Billing and Payment Programs

CUSTOMER IMPACT REPORT
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Energy

L. Dennis Smith
Director, Energy Practice
dennis.smith@jdpa.com

Carl Lepper
Industry Analyst
carl.lepper@jdpa.com
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Introduction

J.D. Power research has found that Billing and Payment is a key driver of customers’ satisfaction with their utility. In the first three fielding periods—or year to date (YTD)—of the J.D. Power 2015 Gas Utility Residential Customer Satisfaction Study, Billing and Payment has the greatest impact on the overall Customer Satisfaction Index (CSI) at 29%. In the J.D. Power 2015 Electric Utility Residential Customer Satisfaction Study, it is the second-highest-weighted factor—along with Price—at 19% YTD. This is not surprising, as billing statements are a utility’s primary channel for communicating with customers; for many customers, the statement and subsequent payment are the only interactions they have with their electric or gas provider.

In the 2014 Customer Impact Report Bill Presentation and Design, J.D. Power analyzed the impact of the billing statement’s layout, design, and information presented on customer satisfaction. The 2015 Customer Impact Report Billing and Payment Programs assesses how certain programs and services built around the billing and payment experience can impact a utility’s overall satisfaction score.

This report discusses the programs offered by high-performing utilities in the Billing and Payment factor; how those programs are designed and delivered; and how they impact satisfaction. There is also a case study on perennial high performer SRP, a Tempe, AZ-based utility, and its strategy concerning the billing and payment experience for customers.


Notes: Each study examines utilities in four regions of the United States: East, Midwest, South, and West. Each study also measures satisfaction by utility size: in the Electric Utility Residential Customer Satisfaction Study, the segments are Midsize utilities (100,000-499,999 customers) and Large utilities (500,000-plus). In the Gas Utility Residential Customer Satisfaction Study, the segments are Midsize utilities (125,000-399,999 customers) and Large utilities (400,000-plus).
Executive Summary and Key Points

Programs built to complement billing and payment do impact customer satisfaction

- Utilities offer an array of programs that make the payment process easier, improve the bill’s presentation, or help customers manage their finances around their utility bill.
- Because the bill is the primary interaction for most customers and their electric or gas utility, programs designed to improve that interaction are vital.
- Satisfaction can increase by as much as 30 points (on a 1,000-point scale) when utilities offer solutions enabling customers to pay their energy bill using a credit card with no fee attached or to pay via a smartphone.
- Among the billing and payment programs measured in the gas and electric utility studies, the program with the greatest impact on satisfaction is allowing customers to choose the due date for their bill.

Best practices

- Provide customers with a variety of options. In general, satisfaction is higher when customers have more choices. High-performing utilities in the Billing and Payment Index may have as many as a dozen programs or services built around the billing or payment processes in which customers can enroll.
- Fee-free card payment programs. A large percentage of customers mention elimination of card payment fees or some variation of this notion when asked what their utility could do to improve its billing and payment experience. Leading utilities have found a way to accept cards without using a third-party payment remittance vendor that charges a fee.
- Offer programs geared toward the customer’s budget. J.D. Power research has shown that programs helping customers save money—such as flexible due date and budget billing—significantly improve satisfaction.
- Make it easy for customers to conduct business. There is a balancing act in terms of providing customers with choices and making the enrollment and participation processes easy. Additionally, it’s important that the various programs and services complement each other.
Billing and Payment Programs Run the Gamut

J.D. Power has reported in recent months that most electric and gas providers are working hard to improve the customer experience. Evidence of this is reflected in the wide array of programs and services now offered by utilities that complement the billing and payment transaction.

There are no standard programs for the industry aside from electronic bill presentment and payment. An analysis of both gas and electric utilities finds that energy providers typically have five or six billing and payment programs on their menu, including:

- Automatic account debit, budget billing, or what is sometimes branded as “levelized billing”
- Electronic bill receipt and payment
- Online account registration with electronic tools to track and manage usage

Many of these are simply options for how customers can receive or pay their bill, while others are aimed at improving the experience as a value-added option.

Electronic billing and payment and budget billing programs often substantially improve the customer experience and boost satisfaction scores. Following are some of the programs, both unique and common, found when researching the offerings of high performers in the Billing and Payment Index of J.D. Power’s gas and electric utility residential studies.

