TESTIMONY OF GARY COX

Introduction:

Q. Please state your name, business address, title and mission of the organization for whom you work.

A. My name is Gary Cox. My business address is 4551 South Atherton Drive, Salt Lake City, Utah 84123. I am an Assistant Business Manager of the International Brotherhood of Electrical Workers Local Union 57 (herein Local 57). Local 57 is the certified representative of maintenance, operation and support employees of PacifiCorp Energy (PE) in its Power Supply/Generation Plants. I administer and enforce collective bargaining agreements with PE, in Utah, and parts of Idaho and Wyoming. PE currently employs about 650 workers in Power Supply.

Q. What is your employment experience?

A. I have been Assistant Business Manager of Local 57 since August 2004 to present. Prior to this, I was employed by Utah Power and Light and its successors. I was trained by the Company as an Instrument and Control Technician and became a journeyman in 1985. I&C Technicians design, install and maintain operating control devices. I worked in that capacity at the Naughton Steam Plant for 22 years and at Gadsby Plant for 2 years. I was assigned to maintain boiler, steam turbine, scrubber, emissions, water treatment, combustion turbines systems and their associated subsystems. I have a high school education.

Q. What is the purpose of your testimony?

A. To address staffing shortages and maintenance issues in PE's generation plants. It is my belief that the Company has failed to prudently maintain and staff the generation plants, leading to excessive and unreasonable costs and unplanned outages, impairing the efficiency and useful life of the plants. The Public Service Commission should consider a mechanism to correct this, such as by safeguarding cost of service accounts established for this purpose, to ensure those costs which have been included in rates, will actually occur; and by training and employing a suitable number of craft personnel to maintain and operate the plants, in addition to existing staff.

Past And Present Maintenance Practices and Staffing:

Q. What were the maintenance practices prior to the acquisition of Utah Power and Light (UP& L) by PacifiCorp in the Power Plants?

A. UP&L scheduled regular planned outages for maintenance. This entailed a significant overhaul for each unit, in each plant, each year, inspecting and repairing its major equipment. It also included a major overhaul every third year, on each unit. Outages were planned during non-peak periods when replacement power was favorably priced. When a unit went down, it was thoroughly inspected and fixed by skilled employees. In those days, the Company trained adequate numbers of apprentices and kept staffing levels sufficient to perform the overhauls and support other plants as well in emergencies. This resulted in few unplanned outages. Unplanned outages are costly, and tend to occur during peak period of demand, when replacement power is expensive.

Q. What have been the maintenance practices and experiences of PacifiCorp in the Power Plants?

A. After PacifiCorp acquired UP&L in the early 1990's, these practices did not change significantly. However, when Scottish Power acquired the utility, the first big staff cuts were experienced in the mid 1990's. Toward the end of Scottish Power's ownership, management began to realize they had cut too deep and only just began to turn it around.

But when Mid America took over, it imposed manpower restrictions by arbitrarily setting budgets for the number of positions for each plant. Jobs could only be filled when somebody left and it would not necessarily be in the same position. For example, recently at the Carbon Plant, a mechanic went on long term disability. This vacancy was converted to a management position and filled.

Now craft level manpower is so low that the Company does not have the ability to tackle extensive overhauls as UP&L did. The Company contracts out a great deal of work which has its own drawbacks, to be addressed at another time. But the overhauls are still done far less frequently and thoroughly.

At the Naughton Plant, UP&L employed about 18 skilled maintenance craft persons in the I and C shop. Now the Company is down to 6 journeyman and 2 apprentices who are only 6 months along in their training, in that shop. These are

the only apprentices the Company is training to fill skilled maintenance positions in plants where employee are represented by Local 57!

The Company has tried to replace 2 journeyman mechanics at Naughton, but has been unable to find skilled people to hire off the street for a year.

The Hunter Plant has been unable to fill an I and C Tech positions for 2 years, by hiring off the street.

Essential Training of Plant Maintenance Personnel is Nonexistent:

Q. Are you faulting the Company for not being able to hire skilled employees?

A. Not directly. But I am faulting the Company for not recognizing the shortages in the labor market and for not training replacements themselves, as it use to do. Workers get trained because a responsible employer in the community trains them. UP& L had 1-6 apprentices in each plant shop, depending on the size of the Plant. It anticipated its future manpower needs. Current upper management seems oblivious to these needs but it is at a critical stage, due to the aging of a sizeable number of experienced journeyman operators and mechanics. The Company is about to lose valuable journeyman to retirement. Their knowledge base and experience in the plants, will go with them. They will not be around to train new apprentices, and training will suffer because of that.

Under the current Company manpower policy, it cannot train an apprentice until a journeyman or another employee leaves the plant, if even then.

It takes 3 years to train an apprentice, but as a practical matter, 6 years altogether is necessary before a craftsmen becomes proficient.

Retirement of Craft Employees is Imminent:

Q. What does it look like as far as expected retirements of craft level journeyman and operators?

A. I asked my stewards to conduct a survey, within the last 2 weeks, of the number of expected retirements of journeyman operators and maintenance employees, within the next five years. The findings of the survey are:

-Gadsby Plant has 23 bargaining unit craft level employees, including control room operators (CRO). 15 of them are over age 55. 6 journeyman plan on retiring in 5 years.

