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 RMP and 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. I have daily contact with employees in PE's generation plants, as well as their supervisors and managers up to the President of PE in regular monthly Labor Management meetings, apprenticeship meetings, and other meetings.

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 internal staffing shortages of skilled maintenance crafts in PE's generation plants. It is my opinion that the Company has failed to prudently maintain and train such staff at its generation plants which employ craft personnel represented by Local 57, which includes Blundell, Carbon, Gadsby, Hunter, Huntington, Naughton, Currant Creek, Lake Side and Utah/Idaho Hydro plants. This has lead to excessive and unreasonable costs in contracting out such work that an internal workforce could better perform at substantially less cost and time. The Company has kept the level of internal full time equivalent employees (FTE's) flat since at least 2009. The Company has inadequately filled these positions now vacant or soon to be due to attrition, retirement and other reasons. It's has used the vacancies to fill other non craft positions. Demographic information demonstrates the graying work force has and will result in labor shortages in the next few years. In order to protect the Company's investment in Generation Plant and deliver reliable service, the Company should be training replacement internal craft maintenance personnel now but it is not.

The Public Service Commission and customer stakeholders should study and evaluate the concerns I raise. The Company has not presented or disclosed the information and higher costs and staffing of external FTE's either in its filing under the rules or in discovery responses. It claims it does not have this

information but I do not believe this to be true. If it were available, the scope of the problem I'm raise could be appreciated and a means developed to monitor and address the need for additional revenues for contract FTE'S, which I consider wasteful.

Past And Present Maintenance Practices:

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, using vendors or contractors rarely except for warranty work and certainly not for routine maintenance. 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.

When Mid America took over, it imposed manpower restrictions by arbitrarily setting budgets to fix the number of internal FTE positions which RMP President Walje says have been flat since 2009. (See page 6 of his Direct Testimony.) The FTE's to which he refers are internal, that is not external contract employees, according to his response to Local 57's Data request.

In reality however, the Applicant has had to sharply increase the number of external FTE's to keep up with the work, improvements and shrinking internal workforce in key areas by bringing in contractors on a regular and routine basis to perform the specialized craft work which has to be done due to additional generation plant capacity, demands and needs. However the true cost of this contract work has not been disclosed in any meaningful way.

<u>Disclosures Issues of Contract FTE's and Costs:</u>

Q. Doesn't the Company track the extent of its use of an external contract FTE's work force?

A. No, at least not for PSC purposes. I understand the Commission's rules at R746-700-20C3B seek such information, as available, as well as R746-700-22B3. However, this information is not available, if the Company is to be believed. In discovery in this proceeding, Local 57 has been informed it is not available and the Company does not track contract FTE levels and utilization, as associated costs. RMP's responses to Local 57's inquiry to this information was woefully inadequate.

According to Applicant's Test Period Information for a General Rate Case Application R746-700- 20.C.3a. which calls for:

> "The actual most recent number of full-time equivalent employees and, separately, the forecasted number of full-time equivalent employees for the forecasted period. The most recent number of actual contract labor employees and the forecasted number of contract labor employees for the test period will also be provided as available and separately identified. The most recent number of actual union labor employees and the forecasted number of union labor employees for the test period will also be provided as available and separately identified."

RMP submitted:

> "As of October 31, 2010, full-time equivalents were 5,548, which included 3,184 union employees. Contractor labor employees were 241.
>
> As of June 2010, full-time equivalents were 5,586, which included 3,220.5 union employees. Contractor labor employees were 246. The forecasted period is based on the base period workforce levels and assumes no material additions or reductions with the exception of adjustment 4.15 (Incremental Generation and Transmission O&M) which accounts for the reduction of six (6) FTE associated with the retirement of the Little Mountain plant."

Further the Rule at General Rate Case Application R746-700- 20.C.3b calls for:

> "The associated costs related to the full time equivalent labor and contract labor levels. Direct employees, contract employees, union and nonunion employees will each be provided separately."

To which Applicant submitted:

> "Please refer to Attachment R746-700-20.C.3.b. proviced in folderr (sic) 700-20.C.3.b. Please also refer to Exhibit RMP__(SRM-3), page 4.16.2. Contractor labor is not readily identifiable because all third party vendor costs are booked to the same accounts. The attachment includes costs related to contract labor as well as nonlabor services."

Attachment R746-700-20.C.3.b. sets forth pro forma test year costs of certain FERC accounts 550-935 and gross payroll and internal employee benefits costs.