- Flat billing or flat rate: Different than budget billing, these programs require customers to pay a slightly higher rate, which ensures their bill will not have a significant true-up at the end of the year; customers are not charged extra no matter how their usage fluctuates, although adjustments are made to the monthly amount the following year.
- Pay by text: This emerging option is offered by a small number of utilities today, with few customers participating in it, according to J.D. Power study data and confirmed by a utility that offers this payment channel. Still, this program provides customers with another payment option, which may be especially appealing to younger customers who have grown up texting.
- Gift certificates: More utilities now offer customers the opportunity to buy energy for a friend or for someone in need.

Many billing and payment programs are simply options for how customers can receive and pay their bill; others are aimed at improving the experience as a value-added option.
Billing and Payment Programs
Customer Impact Report

- Third-party billing: A copy of the energy bill is sent to another party. This program can be beneficial for a target customer base, such as grown children caring for an elderly parent.
- Bill payment and account management apps for mobile devices
- Large print and Braille bills for visually impaired customers
- Alternative pricing plans and price plan comparison tools: These solutions include the alternative price plans, such as time-based pricing, and tools that allow customers to go online and compare options that will save them the most money.
- Prepaid energy services
- One-time online bill pay: This offering contrasts with the online bill pay that requires account registration.
- Senior citizen discounts
- "Shutoff protection" plans or similar offerings that allow customers to pay overage on their bill each month when they fall behind on their account balance in order to avoid being sent to collections.
- Reminders and alerts: This is a growing industry trend in which customers can enroll to receive notifications via email or text message. Billing-related notifications include reminders the payment due date is approaching; threshold alerts (e.g., notification when a bill hits $150 for the month); and weather notifications (alerting customers they may want to be cognizant of their usage or aware of potential outages).

Because most of the above programs are not standard offerings today, J.D. Power does not include them in the electric and gas utility customer surveys. However, surveys do include questions about online account registration, electronic bill presentation, and the ability for customers to choose their energy payment due date. The survey used for the 2015 Electric Utility Residential Customer Satisfaction Study also covers budget billing. Figure 1 shows participation in those four programs by region.

While it is often complementary programs, such as budget billing or choice in due date, that significantly boost satisfaction, J.D. Power has found that satisfaction is higher when customers are given alternative payment methods.
Billing and Payment Programs
Customer Impact Report

Figure 1: Participation in Leading Billing and Payment Programs

![Chart showing participation in billing and payment programs for gas and electric residential customers.]

Source: J.D. Power 2015 Gas Utility Residential Customer Satisfaction Study, 1H YTD

Source: J.D. Power 2015 Electric Utility Residential Customer Satisfaction Study, 1H YTD

Impact on Satisfaction

Billing and payment programs can have a moderate-to-significant impact on customer satisfaction, particularly in the Billing and Payment factor. For example, study data has consistently shown that satisfaction is higher among customers who receive and pay their bill electronically than among those who rely on a paper transaction.

Figure 2 shows both the incidence and impact on overall satisfaction of customer payment patterns in the 2015 Electric Utility Residential Customer Satisfaction Study.
Because customers have for decades been putting a check in the mail to pay their utility bill, it’s no surprise mail-check has a higher rate of participation; however, satisfaction is higher among customers who use such channels as automatic deduction from the customer’s bank account, credit or debit card, and website. Among those payment channels, satisfaction is highest when customers use their credit card for recurring automatic payments. This is not surprising, as recurring credit card payments are typically offered by banks to their customers without a fee, while most utility card acceptance programs have some level of a convenience fee attached to them.

A review of data collected for the 2015 Residential Electric Customer Satisfaction Study shows that, when customers were asked what their utility could do to improve its billing and payment experience, a high percentage provided an answer that revolved around the notion of fee-free card acceptance. In fact, an analysis of verbatim answers shows that payment cards and reference to payment fees are among the most often mentioned responses. A combined 21% of customers who answered the question referred to either “credit card” or “card” in their response, while 9% of referred to a bill payment “fee.”

