



NATURAL GAS COMPETITION IN GEORGIA

Markets, Challenges & Innovation

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NARUC CONFERENCE

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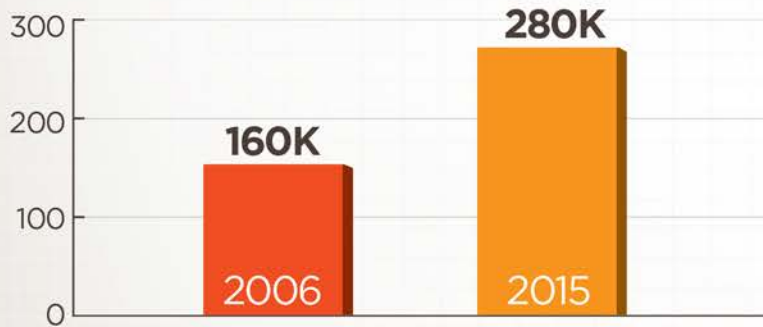
GAS SOUTH



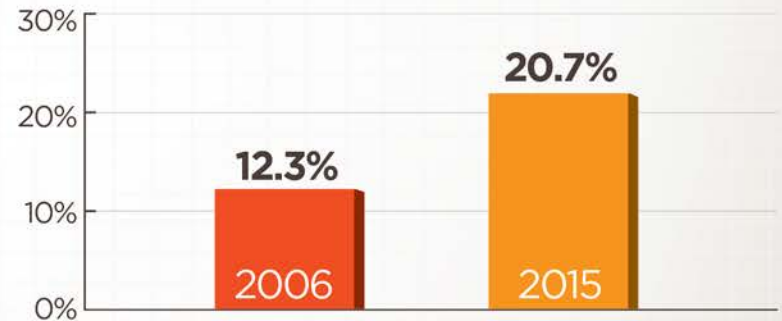
GAS SOUTH AT A GLANCE



Customer Count



Georgia Market Share



