

IBEW Statement No. 1

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R-973954

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Pennsylvania Power and Light :
Company for Approval of its Restructuring Plan : Docket No. R-00973954
under Section 2806 of the Public Utility Code :

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REBUTTAL TESTIMONY OF
WILLIAM SCHMITT

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ON BEHALF OF
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS LOCAL 1600

August 5, 1997

1 Q. Please state your name and business address.

2 A. William Schmitt, President and Financial Secretary, Local 1600 of the International
3 Brotherhood of Electrical Workers ("IBEW"), P. O. Box 470, Trexlertown, PA.

4 Q. On whose behalf are you testifying?

5 A. I am testifying on behalf of the members and retirees of IBEW Local 1600 – both in their
6 role as *employees or former employees* of Pennsylvania Power and Light Company
7 ("PP&L") and in their role as customers of PP&L. We represent approximately 4300
8 bargaining unit members of PP&L throughout Central-Eastern Pennsylvania in a
9 29-county area. Included within our 4300 active members are the PP&L employees who
10 provide metering, meter reading, billing, collections, and customer service functions. We
11 also have approximately 2000 retirees. Most of our active and retired members, more
12 than 6000 households in all, are located in PP&L's service territory.

13 Q. What is the purpose of this rebuttal testimony?

14 A. I will be responding to the testimony of several witnesses who are proposing that electric
15 generation suppliers and other companies should be allowed to provide so-called revenue
16 cycle services to PP&L's customers. These revenue cycle services include metering,
17 meter reading, billing, collections, and customer service operations. Specifically, I am
18 responding to testimony that was filed by the following witnesses: Enron Power
19 Marketing, Inc. ("Enron") witnesses Shapiro, Mayo, Reising, Jacobson, and Bowen; New
20 Energy Ventures, Inc. ("NEV") witness Day; Mid-Atlantic Power Supply Association
21 ("MAPSA") witness Johnstone; and Office of Consumer Advocate ("OCA") witness
22 Alexander.

23 Q. Please summarize your educational background and work experience.

1 A. I am a graduate of St. Gabriel's High School in Hazleton, Pennsylvania. I have been
2 employed by PP&L for 31 years in different positions. Since 1979, I have been on the
3 staff of IBEW Local 1600 in various capacities, including Vice President (1984-1989)
4 and President (1989 to the present). I also serve on IBEW's national committee on
5 Electric Power Industry Restructuring.

6 Q. The witnesses that you listed earlier testified that revenue cycle services do not need to be
7 provided by PP&L as the electric distribution company. Do you agree?

8 A. No, I do not. I believe that adopting these proposals would have several serious effects
9 on PP&L's customers and employees. Before I discuss those effects, I should mention
10 that I will not be addressing the legality of the witnesses' proposals. I understand that the
11 legal issues will be addressed in the briefs that will be filed in this case. Instead, I will
12 testify about the reasons why allowing other companies to provide metering, meter
13 reading, billing, collections, and customer services would result in a serious threat to
14 PP&L's employees and would reduce the quality and reliability of service that is received
15 by PP&L's customers.

16 Q. What concerns do you have about allowing other companies to provide metering
17 services?

18 A. I am concerned about the safety and reliability of service that would result if other entities
19 were allowed to provide metering services. You must understand that electric meters are
20 not like appliances or telephones that you can just buy and plug into an outlet. Installing
21 an electric meter should be done by a person who is specially trained for that job. At the
22 present time, Pennsylvania does not have any statewide licensing or certification of
23 electrical contractors. The issue of qualifications to install and service electric meters has

1 not come up before because only electric utilities have been allowed to do so. If this
2 function were opened up to others, I am concerned that the absence of licensing or other
3 standards could result in a serious harm to the public safety, as well as a potential threat
4 to the safety of PP&L workers who might be called upon to service meters that were not
5 installed properly.

