the tables have turned again.

A statewide survey of heating oil prices released last month by the state Department of Energy shows that the statewide price for heating oil in January dropped 27.7 percent from a year earlier, to \$2.11 per gallon. The Portland-area price of \$2.01 per gallon was a 30 percent drop from the previous year.

The price of natural gas, meanwhile, has risen gradually over the past decade.

Northwest Natural Gas Co.'s monthly residential service rates jumped from about 87 cents per therm in 2002 to \$1.39 per therm as of January, according to rate information on the company's Web site.

Sensing an opportunity, the heating oil industry is using the Web site Oregonoilheat.com to battle what it calls "common misconceptions."

Those include the notion that heating oil is a dirty fuel, claiming instead that it produces fewer greenhouse gases than natural gas systems.

The Web site also promotes a telephone help line, sponsored by the Oregon Petroleum Association, where customers, home buyers and real estate agents can ask questions about oil-based heating systems.

The industry is particularly targeting Realtors, who Brady said have played a major



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Molly Brady, president of First Call Heating & Cooling, Portland's largest heating oil dealer, spearheaded a campaign to help home heating oil companies win back customers.

HEATING OIL VS. NATURAL GAS

HEATING OIL:

Roughly 125,000 Oregon homes used oil heat in 1990. By 2000, that dropped to 100,000, according to the National Oilheat Research Alliance.

NATURAL GAS:

A little more than 400,000 homes used natural gas in 1995. That's since grown to more than 600,000, according to the Public Utility Commission.

She also said gas is a more versatile commodity that can be used to fuel appliances from water heaters to clothes driers to barbecues.

"We simply believe we have a superior product environmentally and from a performance standpoint," Heiting said.

As to the heating oil industry's efforts, "we understand. They're in a business to compete.

role in perpetuating the notion that installing natural gas systems improves the resale value of homes.

"I do a lot of presentations and training sessions with real estate offices," she said.

Kim Heiting, a spokeswoman for Northwest Natural Gas, said the gas industry still retains an inherent advantage over oil — price stability.

While heating oil prices are subject to global market conditions that in the past have caused crude oil prices to skyrocket, natural gas rates are set by state regulators.

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Kim Heiting

Northwest Natural Gas spokeswoman

I don't hold it against them."

Some heating oil companies take a similarly good-natured tone when it comes to their rivals, despite how the loss of business has hit them.

"I don't hate natural gas. It's not like there's anything about the gas industry or their product I think is bad personally," said Mike Priestley, the third-generation owner of Priestley & Sons Oil LLC in Lake Oswego.

"Natural gas has cut into our industry and it has personally taken a lot of my customers away, probably over the years hundreds of them," he said. "But I still have about 3,000 customers I do per year and quite honestly my customer base grows per year."

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