



# Demand Side Management

## How Utility Sponsored Energy Efficiency Programs Can Positively Affect Your Natural Gas Bill

Over the past year, most Ohioans have seen increases in the amount they pay for natural gas. Reasons for the increase range from the hurricanes in the Gulf Coast and increases in costs of drilling, transporting and supplying natural gas. In 2005, the American Gas Association reported that there are approximately 62 years left of economically recoverable natural gas in the United States. This means that in the not too distant future we could see a shortfall in available natural gas for heating and other uses. The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, provides the following information on utility sponsored demand side management programs that present a myriad of opportunities for consumers to manage their energy usage.

### What are demand side management programs?

Demand side management is the ability for consumers to manage their energy usage based on overall need. One component of demand side management involves energy efficiency programs. These programs can be sponsored by natural gas utilities and provide customers with ways to reduce their energy costs. This is accomplished by offering incentives to consumers for installing more efficient appliances, such as low-energy consuming furnaces and water heaters. If consumers take advantage of rebates and other options, the demand for natural gas will be reduced, and over time the wholesale market price could go down, and customers' monthly natural gas bills should decrease.

### How it works for the natural gas company

When sponsoring energy efficiency programs utility companies lose revenues they traditionally earn on the distribution of natural gas once customers begin decreasing their usage of natural gas. In order

for utility companies to sponsor energy efficiency programs, a mechanism may be put in place that will allow the company to recoup revenues that are lost as a result of their customers using less natural gas. This revenue recovery mechanism – which will appear as a charge on customers' bills – will be based on the amount of natural gas that the company has been authorized to recover and typically would have been distributing to customers during that same time period.

This type of revenue recovery process is referred to as decoupling, which is a mechanism that separates the relationship between natural gas sales and utility company earnings. It enables the company to recover lost earnings associated only with delivering the natural gas to its customers. The delivery or distribution portion of a customer's natural gas bill only represents about 20 percent of the total bill. Customers who participate in the energy efficiency programs will be saving on the commodity (natural gas costs) portion of the bill, which represents 80 percent of the bill.

Even with decoupling, utility companies' earnings remain at risk since the mechanism does not guarantee a full recovery. Additional factors, such as weather, still play a major role in how much natural gas the company distributes and how much it is able to earn from those sales.

### OCC's role

The OCC has been in discussion with all of the major natural gas companies in Ohio about establishing company sponsored programs to help consumers become more energy efficient. As always, consumers can use energy efficiency tips to assist them with lowering their monthly usage. The OCC offers "Smart Energy Tips" that can help reduce natural gas consumption and lower monthly bills. Contact the OCC at 1-877-PICKOCC (1-877-742-5622) or visit [www.pickocc.org](http://www.pickocc.org) for more information.

**For additional information from the Office of the Ohio Consumers' Counsel:**

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