6 I am also concerned about PP&L's ability to continue providing metering services
7 if it does not have assurance that all of its customers will have PP&L meters. For
8 example, PP&L maintains its own meter lab and testing facilities to ensure that its meters
9 are accurate and maintained at the high levels of reliability that PP&L's customers
10 expect. For example, if a PP&L customer believes that there is a metering problem, we
11 have the ability to immediately replace that meter and test the old meter in our testing
12 facilities. Maintaining this type of overhead – a substantial inventory of meters as well as
13 the testing facilities and employees – could prove to be uneconomical and inefficient if
14 PP&L were not certain that it would provide meters for all of its customers.

15 Finally, I am concerned about the potential confusion and risk to our customers if
16 anyone could come on their property to inspect or change a meter. PP&L's employees
17 take pride in their training and professionalism. We install meters safely, wear uniforms,
18 carry identification, and drive vehicles that clearly identify us as PP&L employees; and
19 have our work scheduled through customer contacts with the PP&L customer service
20 center. Our customers would not be able to rely on any of this happening if other
21 companies are allowed to install or service meters.

22 For these reasons, I believe that it would be harmful to the safety of our customers

1 and employees to allow meters to be installed or serviced by anyone other than a PP&L
2 employee.

3 Q. Does having several types of meters, owned by different companies, give rise to other
4 concerns?

5 A. Yes, it does. I am very concerned about what would happen if a customer changed
6 electric suppliers with the frequency that some customers change their long-distance
7 telephone supplier or the supplier of other competitive goods and services. If each
8 generation supplier installs its own meter, then a customer could see frequent changes of
9 his or her electric meter. As I mentioned before, an electric meter is not just an appliance
10 that can be unplugged. The work is potentially hazardous, must be done properly, and
11 should not be done frequently to avoid the possibility of wear or damage to the
12 customer's meter base. Further, there can be considerable inconvenience to the customer
13 of having a meter changed. Depending on the location of the meter, the customer may
14 need to be at home in order to have the meter changed. And in all cases, the customer
15 will suffer a power outage while the meter is being changed. These kinds of outages will
16 be very inconvenient to the customer.

17 Further, it must be recognized that the customer is not the only one who needs to
18 interact with the meter supplier. Contractors often need to have a meter disconnected
19 when performing electrical work on a building. At present, that occurs by contacting
20 PP&L, regardless of the number of meters in the building (for example, a multi-unit
21 apartment building). If PP&L no longer controlled all of the meters, then a contractor
22 would need to identify the meter supplier, determine how to contact the supplier, and try
23 to coordinate schedules with multiple suppliers who might be serving different units in

1 the same building. It seems obvious that this could result in confusion, inefficiency, and
2 increased cost to the contractor and ultimately to the customer.

3 Q. Do you agree with the other witnesses that allowing generation suppliers to provide the
4 electric meter will improve the level of competition to customers?

5 A. Obviously, I am not an economist and I can't point to any studies on this question. But
6 based on some very simple facts and my personal experience, I think that it is more likely
7 that allowing competition for metering will actually result in reducing customer choice
8 for generation supply.

9 Q. Why do you say that?

10 A. I am speaking from my experience and the experience of my friends, neighbors, and
11 family. From my experience, many customers do not have a great deal of loyalty to
12 specific suppliers. Many people will go to three or four different stores to buy groceries
13 because of what's on sale. The next week, they'll buy a different set of items and
14 different brands at different stores. Many people will watch the ads and coupons
15 carefully and change their buying habits accordingly. If you get an offer from a long-
16 distance telephone company that looks good, many people will change long distance
17 suppliers, and then change to another supplier when they get a better deal. But
18 customers will not do this if it is expensive or inconvenient to change suppliers. Just
19 imagine how many people would change long-distance telephone suppliers if you had to
20 schedule an appointment, have someone come to your house, lose telephone service for a
21 period of time, and have to pay a substantial charge in order to switch suppliers.

22 It's also obvious to me that allowing suppliers to provide the electric meter will
23 make it more difficult for smaller suppliers to break into the market. The small wind

1 farm or hydroelectric dam, the factory producing some excess power, and other small
2 power producers would be locked out of the market because they cannot provide metering
3 and billing services.

4 In other words, it looks to me like having the generation supplier provide the
5 electric meter will result in less customer choice, not more.