Further the filing for R746-700-22B3 calls for:

> "A comparison of budgeted labor costs and number of full-time equivalents to the actual labor costs and full-time equivalents by year for the Base Year and the prior Historical Year on a total company basis. These shall show separately, to the degree available, the direct labor costs, premiums, incentives, benefits and overhead costs. These shall show contract labor costs separately from direct labor costs, and union labor costs separate from nonunion costs. The information shall provide available explanations for material variances."

RMP submitted:

> "This information is provided in folderer R746-700-22.B.3" (sic)

All RMP provided was as follows:

> **"Response to R746-700-22.B.3**
>
> Please refer to Attachment R746-700-22.B.3 for budgeted and actual labor costs.
>
> Please also refer to Attachment R746-700-22.B.3 for the full-time equivalent labor and contractor labor. The contractor labor provided is total contracts and services which includes contractor labor and 3rd party vendor costs, such as software maintenance. The attachment includes Contractor labor costs as well as nonlabor 3rd party vendor related charges.

> Full-time equivalents as of June 2009 were 5,752 and 5,586 as of June 2010. Budget full-time equivalents for June 2009 were 6,065 and 5,851 for June 2010."

This folder attachment (Exhibit 1 attached) to the Rate Application sets forth only overall internal comparison costs for 2010.

But in response to Local 57's Data request, RMP provided Attachment 1.1e (Exhibit 2) which references R746-700-22.B.3. It is labeled "Pacificorp Contract and Services" and sets forth only total contract costs. It does not relate to the FERC accounts and does not break out areas of concern, such as in generation maintenance, for a meaningful evaluation. It also reflects its FTE Contractor total Company to be annually around 241 positions which I find incredulous.

The Division on February 7, 2011 in reviewing the compliance of the rate filing with regard to R746-700-22.B.3 noted:

> "Not in compliance. No explanation of variances. And no fomula (sic) for percentage computation."

Local 57 asked for cost information, such as for total O and M and broken down for generation in Plants in which Local 57 represents employees, for generation maintenance costs (First Set of Requests 1-4). The request for example, includes:

> 1.1 d Annually, from 2005 through the test period, the numbers of total regular hours and total overtime hours separately worked by internal and external contract FTE's were employed and for said hours indicate the amounts and percentages attributable to 1.) Forced outages; 2) Unforced Outages; and 3) All other reasons such as routine maintenance;

To which Applicant responded: “The Company does not track external contractor hours worked on forced outages.”

Applicant’s responses were not due and finally provided until the day this Direct testimony had to be filed, May 26, so discovery motions for non compliance could not be made. However, Local 57 has endeavored to have the information otherwise provided without success so far.

The long and short of it is, neither through the rate filing or discovery has this Intervenor been able to ferret out information which would show the amount of contract FTE’s or associated costs of for routine maintenance work at the generation plants with which RMP has replaced or supplemented the internal labor force with.

Q. Do you think this external contract FTE information and associated cost is readily available and exists.

A. Yes. The Company has a sophisticated system software know as SAP to track this headcount and costs and I believe just as it does so for internal FTE’s at the generation plants and elsewhere, it has this information for contract FTE’s.

Q. Why do you feel this is the case?

A. In the regular Labor Management meetings I attend, manpower needs are constantly at issue. I am informed that due to a set budget level for internal manpower, the routine work has to be contracted out when the plant generation managers themselves would prefer to train and hire replacement workers. The managers at the generation plants, know exactly who and how often contract employees enter the plant for costs and security purposes. Moreover the costs and work on projects, regardless as to who does it, is scrupulous tracked by plant managers and attributed to cost centers and for their budget through the SAP software for internal employees' time, costs and work per project on it. I surmise they are also doing it for external contract employees based on the amount of manpower they know they need to do these jobs, and if not easily could be.

A simple Google search of SAP at demonstrates the usefulness of comparing internal and external head counts on SAP to develop metrics to save Company from experiencing these external costs. See workshops conducted for City of Tacoma at:
http://www.ci.tacoma.wa.us/cronews/SAPAuditappendices.pdf - - Cached
See excerpts attached from the Gartner Study at Exhibit 3. As sophisticated and cost conscience as RMP is in tracking cost, I believe that it also has these tools and so uses them.

Q. Why do you believe utilizing FTE contractors is so more costly than internal FTE?

A. IBEW Local 57 constantly interfaces with Applicant's management and employees. While the Union does not have the resources, sophistication or monetary interest of a

customer to ascertain and evaluate these labor and contract costs not forthcoming from the Company, we have plenty of antidotal experience to inform the Commission and interested parties there is a problem with contracting out that they should take seriously that has resulted in excessive costs.

