

Opening energy door

PITTSBURGH

New program to provide funding for brokers

Two local minority chambers of commerce are debuting a US Department of Energy program in Pittsburgh that uses a unique financing mechanism aimed at creating more minority- and women-owned businesses in the energy

The DOE and the National Energy Technology Laboratory

ern Pennsylvania and the Hispanic Chamber of Commerce in Western Pennsylvania are expected to announce on Nov. 9 a program aimed at providing access for those groups to enter the market as commodity traders also known as brokers.

Energy brokers, whose ranks have proliferated with the onset of utility deregulation, provide access to gas and electric supplies in the same way that mortgage

A mortgage broker can provide home buyers with more lending sources, just as an energy broker can provide energy buyers with a choice of energy suppliers. More choices often lead to lower rates, even after brokers collect their commissions.

Doris Carson Williams, president of the African American chamber, said financing is the biggest barrier to women-and minority-owned firms getting into energy commodities trading.

"There are a number of people who are interested, but they just can't penetrate the market because they don't have the resources," Ms. Carson Williams said.

"It's a closed industry unless you have the contacts and the cash available."

See ENERGY, page 65

20 PITTSBURGH BUSINESSES

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ENERGY: Financing is just first hurdle in brokering business, industry vets say

From page 1

PLAN OF ACTION

The African American and Hispanic chambers approached the DOE about creating a way to bridge the funding gap. So, the department built on an existing program that had been established to educate women- and minority-owned firms about doing business in the natural gas industry.

The adapted program, for which the African American and Hispanic chambers are acting as local sponsors, now features a fund-transfer agent agreement that provides financial backing without the need for fledgling brokers to obtain credit lines. Under fund-transfer agreements, energy buyers make payments for products into special bank accounts at local participating banks. Those financial institutions then pay the energy suppliers — and the brokers — from the same accounts. The local DOE program apparently marks the first time one of these transfer agreements will be used in Pennsylvania for the gas industry. "This ensures everybody gets paid right on time. This streamlines the process and makes it easier for them to not only get into the market, but to be successful," Ms. Carson Williams said. "We're opening up a whole new market. We only have one or two in a region."

ELT Trading Inc. as one of the few minority-owned energy brokers that has been able to succeed.

ELT President Frank Torbert Jr. said it was difficult to break into the business, but he was helped by his own background and contacts in the coal industry. ELT, founded in 1994, specializes in coal and natural gas commodities.

"I think for most brokers, it is extremely difficult to get into, largely because of the need to have suppliers to support you, and I think there may be a bias against minority brokers by the buyers," Mr. Torbert said.

The fund-transfer agreements will help change that, he said.

Through the agreements, new brokers are able to buy and sell energy, while developing ongoing credit relationships with lenders and greater access to energy markets.

At the same time, suppliers are assured of payments, gain access to new and niche markets and increase their sales to women- and minority-owned businesses. Buyers, such as corporations or government agencies, gain access to more suppliers and get lower prices on their utilities.

The banks involved have opportunities to gain new customers, expand in new markets and meet requirements under the federal Community Reinvestment Act, which seeks to ensure financial institutions meet the credit needs of their communities — especially minorities and women. Their records in meeting those needs are consid-

ered when those institutions apply for deposit facilities and mergers and acquisitions.

Ms. Carson Williams said the chambers are discussing fund-transfer agreements with local banks, but declined to say which ones.

The local program initially will focus on brokering for the natural gas industry, but could eventually branch into other forms of energy, such as coal and electricity.

Mr. Torbert said he welcomes competition. "There's enough out here for everybody," he said. "It's who's willing to out-work who. That's the nature of capitalism."