6 Q. Wouldn't PP&L continue to provide metering services for smaller generation suppliers
7 and other suppliers who chose not to provide their own metering services?

8 A. I don't know the answer to that question. If large numbers of PP&L customers choose
9 generation suppliers that provide their own meters, then I doubt that it would be
10 economical for PP&L to continue to provide metering services. While I hope that this
11 never happens, we have seen PP&L downsize in other areas when it was no longer
12 economical to continue providing services. Therefore, I am afraid that allowing suppliers
13 the option of providing metering services might lead to the requirement that suppliers
14 must provide those services, because PP&L will have lost the ability to economically
15 provide those services to the customers who remain. If this happens, smaller generation
16 suppliers would be forced to provide metering services, which could substantially
17 increase their costs and discourage them from entering the market.

18 Q. Are you also concerned about the other witnesses' proposals to allow electric generation
19 suppliers or other companies to provide meter reading services to PP&L's customers?

20 A. Yes, I am. Allowing other companies to provide meter reading services raises the same
21 concerns that I just mentioned about people other than utility employees coming onto
22 customers' property and into their homes (many meters are still located in basements), the
23 inability of smaller suppliers to compete, and the potential inability of PP&L to

1 economically provide this service if it is not serving all of its customers.

2 In addition, providing competitive meter reading also raises other important
3 concerns. First, there are very practical concerns about a meter reader knowing which
4 meters to read. Right now, a PP&L employee learns how to read the different types of
5 meters that are installed on the PP&L system. There are several different kinds, some of
6 which are read differently from others. The employee also learns where the meters are
7 located and reads the meters in a prescribed order. This is not always as easy as it
8 sounds. In an apartment building or office complex, for example, there may be a room
9 with a dozen or more electric meters in it. On a given street, there may be two-family
10 homes mixed with small apartment buildings and single-family homes. It is vitally
11 important that the meters be read in the proper order, so that the information is recorded
12 accurately.

13 Now picture what would happen if PP&L did not have responsibility for reading
14 all of the meters and if ownership of the meters could change from one month to the next.
15 The meter readers could not develop a routine; there would be a risk that meters would
16 not be properly marked and identified; and the meter reader might encounter meters of a
17 strange design that were abandoned by previous generation suppliers.

18 Q. Couldn't a lot of these problems be resolved if rules are developed to ensure that meters
19 are standardized?

20 A. That might help take care of some of these problems. But even if rules are developed to
21 eliminate the confusion and non-standard equipment, I am still concerned that meter
22 readers would need to know what meters to read each time. Right now, meters are
23 changed very rarely. Under the system that the other witnesses propose, it is possible that

1 meters could change with some frequency, resulting in PP&L having to read a customer's
2 meter one month, PP&L not reading it the next month, then switching back to PP&L
3 reading it again a few months later, all because the customer chose to change generation
4 suppliers. Of course, this assumes that customers are willing to put up with the
5 inconvenience of having their electric meters changed frequently.

6 Q. Do you have similar concerns with the other portions of the revenue cycle – billing,
7 collections, and customer service?

8 A. Yes, I do. Today, PP&L customers know where to call if they have a problem with
9 electric service. Billing problems, payment agreements, special assistance to low-income
10 customers, possible metering errors, outages, disconnection of service, or connecting new
11 service are all directed to PP&L's customer service employees. These employees are
12 trained to provide all of these customer service functions in a prompt and professional
13 manner while maintaining the confidentiality of the customer's information. And some
14 of that information is very sensitive, such as information about the customer's income
15 and medical problems.

16 I am concerned that allowing other companies to provide these types of services
17 could lead to increased customer inconvenience and confusion. I am also concerned that,
18 as PP&L's more "desirable" customers are cherry-picked by other suppliers, PP&L might
19 be left trying to provide customer service for those customers who cost more to service.
20 This would increase the cost of providing these services and could, again, result in PP&L
21 deciding that it cannot efficiently provide services to just some of its customers when its
22 lower-cost customers have been skimmed off by other companies.

