

Florida Times-Union

JEA is a monopoly ... so why does it need to advertise?

With rate hikes anticipated next year, the utility finds itself having to defend that expense.

Originally created Saturday, June 12, 2004

Last modified Tue., December 07, 2004 - 07:22 PM

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FLORIDA TIMES-UNION

There's a white JEA sign on the giant scoreboard sitting atop Alltel Stadium's north end zone, a prime piece of advertising real estate.

The Jacksonville-owned utility is also a major sponsor of the upcoming Super Bowl, spends almost \$400,000 a year on television advertising and pays for a wrap on a city bus that pictures a lush Florida lawn, encouraging people to conserve water.

In all, JEA is spending \$1.15 million this year to advertise, not including a \$500,000 donation to the Super Bowl, barely a blip in the utility's approximately \$1 billion budget.

JEA is steadfast in its defense of advertising, saying the utility -- even though it faces no direct competition -- must get its message out to customers.

The utility is having to defend that spending a bit more nowadays because it is planning an electric rate increase for sometime in early 2005, the utility's first price hike in 13 years. JEA officials are now getting their budget together for the fiscal year that will start Oct. 1 and are planning a "significant cutback" in paid advertising, spokesman Ron Whittington said.



Melvin Nesmith (left) and R.C. Holloway work on a Jacksonville Transportation Authority bus that is carrying a JEA advertisement. LIANNE MILTON/The Times-Union

Broken down by spending per customer, JEA spends the second-most among the nation's 10 largest public power utilities and spends about double the average of the rest of the top 10.

"From the utility's standpoint, it's kind of a heads you win, tails I lose proposition," said Sanford Berg, with the University of Florida Public Utility Research Center. "It's a trivial sum in the big picture, but the way the public perceives it, they see an advertisement and say, 'Well who's paying for that?'"

Utilities advertise

All of the nation's 10 largest public utilities, the majority of which have monopolies in their service areas, spend a small piece of their budget on advertising. Each utility, including JEA, says it focuses its message on safety and ways customers can conserve energy to lower their bills and protect the environment.

Only the Salt River Project, with about 800,000 customers in the Phoenix area, spends more per customer than JEA.

Salt River spends about \$3.85 per customer, while JEA spends about \$3.10. The Puerto Rico Electric Power Authority, at \$2.22 per customer, is the only other utility in the top 10 that spends more than \$1.40 per customer.

"Yes we're a monopoly, but we really and truly have a responsibility to our monopolistic customers, if you will, to communicate what's going on with their utility," JEA Chairwoman Marty Lanahan said.

JEA has spent about \$3.3 billion in the past five years building power plants and wastewater treatment plants, as well as replacing and adding water, sewer and power lines. With those projects come the inconvenience to the public of having roads torn up and the typical questions that accompany a new power plant.

"You can't just go into a community and do those things without communicating with your customers and letting them know you're building for the future and you're taking care of the community," said Randy Boswell, JEA's vice president of market strategy.

Most of the capital projects are finished, or at least winding down, limiting the need to advertise, Whittington said. Many JEA departments are facing budget reductions and the advertising piece is just one part of the overall picture, Whittington said.

Building goodwill

Industry leaders say it's essential for all companies -- even those with monopolies on a service residents are all but forced to buy -- to present a positive image to consumers.

"Every business is dependent on the goodwill of citizens," said Berg, who has studied utilities in Florida for more than three decades.

That goodwill, utility leaders say, is cashed in when the utility needs to buy land for right of way, build a new power plant or change the route of some lines. It doesn't always work, but officials across the country say getting a positive message out can't hurt the utility's image.

"We try to have a constant presence of some sort in the market to have that sort of goodwill bank," said Ann Brown, manager of advertising and brand management for the Salt River Project, the fourth-largest public utility in the country. It spends \$2 million to \$6 million annually on advertising.

The Los Angeles Department of Water and Power, the largest city-owned utility in the country with almost four times as many customers as JEA, spends about \$1 million annually on advertising.

Los Angeles bills its customers every two months and Lucia Alvelais, the utility's manager of advertising and publications, says advertising is the only way to reach people more than those six times a year.

JEA wasn't even allowed to advertise until 1996, when its charter was changed to allow the utility to spend up to 1.5 percent of its budget on ad costs, preparing for the threat of deregulation. This year, JEA is spending less than a tenth of a percent on advertising.

JEA spreads its \$1.15 million around in various mediums, trying to reach as many customers as possible, said Jane Upton, JEA's director of brand management.

Spending has almost doubled since 2002, when JEA opted to start advertising on television. At \$397,000, television advertising is the biggest chunk of JEA's ad budget and includes \$87,000 the utility pays to sponsor a local television weather forecast.

The utility pays \$122,000 annually to the Jacksonville Jaguars for a partnership that allows JEA to run public service announcements during games about water and energy conservation. The arrangement also gives the utility a spot on the scoreboard and in game programs, and puts the JEA logo on schedule magnets.

JEA pays another \$212,000 for radio ads and another \$166,000 for print advertising.

JEA is also a \$1 million sponsor of the Super Bowl, though half of that will be in-kind donations. Boswell said that's simply giving back to the community because the utility expects to earn an additional \$2 million to \$3 million that week because so many people will be in town.

Good stewardship

Most Jacksonville elected officials say they're fine with the JEA advertising because it's such a small part of the utility's budget.

"If people are getting upset about them spending that \$1 million on advertising, they should be looking out another end of the telescope," City Council President Lad Daniels said.

Mayor John Peyton said JEA's conservation message is good community stewardship and in Jacksonville's best interest.

Councilman Warren Alvarez, though, sees the advertising, particularly the sign on the Alltel scoreboard, as unnecessary spending.

"Why do you have to advertise when there's no other player in town?" Alvarez asked. "I think people would rather have their rates not go up than see their name on TV saying they build communities."

Of a dozen or so people asked about JEA advertising after paying their utility bills at the downtown Customer Care Center last week, many hadn't even noticed the utility's efforts. Not surprisingly, none were happy to hear their rates were on the rise.

Erico Logan, an Arlington resident, has seen the ads and said they don't bother him much, though he knows whose pocket the money is coming from.

"I know we're paying for it one way or the other," Logan said.

Lanahan said she expects advertising costs to drop in the next few years. The Jaguars partnership ends after next season, and she said she doesn't know if that will be necessary.

Part of the reason for increased ad spending the past two years, Lanahan said, is JEA expanded its territory, acquiring Florida Water and United Water. As the city-owned utility expanded its customer base, it also increased advertising.

"They [customers] need to look at us and view us as the people they're going to rely on and believe in," Lanahan said.

No new acquisitions are on the horizon, so that advertising need won't be a factor, Lanahan said.

Even as JEA's advertising budget drops, for now, the utility will continue with community partnerships to keep its name out there, and should, according to Berg.

"If they don't and nobody hears from the utility for two years," Berg said, "then they [customers] start to wonder what you're hiding from them."

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