

“Pay as you Go”



City of Ocala, Florida

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Ocala, Florida resident, Theresa Cavanaugh was in a bind. She recently placed a hefty deposit to hold a rental property. Now, standing in the Ocala Utility Services (OUS) Customer Service Office, she learns she'll have to fork over another \$250.00 deposit for her utilities. She didn't have it and if the utilities weren't turned on in her new place by the beginning of the month, she would lose that deposit and the house, too. Prior to October 2011, there wouldn't have been any options for Theresa, who lives on a fixed income. However, she was to be the first of over 1,000 OUS customers to enroll in and benefit from the first pre-paid utility program in the state of Florida: "Pay as you Go."

<http://www.youtube.com/watch?v=042SLke3IRg&list=UU7NRkiqpb7AEmQ6l01sSGVg&index=4&feature=plcp> (See Theresa's testimonial)

"Pay as you Go" is a prepaid metering and payment system that replaces traditional utility services agreements by allowing customers to prepay for their services. The amount paid into the account is up to the customer and there are no deposits required. As power is used, the funds in the account are deducted. Just as a gas gauge warns a driver when it is time to refuel, "Pay as you Go" sends notification to the customer that it is time to deposit more money in the account. The use of smart meters allows connections and disconnections to be made remotely and the customer has the ability to monitor their daily usage on line or from a smart phone. With disconnections and reconnections being made remotely, there are no related fees assessed, as there are with traditional meters. If a customer has an unpaid balance from a previous service agreement, a percentage of each payment will be applied to the unpaid balance.

The city of Ocala Utility Services, a municipally owned utility dating back to 1898, provides electric, water and sewer services to over 45,000 customers in north central Florida. OUS does not generate power, but purchases it from a wholesale power agency. Despite the downturn in the economy, the cost of purchasing power has continued to climb as has the cost of providing utility services. Marion County, the county in which Ocala is located, has one of the highest unemployment rates in the state; lingering in the double digits since November of 2008. Consequently, existing OUS customers were facing challenges in paying their bills on time and in full. New customers were finding it difficult to come up

with money to cover a deposit, a connection fee and, for some, unpaid balances from an old account. OUS recognized the need to rethink the way it was providing service to its customers. The economy was not rebounding. This was the new normal.

While attending a conference, Ocala Power Services Director, Joe Roos heard about a relatively new concept in the U.S. utility industry: prepaid services. Although world markets have seen prepaid electric service comprise as much as thirty percent of the total customer base, implementation in the United States is comparatively low. Some reports indicate that adoption rates here are less than one percent. Would prepaid utilities work for Ocala? Roos decided to find out. He brought the concept back and tasked OUS's Image Committee with evaluating its feasibility.

During its work, the Image Committee discovered that two key events occurring in OUS's past made Pay as you Go a viable option for Ocala. Some twenty years before, the Ocala City Council had a vision and set direction for the then Ocala Electric Utility to begin developing a fiber network. This infrastructure would eventually allow for two-way communication, a component essential to realize the benefits of a prepaid utility program. More recently, the utility began installing an advanced metering infrastructure (AMI). Different than an automatic meter reader (AMR), the AMI allows for real-time usage information, power outage notification, remote connect and disconnect, and power quality monitoring. The Committee and Roos suspected the low adoption rate of prepaid utilities in the U.S. was due, in large part, to the absence of fiber networks in many communities and the high costs associated with implementation. As for Ocala, it had the foundational components in place, and was ready to go.

Changing the way OUS has done business for over 100 years would be a daunting task. Staff would have to learn new processes and train to use a new system. The meter system would be new. City departments and divisions outside of OUS would be affected. Traditional payment methods would give way to new and therefore, change the dynamics of the customer service experience. The ability to monitor electric consumption on a daily basis versus receiving a monthly

consumption summary in a bill would be a major paradigm shift for customers. There were also perception issues to consider. Some considered smart meters a source of health concerns, as they emit radio frequency waves similar to those found in cell phones. Government control of power usage was the apprehension of others. Since the utility would have the ability to remotely start and stop service, it may also be able to control electric consumption and, therefore, the charges to the account.