Figure 2: Bill Pay Incidence and Impact—Electric Residential

Satisfaction is highest among gas utility residential customers when using the website to pay their bill (Figure 3). In-person payment using a credit card and telephone pay also garner higher levels of satisfaction among the payment methods, though it should be noted these are higher-cost channels in terms of handling payments and are not channels that utilities typically encourage their customers to use. Some utilities, however, have made good use of retail partners and remote kiosks placed throughout the territory to offer in-person payments, yet make them more efficient in terms of the operational costs to the utility.

**Figure 3: Bill Pay Incidence and Impact—Gas Residential**


Note: Figures 2 and 3 differ due to the respective questions for each survey.

While different payment methods can impact satisfaction, so, too, can the types of programs in which customers enroll. As previously noted, J.D. Power does not examine all of the various billing and payment programs in the industry, primarily because the incidence for many of these initiatives would simply be too low to accurately measure.
Among the programs that are measured, customers’ ability to choose their payment due date has the greatest impact on Billing and Payment satisfaction. This can be a valuable offering for customers on a fixed budget who like the flexibility to pay their bill when it is convenient for their financial situation. Many utilities don’t offer this because of their payment processing procedures or because their systems are limited; however, those that do offer it are among the highest performers in Billing and Payment in the 2015 electric and gas utility residential studies. (See the case study on SRP, which brands its program Custom Due Date.) Figure 4 shows the lift in satisfaction resulting from allowing customers to choose their payment due date. Billing and Payment satisfaction among customers who can choose their bill date is 808, and overall satisfaction among these customers is 770.

Figure 4: Impact of Billing and Payment Programs on Satisfaction

Card payment acceptance with no fee attached also improves satisfaction. Among customers who pay by credit card with no payment fee attached, Billing and Payment satisfaction is 771, which is 39 points higher than the industry average of 732.
Less than 1% of customers in the first three fielding periods of the 2015 Electric Utility Residential Customer Satisfaction Study indicate paying their bills via smartphone on a mobile app; however, both overall and Billing and Payment satisfaction among these customers is high (770 and 718, respectively, compared with 667 and 737).

Several Billing and Payment aspects are among Key Performance Indicators (KPIs) in the electric utility residential study, including making the payment transaction easy and providing friendly and quality service when customers call their utility with a transaction. When it comes to actual programs and services, those shown in Figures 5 and 6 are among the KPIs with the greatest impact on overall satisfaction. Each bar represents the lift in CSI when customers participate or enroll in a program or when they have a particular technology in place—such as a smart meter on their house—that would allow for other energy management tools.

