

2) Pros and cons of prepaid utility service

Supporters of prepaid service say it is a voluntary opportunity that allows consumers to control when and how much they pay for energy, and thus, to use it more efficiently. As one proponent put it:

(Prepaid meters) provide customers with more control over their energy usage, more convenient and flexible ways to pay their bills as well as the opportunity to spend less on energy. This is a positive for the customer, the utility and the smart meter industry – a true win/win/win. Prepay is just one of the overall payment choices available to the customer today and it is purely "opt-in." 23% of cell phones are prepaid – and customers "opt-in." Why don't we give the utility customer the right to choose how they pay their bills?

Benefits to utilities

- Improves cash flow
- Reduces costs associated with billing, notification of disconnection, disconnection and reconnection, customer service staff and call centers
- Improves detection and management of outages
- Reduces bad debt and write-offs because arrearages don't build up

Benefits to customers

- **No deposits, late fees or disconnect/reconnect fees.** Most prepaid programs waive any deposit for new customers, and there is no charge to disconnect or reconnect a customer.
- **Participants control the amount and time of their payment.** The Midwest Electric Cooperative in Michigan explains this benefit on its [web-site](#):

For many, it's easier to make four \$25 weekly payments than it is to make one \$100 monthly payment. That's the beauty of this program: you simply fund your ac-

count and your consumption is billed and deducted daily, based on a breakdown of current rates and fees, plus a \$3 program fee. Your service is remotely disconnected if the account balance is depleted and reconnected when a payment is received. No more deposits, late charges or collection/reconnection fees!

- **Participants don't have to pay off prior arrearages in order to enroll.** Instead arrearages can be included in their prepayment amount. For example, one utility takes 50 percent of a customer's prepayment and applies it to any arrearages a customer might have.
- **Participants save energy.** A 2010 study by the Electric Power Research Institute (EPRI) of M-Power, a prepayment program operated by the Salt River Project (SRP) in Arizona, reported that prepaid customers had a 12 percent reduction in energy usage. M-Power is the largest and one of the oldest prepayment programs in the nation. In 2013, out of its 877,000 residential customers, 141,800 were on M-Power.
- **Participants report satisfaction with the program.** Oklahoma Electric Cooperative, which has been offering prepaid service since early 2006, reported that over 85 percent of participants are satisfied with the service, and 88 percent said they would recommend prepaid service to others.

The SRP study cited customer surveys (several phone surveys and focus groups) showing the percent of customers who are satisfied or very satisfied with M-Power ranged from 83 to 96 percent. Respondents cited enhanced awareness of their energy consumption, increased control over their usage and payment schedules, and a perception that the pro-