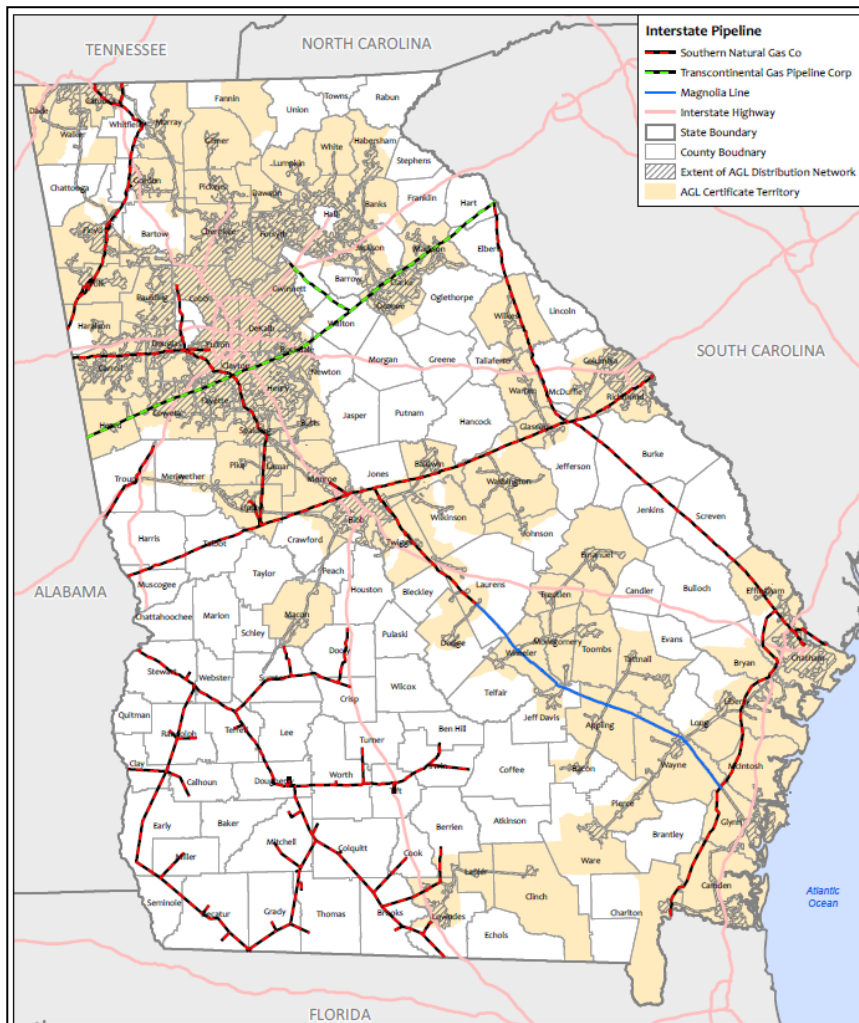
Net Income



Employees



NATURAL GAS BUSINESS IN GEORGIA



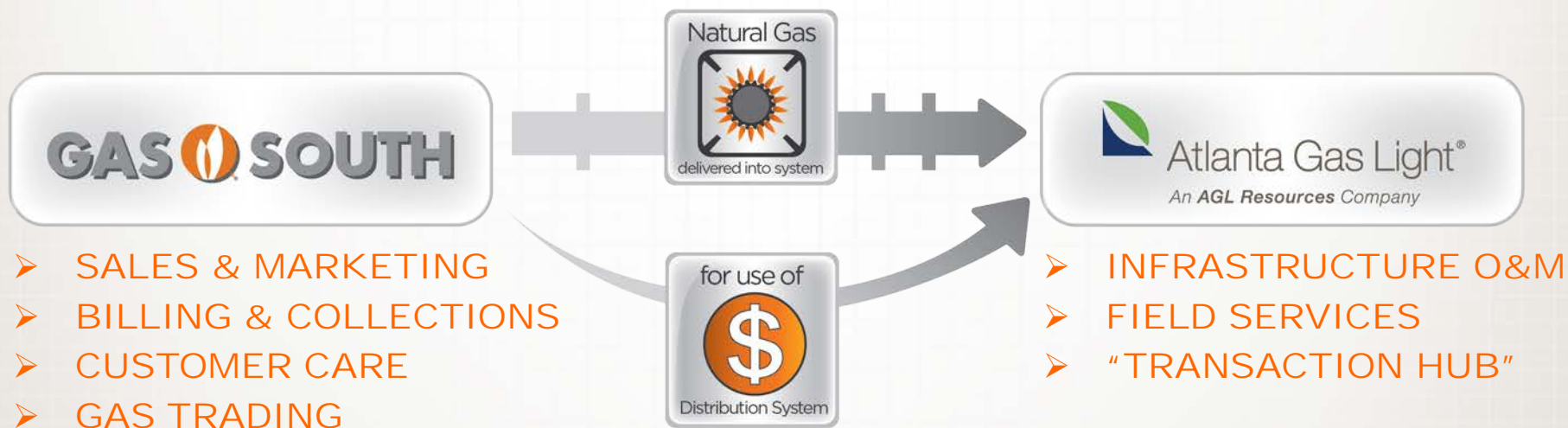
- Deregulation legislation passed in 1999, and Atlanta Gas Light elected to “unbundle”
- All 1.6m customers in the AGL service area must choose a marketer; AGL is not a supply option
- Gas South is one of 13 natural gas marketers certified by the PSC

