

New competitor plans to serve Columbia Gas customers

Columbia Gas of Virginia customers have a new alternative for natural gas.

IGS Energy, a natural gas marketer based in Dublin, Ohio, plans to send letters to Columbia Gas customers within the month, introducing itself and its service. It will sell gas under the name Columbia Retail Energy.

IGS isn't affiliated with Columbia Gas but licenses the Columbia name from the gas company's owner, NiSource Inc.

State regulators gave Columbia Gas permission to offer customers a choice of gas suppliers starting in late 2002. Virginia law allows natural gas companies to opt in to a retail choice program that allows customers to shop for a different supplier.

Virginia Natural Gas, the provider for most natural gas consumers in Hampton Roads, never opted to offer customers choice, so Columbia Retail Energy won't sell to VNG's customers.

Columbia Gas, with state headquarters in Chesterfield County, serves about 65,000 customers in Portsmouth, Chesapeake, Suffolk, Smithfield and Isle of Wight County, among more than 240,000 in Virginia.

Its website lists three providers that now offer competing service to residents and businesses. Two additional companies sell only to commercial and industrial customers. As of Wednesday, 8,614 Columbia Gas customers in Virginia had switched to a competing provider, 5,739 of them residential customers.

Consumers who switch to Columbia Retail Energy or another provider would receive only their gas supply from the new company, which would buy the gas wholesale and sell it at its own rates. Those customers would continue to pay Columbia Gas to deliver the gas on its distribution system, read their meters and maintain the pipelines.

Regulated companies, including Columbia Gas, pass on their wholesale costs to buy the fuel to customers with no markup for profit. Gas-supply costs typically account for about two-thirds of a customer's natural gas bill. Delivery charges, other surcharges and taxes make up the remainder of the bill.

The use of the Columbia brand name is intended to let consumers know "it's OK to shop," said Larry Friedeman, IGS' vice president of choice markets. "The key is to make a consumer feel comfortable with the selection of Columbia Retail Energy as a natural gas provider."

IGS is entering the market at a time when natural gas costs are relatively low.

Columbia Gas announced Wednesday that it had raised its gas-supply rate for the next three months, but that rate remains 12 percent below where it was a year ago. It increased the rate to 87 cents per 100 cubic feet, or Ccf - up from 79 cents in November but down from 99 cents a year ago.

Consumers interested in buying from an alternative supplier will need to look at the "price to compare" listed on their bills. That price will be lower than the supply charge, which includes some costs that Columbia Gas customers would continue to pay even if they switch providers, said Ken Schrad, a spokesman for the State Corporation Commission.

IGS won't promise to save consumers money with lower gas-supply rates than they now pay with Columbia Gas, Friedeman said. Instead, Columbia Retail Energy might offer a fixed rate that would help consumers avoid the volatility of natural gas prices over time, he said.

Virginia gas companies can adjust gas rates quarterly in response to changing wholesale prices, as Columbia Gas is doing for the winter. During times of price volatility, they can ask for interim adjustments.

"Price predictability and transparency are value propositions that resonate with consumers," Friedeman said.

IGS was founded more than 20 years ago to compete in deregulated markets, Friedeman said. It has more than 800,000 residential and commercial customers in seven states and is licensed to operate in Virginia.

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