**Figure 5: Impact of Billing and Payment KPIs on the Overall CSI—Electric Residential**

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<table>
<thead>
<tr>
<th>KPI</th>
<th>Lift in CSI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility offers flexible due date</td>
<td>25.77</td>
</tr>
<tr>
<td>Customer reviews billing savings tips</td>
<td>15.77</td>
</tr>
<tr>
<td>Online account established</td>
<td>8.98</td>
</tr>
<tr>
<td>Auto account deduct</td>
<td>8.89</td>
</tr>
<tr>
<td>Receive bill alerts and reminders</td>
<td>7.84</td>
</tr>
<tr>
<td>Customer on smart meter</td>
<td>3.06</td>
</tr>
</tbody>
</table>
```

*Source: J.D. Power 2015 Electric Utility Residential Customer Satisfaction Study, SM YTD*

Figures 5 and 6 shows the boost in overall customer satisfaction when the programs and services shown at left are offered.
Certain Billing Programs Slow to Expand

While utilities have made great strides in many initiatives, especially on the payment side, they have not made the same forward movement in terms of increasing customer participation in billing programs—including budget billing and the ability to choose one’s payment due date. In contrast, online account registration has increased substantially, due in part to customer demand for this service. Figure 7 shows the trend over the past 6 years for gas residential participation in two of these services—online account registration and choosing one’s due date.

Online account registration has increased to 52% in 2015 from 39% in 2010. Many utilities require customers to register their account to take part in other services, such as electronic bill presentment and payment. However, in an effort to increase online bill payment participation, many utilities have adopted the one-time payment option and posted it on their website, allowing customers to enter their checking account or payment card account number each time they go online without formally registering their account. Even with these one-time payment offerings growing, more customers are registering their accounts online.
The opposite is true for choosing a payment due date. In the 2010 Gas Utility Residential Customer Satisfaction Study, 9% of customers indicated they could choose their due date, compared with 11% in the first three fielding periods of the 2015 study.

**Figure 7: Yearly Growth in High Satisfaction Billing Programs—Gas Residential**


A similar trend is found among electric utility customers. More than half (56%) of customers in the 2015 Electric Utility Residential Customer Satisfaction Study have registered their utility account on the website, up from 40% in 2010. Budget billing and flexible due date have remained relatively flat in participation since 2010 (Figure 8).

There does appear to be a drop in the 2015 electric utility study for customers being allowed to choose their bill date; however, it should be noted that J.D. Power asks the question differently in the current study and first asks customers if their utility offers such a program, to which 58% of customers respond they do not know. In the earlier studies, customers were only asked if they had chosen their bill due date. Only 14% in the current study say their utility does offer such a program. Most utilities do not offer flexible due date. Budget billing, however, has been a well-
known utility program for decades and is offered by most providers, according to J.D. Power research. Because budget billing participation has remained at roughly 20% since 2010 and targets a certain customer segment—the budget conscious—it may have reached its ceiling.

**Figure 8: Yearly Growth in High Satisfaction Billing Programs—Electric Residential**

![Figure 8: Yearly Growth in High Satisfaction Billing Programs—Electric Residential](image)

*Increase in participation by study years. *Note: Chosen due date question was asked differently in 2015, as customers were first asked if their utility offered such a program and then screened. Not all customers were asked the question.*


**High-Performing Utilities Offer Customers Options**

While few utilities have been able to provide customers with the opportunity to choose their own payment due date, offering this option is a best practice. Among customers who are afforded this option in the 2015 electric utility residential study, 53% of them take advantage of it. Four of the 10 highest-performing Large electric utilities in the Billing and Payment Index in the 2015 Electric Utility Residential Customer Satisfaction Study offer this option: SRP (Tempe, AZ); APS (Phoenix, AZ); Entergy Arkansas (Little Rock, AR); and DTE Energy (Detroit, MI). DTE is also among the 10 highest performers in Billing and Payment satisfaction in the 2015 Gas Utility Residential Customer Satisfaction Study.
NW Natural, Portland, OR—also among the 10 highest performers in the 2015 gas utility residential study—offers customers a unique twist on flexible due date. NW Natural customers can notify the utility in advance when they need an extension on their due date each month; however, it does not appear to be a program in which customers are able to enroll. Nonetheless, it is clear that when utilities offer their customers choices and build programs that are designed to help them manage their budget and save money, it is a win-win for the utility (in terms of satisfied customers) and the customer.

For this report, J.D. Power examined the billing programs and services offered by the 20 highest-performing utilities (10 Midsize utilities and 10 Large utilities) in the Billing and Payment factor in the YTD fielding periods for the 2015 Electric Utility Residential Customer Satisfaction Study and the 10 highest performers in the 2015 Gas Utility Residential Customer Satisfaction Study. The specific programs analyzed are those communicated on the websites of these high performers. The figures on the following pages show those results.