23 I am also concerned about the impact on Pennsylvania's economy of allowing

1 these types of customer services to be provided by others. If this were to happen, I think
2 it is likely that many of these customer service operations would be located out-of-state,
3 leading to a loss of jobs in Pennsylvania. This would be in direct conflict with one of the
4 major goals of electric restructuring, which is to improve Pennsylvania's economy.

5 Q. What do you mean by more desirable and more costly to serve customers?

6 A. From a customer-service perspective, you would love to have all of your customers pay
7 their bills on time (preferably electronically), never move from their house, never have a
8 question about their bill, have enough money to pay their bill and not participate in
9 special programs for low-income customers. Customers with these characteristics are
10 "desirable" in the sense that they do not use much of the company's customer service
11 resources.

12 In contrast, customers who have problems paying their bills, don't understand
13 information that is on their bills, move frequently, do not have a good credit history, do
14 not have English as their primary language, or have serious medical problems demand
15 more of the company's customer service resources. Please don't misunderstand, PP&L's
16 employees are dedicated to serving these customers with the same high-quality service
17 that we give to all customers. But the risk is that PP&L will be left serving only these
18 customers, meaning that the cost per customer would be very high and PP&L would need
19 to seriously consider whether it is economical to continue to provide this service.

20 Q. Several of the other witnesses have argued that PP&L should be required to separately
21 state its charges for various revenue cycle services so that suppliers can pick and choose
22 which services they want to provide. Do you agree with this proposal?

1 A. No, I do not. Metering, meter reading, billing, collection, and customer service are all
2 inter-related services. Customers do not want to have to call one company if there's an
3 outage, a different one if there's a billing problem, and someone else if they need to
4 disconnect or reconnect service. The goal is to provide electric service to the customer,
5 not to just issue a bill to the customer or collect money from the customer. Providing this
6 type of customer service requires a joint effort and a good deal of communication by
7 employees who take telephone calls, read meters, provide on-site service, process
8 payment agreements and take care of other special customer services. Today, PP&L's
9 employees work together within one company to provide safe and reliable service for all
10 of our customers, through a single point of contact at our customer service center.

11 Q. Several of the witnesses have stated that providing revenue cycle services should not be a
12 monopoly. Do you agree?

13 A. No, I do not. Today, we have a system that ensures that everyone receives electric
14 service of the same high quality. Customers who live in remote areas, who have low
15 incomes, or who have special needs receive the same service at the same cost as
16 customers who live in densely populated areas and make no demands on our customer
17 service personnel. This type of universal service at a uniform price will be in serious
18 trouble if we let other companies pick and choose the customers they want to provide
19 revenue cycle services to. I have no doubt that Enron or NEV or one of the other
20 potential suppliers could provide customer service to some of our customers at less than
21 our average cost of providing customer service. So could PP&L. But that's not the point.
22 Right now, PP&L employees are able to provide high-quality customer service to all of
23 our customers. The monthly customer charge is the same for every customer who takes

1 the same type of service. It doesn't matter if a customer calls us five times a month or
2 once every ten years; it doesn't matter where they live or what their income is. The low-
3 cost customers make it possible to serve the high-cost customers at the same price and
4 same high quality. If competitors are allowed to skim off the low-cost customers (higher
5 incomes, fewer demands, living in more densely populated areas), then it will not be
6 possible to continue serving the higher cost customers at the same price, because the
7 average cost will increase significantly.

8 It's similar to the way that the U.S. Postal Service is set up. The goal is to
9 provide a service (first class mail) to everyone at the same price. Of course others could
10 deliver mail in New York City at less than the average, nationwide cost of delivering
11 mail. But those people are not also willing to provide service to rural Montana or Alaska
12 at the same price. Serving the high-cost customers is made possible by the ability to also
13 serve the low-cost customers.

14 Exactly the same thing is true for PP&L's revenue cycle services. It's possible to
15 provide a full range of customer services – metering, meter reading, billing, collections,
16 and customer service – at the same price to everyone only because we serve everyone.
17 Take away our low-cost customers and the average cost to serve the remaining customers
18 will increase. I don't think that this is the way that utility services should be provided
19 and I don't think that the PUC should let this happen.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes, it does.