NATURAL GAS COMPETITION IN GEORGIA
Markets, Challenges & Innovation

Kevin Greiner, President & CEO, Gas South

NARUC CONFERENCE
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GAS SOUTH AT A GLANCE

**Customer Count**
- 2006: 160K
- 2015: 280K

**Georgia Market Share**
- 2006: 12.3%
- 2015: 20.7%

**Net Income**
- FY07: $2.7M
- FY15: $15.8M

**Employees**
- 2006: 50
- 2015: 200
NATURAL GAS BUSINESS IN GEORGIA

- Deregulation legislation passed in 1999, and Atlanta Gas Light elected to “unbundle”

- All 1.6m customers in the AGL service area must choose a marketer; AGL is not a supply option

- Gas South is one of 13 natural gas marketers certified by the PSC
NATURAL GAS BUSINESS IN GEORGIA

- SALES & MARKETING
- BILLING & COLLECTIONS
- CUSTOMER CARE
- GAS TRADING
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- INFRASTRUCTURE O&M
- FIELD SERVICES
- "TRANSACTION HUB"

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CUSTOMERS

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OPPORTUNITIES & CHALLENGES IN COMPETITIVE RETAIL MARKETS

• Service for low income and credit challenged customers
• Rate plan innovation & differentiation
• Ancillary products & services
• New sales & marketing channels
SERVICE FOR LOW INCOME AND CREDIT CHALLENGED CUSTOMERS

• In a competitive market like Georgia’s, it is not financially sustainable to have an “obligation to serve”
  – The natural gas marketers are responsible for all billing and collections
  – Bad debt cannot be recovered through the rate base
  – Deposits are limited by regulation and cumbersome to administer

• All marketers require a credit check to assess creditworthiness and to verify identity before enrolling a new customer

• Thus, a competitive market needs to solve for this issue of access
SERVICE FOR LOW INCOME AND CREDIT CHALLENGED CUSTOMERS (CONT’D)

• In 2002, Georgia’s PSC established “Regulated Provider” service to serve low-income and credit-challenged customers
  – This service is administered by one of the natural gas marketers under oversight from the PSC

• In 2008, with PSC approval, Gas South introduced a rate plan specifically designed to serve customers with low or poor credit: Pay-As-You-Go®

• PAYG provided credit challenged customers a choice of provider for the first time in our market
  – Other marketers subsequently developed their own offerings, which has increased options for underserved communities
Regulated Provider customers have declined due to more robust competition for credit-challenged customers since 2008.
RATE PLAN INNOVATION

- Pay As You Go and competing “pre-paid” plans have provided credit challenged customers with choices.

- A key advantage of a competitive energy market is being able to fix your rate per unit:
  - Most GA residential customers now receive gas service on a fixed rate plan.

- More exotic residential rate plans (e.g., flat bill, variable capped rates) have had a mixed track record.

- Mid-sized and large commercial customers receive service on fixed and NYMEX-linked rates.
ANCILLARY PRODUCTS & SERVICES

• Ancillary services have not been a major focus in Georgia

  ▶ Home Warranty
  ▶ Security Systems
  ▶ Energy System Installation & Financing
  ▶ Energy Management

• Texas REPs appear to have more robust offerings in these areas
NEW SALES & MARKETING CHANNELS

• Georgia has seen very robust competition and innovation in channel partnerships
  ➢ Electric and water utility co-marketing
  ➢ Points-based loyalty programs
  ➢ Affinity programs with other service providers, schools, non-profits
  ➢ Home services aggregators
  ➢ Brokers and consultants
  ➢ Multifamily property managers

• Multi-level marketing business models, which are common in TX, have never taken off in Georgia