Breaking down each of the primary offerings reviewed (Figure 9), some interesting trends emerge: gas utilities tend to more frequently offer one-time website payments; Midsize electric utilities tend to offer more fee-free card acceptance; and Large electric utilities offer more proactive alerts and reminders. Most of the highest-performing utilities offer a handful of options from which customers can choose when conducting business with their electric or gas provider.
Figure 9: Most Common Programs Offered by High Performers

Figure 10: Billing and Payment Programs—Electric Midsize Utilities

<table>
<thead>
<tr>
<th>Program</th>
<th>SECO Energy</th>
<th>SMECO</th>
<th>NOVEC</th>
<th>Walton EMC</th>
<th>Sawnee EMC</th>
<th>Great Lakes Energy</th>
<th>Clark Public Utilities</th>
<th>EPB</th>
<th>Gulf Power</th>
<th>Kentucky Utilities</th>
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</thead>
<tbody>
<tr>
<td>Pick your due date</td>
<td></td>
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<td></td>
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<tr>
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<td>X</td>
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<tr>
<td>Fee-free credit card</td>
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<td></td>
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<tr>
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<td>Proactive alerts and notifications</td>
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<td>Text message payment</td>
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<tr>
<td>Prepay</td>
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### Figure 11: Billing and Payment Programs—Electric Large Utilities

<table>
<thead>
<tr>
<th>Feature</th>
<th>SRP</th>
<th>OG&amp;E</th>
<th>Entergy Arkansas</th>
<th>Georgia Power</th>
<th>Alabama Power</th>
<th>DTE Energy</th>
<th>APS</th>
<th>PPL Electric Utilities</th>
<th>Dominion Virginia Power</th>
<th>MidAmerican Energy</th>
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<td>Pick your due date</td>
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<tr>
<td>Fee-free credit card</td>
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*Debit cards only

### Figure 12: Billing and Payment Programs—Gas Utilities

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<tr>
<th>Feature</th>
<th>TECO Peoples Gas</th>
<th>Oklahoma Natural Gas</th>
<th>NW Natural</th>
<th>CPS Energy</th>
<th>SCE&amp;G Center-Point Energy-South</th>
<th>Cascade Natural Gas</th>
<th>Southern California Gas Co.</th>
<th>Piedmont Natural Gas</th>
<th>DTE Energy</th>
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</table>

*Customers can request a monthly extension of their due date
Case Study: Salt River Project

Salt River Project (SRP) is an electric utility serving much of Arizona. Headquartered in Tempe, AZ, SRP is one of the nation’s largest public power utilities, with 997,000 electric customers in a 2,900-square mile territory. SRP generates, transmits, and delivers electricity and is also the primary water supplier for the region.

Why SRP is a best practice

SRP has consistently been a high performer in the Electric Utility Residential Customer Satisfaction Study and the J.D. Power Electric Utility Business Customer Satisfaction Study. SM SRP performs well in all factors. In the first three fielding periods—or YTD—of the 2015 electric utility residential study, SRP has achieved an overall satisfaction score of 739, and is the highest-performing Large utility YTD in all of the attributes within the Billing and Payment factor. SRP has among the highest percentages of residential customers who are able to choose their billing date; are enrolled in billing-related alerts and messaging programs; and who participate in budget billing, all programs that boost satisfaction. In the 2015 Electric Utility Business Customer Satisfaction Study, which published in January, the utility achieves the highest score in the West Large region in Billing and Payment satisfaction (774), and has the highest percentage of business customers who are aware they can select their bill due date across all utilities.

Billing and payment offerings and participation

- eBill: approximately 108,000 enrollees, or 11% of SRP’s customer base
- Budget billing: 150,000, 15%
- Custom due date: about 210,000 (21% of the customer base) choose their due date
- SurePay (auto deduct): 208,000 (21%)
- eChex (one-time online payments): 181,000 (18%)
- M-Power (prepay program): 152,000 (15%)
- eNotifications
- Large print bills: 2,500 (>1%)
- Third-party bill pay: 165,000 (17%)
- Payment kiosks and lockbox pay: 660,000 transactions, which include prepay customers who often make numerous transactions each month. (The number of transactions is not reflective of the percentage of customers using.)
- Lockbox: 168,000 (17%)
- Time of day–based and time-of use (TOU) pricing: 292,000 (29%)
While the Customer Billing and Accounting department is responsible for billing and payment products, SRP’s Marketing and Communications and Contact Center teams handle the promotion of those offerings.
CSRs in the contact center promote certain billing programs when it makes sense. For example, when a customer calls to set up new service, reps may let them know about the advantages of signing up for eBill.

SRP uses a variety of channels to promote its billing and payment programs and services, including electronic channels—such as website—advertising, and other methods.

The screen shot from the SRP website (previous page) shows how SRP uses its website as a platform for promotion. The Payment and Billing landing page links to the various programs, which are clearly displayed as either a billing or payment option. From that landing page, customers can link to the Billing and payment options overview page (shown in the screen shot), where they can learn more about each offering and how they can benefit from it.

