

Veto No. 1984-6

HB 164

December 19, 1984

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I have on my desk for review House Bill 164, Printer's No.3556, which amends the Public Utility Code to require that electricity supplied to volunteer fire companies be metered and measured in the same method used for residential customers. Although this legislation is intended to reduce utility bills for volunteer fire companies, upon careful examination I have found that the bill will not only fail to reduce costs, but, by creating more paperwork and complications in ratemaking proceedings, the bill will actually increase utility costs for volunteer fire companies.

Under the Public Utility Code, electric rates reflect the cost of service to each class of customer. This fundamental principle of rate regulation ensures not only efficiency of utility operations, but also guarantees that neither residential, commercial or industrial customers will be forced to subsidize any other category of ratepayer. This legislation wisely does not attempt to change this basic tenet of rate regulation. Instead, the legislation only attempts to modify the manner in which electric utility meters measure power utilized by volunteer fire companies. Despite the expectations of advocates of this legislation, changing the method of measuring electricity use will not reduce total bills.

Presently, most electricity customers, except residential customers, have their power utilization measured with "demand meters". Unlike the standard household electricity meter, a demand meter measures both the number of kilowatt hours of power drawn from the distribution system and the peak demands imposed by a customer. For a customer with a demand meter, the electricity bill each month is calculated by combining both a "demand charge", for the peak needs of the customer, and an "energy charge" for the number of kilowatt hours utilized. Regardless of whether a demand meter or an ordinary household meter is used, however, utility rates are set at levels which will yield the same total level of revenue from each distinct class of customer. A demand meter merely attempts to distribute costs among ratepayers within a service class more equitably by measuring the peak capacity demands customers place upon the generation and distribution system.

If this bill were to become law, the impact would be to force utilities to install new meters in volunteer fire companies and to calculate new rate schedules applicable to volunteer fire companies. The inevitable result of this change will be absolutely no overall savings for volunteer fire companies. While some companies may have lower bills, electricity costs will necessarily increase for other volunteer fire companies to offset the revenue loss.

Regardless of how power consumption is measured, total revenue generated by this class of customers will be the same. The only likely result of implementing the bill would be that the cost of new meters, separate accounting and complicated new utility legal proceedings will be passed on to the volunteer companies in the form of higher rates.

Because this legislation is ill-conceived and counterproductive, I do hereby publicly proclaim and file with the Secretary of the Commonwealth my disapproval.

DICK THORNBURGH