The perceptions could be mitigated by fact. The radio frequency waves would be emitted outside of the home, not from a device held close to the head. Utility control of the meters beyond the ability to remotely connect or disconnect is strictly managed by state and federal regulations.

The conclusion was that the benefits to the utility and the community far outweighed the risks and concerns. The state of the economy in Ocala required OUS to find a less rigid approach to serving its customers. And while it couldn't control the cost to generate the power or the customer's use of the power, OUS could provide an innovative way to pay for the power and a process by which the customer could monitor and take control over use of power.

Approval to move forward with the "Pay as you Go" program was obtained by the City Manager in 2010 with an anticipated implementation date of October 1, 2011. Once the vendor was selected in January of 2011, an implementation team was assembled. Chad Lynch, Information Systems Analyst and "Pay as you Go" Program Manager; Joe Noel, Resource Management Supervisor; Joe Roos and over thirty other city employees served on the team. The initial investment by the city was \$25,000, which paid for interfaces with existing city systems, system set up, training and project management.

In just a few months, the new processes and business rules had been established. A pilot was launched in July of 2011 and was set to run through September. City employees, who were OUS employees, volunteered for the program. In October of 2011, the program was made available to the public and Theresa Cavanaugh was the first in line. To date, 1074 others have followed.

The assistance this program has brought to the community is notable. OUS has been asked to speak to target audiences in community groups, church groups and student groups. "Pay as you Go" was highlighted in a recent *Ocala Star Banner* opinion editorial (attached) praising OUS's ability to evolve its business practices to meet the changing needs of our society. It is a system not of absolutes, but of flexibility and personalization. As the diverse needs and circumstances of the customer base change, the program will follow suit.

The gains achieved by OUS have been tremendous. Of \$230,000 in unpaid balances, \$52,000 has been collected through customer participation in "Pay as you Go." Approximately 550 man hours have been saved by remotely connecting and disconnecting service. The wear and tear on city vehicles is down, as is fuel consumption. OUS has been highlighted by the vendor as a best practice organization for implementation. Most importantly, OUS's ability to better serve its customers has improved. "To astonish the customer, not just to satisfy the customer," is one of the city of Ocala's core values. Theresa Cavanaugh didn't know that when she walked into the Customer Service Office in October of 2011. She does now.



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IN OUR OPINION

Editorial: Simple and sensible

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Anyone who has ever had their power turned off knows it can be a nightmare — and an expensive one — getting it restored. There is the deposit, the past-due balance, the late fees. And if you cannot come up with the hundreds of dollars to pay all that, well, it's darkness until you can.

The city of Ocala has come up with a better idea for those who have trouble paying a monthly utility bill all at once. It is called Pay as You Go and has been in place since mid-September.

Pay as You Go works like this: Ocala utility customers can put money in their account whenever they want. Utility service is provided until the money to pay for it runs out. When it does, the customer simply deposits more money and service is restored — no deposit and no late fee required.

Even better, customers can set it up so they can be notified when their account is running low or they are about to be cut off.

Customers also can monitor their usage online or by phone so they know how much power they have used and how much remains in their balance.

So far, the city, the first municipal utility in Florida to adopt the program, has 629 customers signed on, said Larry Novak, assistant city manager for utility services.

But it is hoping for more, he said, because it is easy to use, beneficial to the "financially distressed," in particular, and helps create "a positive experience" for the city's Utility Services Group and its customers.

Novak said the idea for implementing Pay as You Go came from the Utility Services' "Image Group," which he said strives to create a positive experience for utility customers.

A bonus for those struggling to pay their utility bills is that Pay as You Go allows a customer's power to be turned back on while at the same time slowly paying down their unpaid balance.

The program allows these customers to pay as they go, as long as they pay a predetermined percentage of their past-due balance each time they replenish their Pay as You Go account. The result, according to Novak, is that the city has so far collected \$11,000 in unpaid utility bills and projects it could recover up to \$104,000.

Advocates for the poor have hailed the Pay as You Go as a godsend to the most economically disadvantaged in our community, even though it is in its infancy here.

We applaud the city for coming up with a simple and sensible way to help those of us who are struggling to keep the lights on and the water running without breaking the proverbial bank.

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