-Blundell Plant has 18 craft level employees. 7 of them are over 55 and plan on retiring in 5 years. The Company added an additional 10MW unit at that plant, essentially doubling it, without an increase in manpower.

-Carbon Plant has 21 journeyman or CRO's. 9 are over 55 and plan on retiring in the next 5 years. Another 8 journeyman are 54 years old. We have been informed management plans to reduce manpower 3 positions. It recently eliminated a vacated mechanic position and replaced it with a manger.

-Huntington Plant has approximately 70 journeyman and CRO. 21 plan to retire in the next five years.

- Naughton Plant had approximately 70 journeyman. 13 plan to retire within in the next five years.

- Hunter has 96 craftsmen. 26 plan to retire within the next five years.

- Hydro plants have approximately 30 journeyman and operators. 7 plan to retire in the next five years.

Based on these figures, there should be at least 89 new apprentices in the pipeline to replace these craft level positions. There are about 326 craft level positions. So 27% of the present work force will be gone in 5 years. With existing under staffing and other attrition, the Company should be training at least 100 employees now to capture the knowledge base it is about to lose. UP& L had around 50 apprentices at a given time but it was not behind the curve in training. Their work force was younger and it anticipated its manpower needs.

Q Can't the Company just hire new employees to perform this work?

A. No, as I demonstrated earlier. Moreover, new hires resign at greater rates then apprentices trained by the Company, with seniority and an investment in the organization. UP&L did not have a problem with apprentices leaving the Company. People who now work for the Company would jump at the opportunity to take an apprenticeship, and it would have loyal workers, experienced in other operations of the Company. New hires themselves have a learning curve of about a year and a half to become adept at the types of maintenance problems in a power plant.

Q. Are local mangers and engineers aware of this crisis?

A. Most certainly. They know and have admitted they are understaffed now with skilled personnel. We have discussed it with them. In fact, union representatives,

including myself, were given a power point presentation about looming deficit in worker in power plants. They are frustrated but constrained by the arbitrary manpower budgets, plant by plant. It is so bad a prospective apprentice from another area could not be brought into a plant unless someone else left it!

Q. Do you have other demographic evidence of this problem.

A. Yes. See Company Exhibit 2.6, attached, which tells the story of the aging workforce in these positions. The average age of all skilled classifications, including distribution and transmission, is 46.7 years. If apprentices in distribution were excluded it would be even higher.

Q. Can't the Company just contract with Companies to perform this work?

A. It contracts to a large extent. But contractors are experiencing shortages as well. They are non-union without established apprenticeship programs. In spite of this, the Company is still not able to schedule more thorough, planned overhauls.

<u>Excessive and Costly Unplanned Outages:</u>

Q. Do you have Company records of planned and unplanned outages?

A. Yes. See the Company's data response attachment to Local 57 Exhibits 2.2 , 2.3 and 2.4.

Q. What do these Exhibits demonstrate?

A. Based on my experience, they show that the number of planned outages has markedly decreased from the days of Utah Power & Light and this has resulted in a great numbers of unplanned costly outages.

Q. Can you explain further?

A. Yes. Planned outages are few and far between. Take a typical example at Unit 3 of the Naughton Power Plant, boiler related outages. According to Ex. 2.2, since 2005, there was only one minor planned outage for the boiler. It was only a 10 day outage. A month is required for major boiler work. Prior to this, there were 4 boiler related unplanned outages. In 2006 there were no planned outages. But there were 8 unplanned outages in Unit 3, which tells me they did not fix everything. In 2007, no planned outages. But there were 26 unplanned outages. In 2008 they only plan a 15 day outage, so no major boiler work.

Recap 2005- 4

2006- 8

2007- 26

Hunter outages for Unit 3, is also typical. The only planned outage was from March 30 to May 11, 2007 for a major turbine overhaul. Exhibit 2.2. But until then there were 18 unplanned outages from 2005, 22 in 2006, and 12 up to May 2007, when a planned outage occurred and outages thereafter essentially stopped, excluding a typical start-up outage just after that time. This may demonstrate how useful a planned outage can be.

Q. What kind of power purchases have these unplanned outages resulted in for all of PacifiCorp Energy?

A. See Ex 2.3, showing Company totals for estimated Power Purchases, as follows:

12 months ending 12/31/05	$142.9M
12 months ending 12/31/06	$104. 3M
12 months ending 12/31/07	$123.3M

Q. What other problems do unplanned outages result in.

A. The Company management is purchasing hundreds of millions of dollars of power, that could be avoided. This is a poor use of internal and outside manpower. It is an inefficient use of the plant, threatening its useful life, increasing pollution emissions, wasting natural resources and resulting in less reliable service.

Conclusions And Recommendations:

Q. What recommendations do you make based on your information?

A. The Company in my experience is running up unnecessary costs because it is unwilling to spend the money now to fix what is wrong in the plants in a thorough planned way. To do that, and operate the plants with knowledgeable people, it must now train and employ 100 additional skilled personnel in Local 57

jurisdiction alone. Higher levels of maintenance personnel have proven their value by reducing unplanned outages in the past. The Commission should scrutinize high unreasonable costs, such as these power purchases and disallow them. Perhaps this will give the Company an incentive to take steps to properly maintain the plants. the Commission should otherwise earmark certain §FERC accounts in generation for maintenance and/or additional craft positions.

Q. Does this conclude your testimony?

A. Yes.