

Gas South Carves Its Niche As Marketing Leader In Georgia

By Jeff Share, Editor

Natural gas marketing has taken on a life of its own after most state deregulated sales of the valuable commodity during the late 1990s. One of the states that received widespread publicity for deregulation's successes and failures was Georgia.



Kevin Greiner

As the marketing segment has quietly evolved, several of the stronger companies have stepped to the forefront of the business, thanks to carefully planned strategies specifically designed to meet the needs of customers, be they residents, commercial or industrial. Those strategies have to start from creative and determined leadership because ultimately the chief executive officer bears the responsibility for that company's success or failure. And as has been seen too many times — including in Georgia — an ill-conceived strategy blackens the reputation of the company and the industry as a whole.

Led by CEO Kevin Greiner, Atlanta-based Gas South — once a subsidiary of electric generation giant Southern Company — has emerged as one of Georgia's largest natural gas suppliers with a quarter-million residential, business and government customers across the state.

As an example of how it does business, Gas South and the City of Norcross last month formed a strategic marketing alliance that enables local residents and businesses to receive discounted natural gas rates. Residents are eligible for discounts of 2 cents per therm off all of Gas South's standard rates for as long as they remain customers.

Customized rates are also available to mid-sized and large commercial customers in the city. For its part, the city will receive funding for each city resident and business that receives service from Gas South. The company has similar alliances with other communities and electric membership corporations in Georgia.

In an interview with P&GJ, Greiner discusses how Gas South goes about its business and why he and his team have enjoyed success in a business that requires innovation and the ability to follow through on promises.

P&GJ: How was Gas South started and how has it grown?

Greiner: Gas South was formed in 2006 by Cobb Electrical Membership Corporation (Cobb EMC) through the acquisition of substantially all of the assets of Southern Company Gas. Since its inception, Gas South has grown its customer base by more than 50%, to more than 250,000 customers throughout the state of Georgia.

P&GJ: What are some of its characteristics that make Gas South unique among energy marketers?

Greiner: Being owned by Cobb EMC, one of the country's leading electric membership corporations, has provided us with several advantages. Our parent company has been providing high-quality and affordable electric service since 1938 and that has enabled Gas South to develop a reputation for stability, reliability and quality that few other energy marketers can match. Retail energy marketers have tended to come and go.

In contrast, we're managing our business for the long term and are very focused on earning the trust and loyalty of our customers. We also share our parent company's commitment to supporting the communities we serve and are very active in civic and business organizations in Georgia.

P&GJ: What is Gas South's strategy in building up and maintaining its natural gas-marketing business?

Greiner: Across each of our customer segments, our strategy has been to make natural gas service simple, convenient and economical. Customers have told us that they often find natural gas pricing to be complicated and so they want to feel confident that they're getting a good deal.

We're committed to offering consistently competitive pricing combined with attentive and proactive customer service to residential, business and governmental customers. Marketing alliances with trusted, community-based utility providers like electric membership corporations (EMCs) and municipalities have also been an important aspect of our strategy.

Finally, we have concentrated on having strong corporate governance and prudent risk management policies, and earning the trust of our capital providers, customers and business partners.

P&GJ: When you and your staff talk to customers, what do they tell you are their biggest concerns?

Greiner: Price volatility and budget certainty are often top of mind. We help to address these through various rate structures like fixed rates, capped rates and our Price Watch service. With Price Watch, a customer can specify a fixed rate level that he or she is seeking. We then monitor the market for the customer and notify that customer when we can offer their desired rate.

Most residential consumers also are looking for straightforward and simple rate plans, so we offer a limited number of competitively priced rate plans: we offer fixed rates for 6, 12, or 18 months and a variable rate plan that fluctuates with the gas market each month. We strive to keep our rates and communications clear and simple, which helps assure our customers that we're providing great everyday value as their gas supplier.

P&GJ: How important is it for an energy company such as Gas South to become involved in its local communities and could you give some examples?

Greiner: We think it's very important because our success depends on the strength of our communities and our local economy. Gas South plays a leadership role in many local chambers of commerce and civic organizations throughout Georgia. We also are a sponsor and supporter of the business associations of many of our major customer segments, such as the Georgia Restaurant Association, the Georgia Hotel & Lodging Association, and the Georgia Apartment Association. We encourage our employees to take an active role in these types of external efforts and most enjoy and take pride in representing the company.

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P&GJ: What led to Gas South winning the Alfred P. Sloan Award for Business Excellence in Workplace Flexibility? What is your philosophy in training and maintaining your workforce?

Greiner: We received that award in recognition of our flex-time program, which offers employees the option to work nine nine-hour days and receive a tenth day off. The program helps many of our employees with work-life balance and has been very popular. We have developed a structured training and development program for our mid-level managers and general staff, and we also encourage staff to do job rotations and lead "lunch and learns" on various aspects of our business. These types of initiatives are a critical aspect of retaining a high quality workforce and providing opportunities to help our employees grow professionally.

P&GJ: How will the apparently bright future of natural gas affect Gas South and other marketers? Do you see a significant upside to customer growth for Gas South in particular?

Greiner: Growth in meters is going to be correlated with economic development for the most part. Growth in Georgia's natural gas market has been stagnant for several years and all the marketers as well as AGL (the local distribution company) hope that will change as the economy recovers.

There are also some new end-use opportunities that could create new retail demand — increased use of compressed natural gas in fleet vehicles represents a big potential growth area. Despite very little underlying account growth in our state overall, we do expect to continue to grow our customer base by increasing our market share in Georgia.

P&GJ: How has the recession affected your customers and what have you done to help them, such as the Pay As You Go program?

Greiner: The economic downturn has no doubt created some hardship for our residential and business customers. But generally, our customers have continued to pay their bills. Fortunately, the recession has coincided with lower natural gas prices, which has made bills more manageable for many customers.

We introduced our Pay As You Go (PAYG) program in mid-2008 and it has enabled us to

bring competitive rates and choice to credit-challenged natural gas consumers who have historically been underserved in our competitive market. We bill our PAYG customers for the charges we expect them to incur over the next 30 days based on the historical consumption at their premise. Then each month we reconcile our estimate with what the charges actually turned out to be and the customer receives a debit or a credit for the difference on their next bill.

There is no deposit requirement for enrolling in PAYG, which is a big benefit for consumers. The program has been up and running for almost two years and has been well-received by customers, regulators and local nonprofit agencies.

P&GJ: Is the price of natural gas having any affect on your operations? Do you hedge your purchases?

Greiner: We hedge our customer contract commitments by following conservative risk-management principles. We do not hold open positions or speculate on the direction of gas prices. Gas price volatility does create some opportunities and risks with respect to sales and marketing opportunities, customer churn, customer care costs and bad debt. *P&GJ*