NATURAL GAS BUSINESS IN GEORGIA

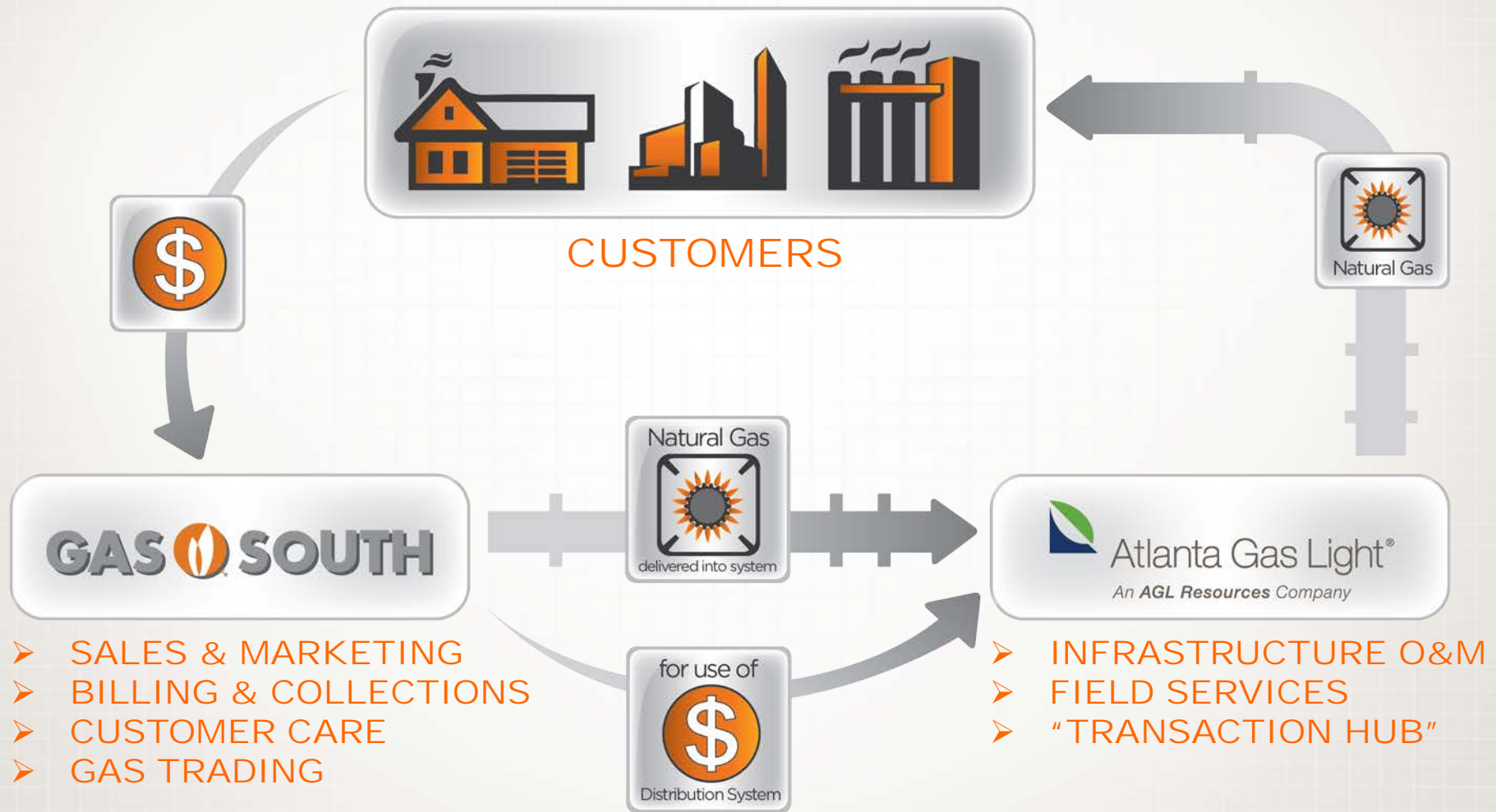


- SALES & MARKETING
- BILLING & COLLECTIONS
- CUSTOMER CARE
- GAS TRADING

NATURAL GAS BUSINESS IN GEORGIA



NATURAL GAS BUSINESS IN GEORGIA



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

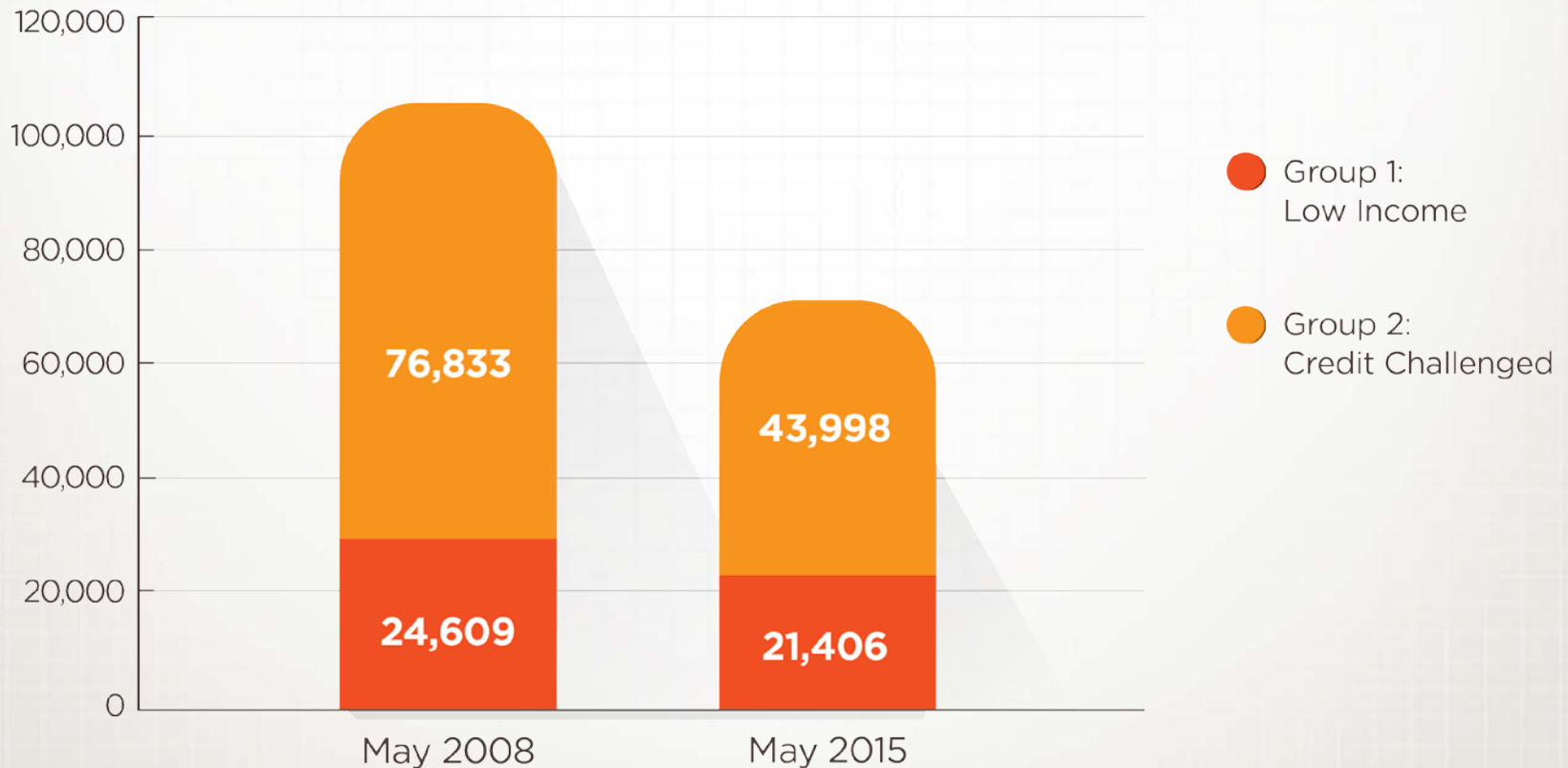
- In a competitive market like Georgia's, it is not financially sustainable to have an "obligation to serve"
 - **The natural gas marketers are responsible for all billing and collections**
 - **Bad debt cannot be recovered through the rate base**
 - **Deposits are limited by regulation and cumbersome 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 CUSTOMER COUNT

- 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**



➤ **Energy System
Installation
& Financing**



➤ **Security
Systems**



➤ **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



THANK YOU!

GAS  SOUTH