Choice and simplicity are primary drivers for SRP’s industry-leading billing and payment program

For SRP, the key to high performance in the Billing and Payment factor is choice. The utility offers a wide array of options and clearly distinguishes those choices on its website so customers can find and enroll in the billing- or payment-related program that best meets their needs.

“We are very much of the opinion that you want to give your customers as many options as possible,” said Adam Peterson, director, Customer Billing and Accounting for SRP. “You have to achieve the right balance of educating customers on all the programs available to them, but not making the customer feel like you are pushing programs on them.”

SRP's programs and services offer benefits for a variety of customers. Several offerings are what one might see at many other utilities, but rarely will as many be found on the menu at another energy provider as are offered to SRP customers.

Including its pricing offerings, which, according to Peterson, is a billing and payment program, SRP offers more than a dozen choices for customers—far more when certain offerings, such as eNotifications, are broken down into their various subsections.
For example, eNotifications includes a variety of options customers can choose from when they enroll in the text/email proactive messaging and alerts service. Those options include:

- Monthly bill projections, or a weekly notification with a forecast of what the bill is going to be at the end of the billing cycle, based on the customer’s usage as the month progresses—the forecast will change and become more accurate as the second and third weeks of the billing period pass
- Threshold or energy usage, which alerts customers when, for example, their daily usage exceeds, say, 110kWh or when their bill hits a certain dollar amount during the month
- Courtesy reminders 3 days before the bill is due if SRP has not yet received payment
- Pricing alerts during on-peak periods for customers on time-based pricing options
- Weather alerts to help customers know if the temperature is going to be hot or if storms are forecast

The eNotifications program also offers outage alerts and restoration updates. SRP was one of the pioneering utilities in alerts and notifications and has several hundred thousand enrollees.

According to Peterson, besides having an attractive and useful program, two other features are key to driving enrollment: how easy it is to sign up or enroll and how well the offering is communicated.

SRP has a healthy enrollment in most of its programs. It leads the industry in the number of customers in a prepay program (branded as M-Power) and has the highest percentage of customers who say they have chosen their payment due date, as shown in the year-to-date results of the 2015 Electric Utility Residential Customer Satisfaction Study. However, there are some areas—such as paperless billing (branded as eBill)—in which SRP wants to see higher enrollment. Peterson noted that increasing eBill sign-ups will be an upcoming focus.

J.D. Power has found that one very satisfying program for customers nationwide is when they can choose their billing due date, which often helps customers on a fixed income with their monthly budget. SRP boasts the highest percentage of residential customers who aware they can choose their due date and the highest percentage of business customers who have chosen their due date of any utility measured in either the 2015 electric utility business or residential (YTD) customer satisfaction studies. SRP promotes this service as “Custom Due Date,” and Peterson commented that it has been a success with customers.
SRP continually looks for ways to enhance its offerings. For example, while customers can pay with their credit or debit card, SRP does not offer this service fee-free, which is a best practice. Peterson explained the utility did recently lower its convenience fee from $4.50 per card transaction to $1.90, but commented that given the challenge to keep rates low and issues with payment card industry (PCI) compliance, the utility hasn't been able to scrap the fee completely. Officials have talked to other utilities with fee-free card programs, and it is something in which SRP is interested.

Another recent improvement extended the time a customer's payment on the SurePay auto debit program is deducted from their bank account to 21 days from 10 days, which was a hit with customers. With its M-Power program, SRP is investigating how to improve its systems so customers on the prepay service can be on smart meters and get many of the same payment choices as other customers as opposed to having to go to payment kiosks to prepay on their meter. Currently, M-Power customers are on prepay meter technology where communication takes place through smart card transactions. SRP has partnered with Landis & Gyr to create an advanced prepay meter that combines the functionality of traditional prepay with the communication benefits of a smart meter. This next generation of prepay will maintain all the aspects of SRP’s current M-Power program that resonate with its customers, including real-time feedback and an in-home display, while enabling new benefits to prepay customers, such as viewing usage through My Account or being able to make payments through channels other than prepay kiosks.

Peterson advised other utilities looking to enhance and build on their billing and payment programs to endeavor striking the right balance of offering the optimal number of programs and ensuring they are easy to enroll in. “With lots of options also comes complexity,” he said, “and you have to make sure your programs play nice together.”

In the end, he added, it’s all about making sure the customer experience is as easy and rewarding as possible.