For example during the Utah Power and Pacific Power era, the vast majority of the HVAC maintenance was performed internally by plant personnel. However, as the plant workforce has been reduced through the years, plant management has been forced to contract to outside vendors. I have personal knowledge of this because for several years at the Naughton Plant, I was part of a composite crew that maintained all HVAC equipment with contractors only performing warranty work and new installations. To my knowledge, the Naughton Plant is the only plant that still performs this work internally. It has evolved to the point there that one electrician totally maintains all such systems there in addition to some other electrical duties.

But at the other plants, due to the lack of Journeyman Electricians, they have been forced to contract the HVAC maintenance at costs that include profit and overhead of the contractor having to travel into the outlying areas that reasonable can be assumed to be more expensive than an electrician that is also available for other tasks. Such contracting out also occurs for maintenance of elevators, boiler tubes, air compressors and innumerable jobs that plant personnel have routinely done but cannot do because of short staffing and working long hours of overtime.

Exhibit 2 Contracts and Services, shows overall total costs have increased from 2005 to June 2010 from $238M to $308M by 30% with only approximately 241 Contract FTE's Company-wide![1] Some of the biggest ticket items here have to do with accounts "530045 Construction and Maint Contracts-Labor" and 530050 Construction and Maintenance-Other" which we will clarification of. It appear to be generation and different than for example "530152 Contract line Construction Maintenance" which appears to be distribution and dramatic increases and fluctuations in costs in the millions of dollars. But the costs cannot simply be measured in dollars.

Q. What other measures of costs are you speaking to?

A. What you pay for. A dollar spent on an internal employee pays for institutional experience, know how, security, backup and familiarity with expensive plant investments and many other things you do not get from an unknown contract employee. It pays for flexibility and saving of time in having persons on hand, at remote generation locations, to handle a variety of tasks rather than isolated assignments for which travel costs are incurred. It pays for efficiency, direct accountability and cost control. It adds resources and stability to the local community. It does not pay for contractor overhead, profits and inefficient costs. The Applicant is in danger of losing its valuable internal staff due to undeniable demographics of its aging workforce which the Company is not replacing.

[1] RMP provided Attachment IBEW 1.1e, at Ex 1 in response to our discovery request for comparative costs of internal and external O and M, but these accounts are not helpful in breaking out relative plant generation contract maintenance labor costs which are lumped with construction costs as well and do not seem to relate to FERC accounts in generation.

Demographic Concerns of a Graying Workforce.

Q. What are the demographics that concern you.

A. These are not just my concerns. They have long been concerns in the Electrical Industry. See NERC's discussion of longstanding where it states:

> "The "aging workforce" and its impending impact on reliability has been a recurring theme in NERC's recent Long-Term Reliability Assessments. In 2007, we reported that, according to a recent Hay Group study, about 40 percent of senior electrical engineers and shift supervisors in the electricity industry will be eligible to retire in 2009. This loss of expertise, exacerbated by the lack of new recruits entering the field, is one of the more severe challenges facing reliability today." at http://www.nerc.com/page.php?cid=4%7C53%7C55.

See also "Workforce Trends in the Utility Industry" prepared by the Department of Energy in August 2006, reporting similar concerns and dire warnings in regard to the impending retirement of baby boomers who have "accumulated a wealth of experience and knowledge, and represent 44% of the American workforce. For electric utilities, whose service quality and reliability depends on maintaining an adequate, knowledgeable workforce, managing the upcoming retirement transition is a particular challenge." See executive Summary at xi at:

http://www.oe.energy.gov/DocumentsandMedia/Workforce_Trends_Report_090706_FINAL.pdf - - Cached

RMP has that same challenge but according to their Data Request it is not presently concerned about meeting ion the generation plant. However, in its discovery response to

us at IBEW First Set of Data Request Number 6, it acknowledged at Attachment 1.6 that within 2years of December 2101, 29.6% of plant generation craft personnel will be 58 and eligible to retire, and in 5 years 46.8% will be eligible.

This year the Union did a survey of this personnel at all generation plants in which craft persons are represented by Local 57, to help us determine when our traditional I&C, Electrical and Mechanical journeymen were likely to retire or pursue other career opportunities either with the Company or elsewhere. This survey was done with the endorsement of the Company. We found that there were 35 I&C technicians, 54 electricians, and 102 mechanics at the plants. Of that number the journeyman that were planning to leave prior to the year 2015 were:

I&C- 10

Electricians-9, (not including one leaving Naughton in June 2011.)

Mechanics-15

These figures were very similar to those projected previously to us by the Company based on its historical understanding and assumptions of when employees retire. We asked for a copy of such studies by the Company and one confidential study has been provided but not the study we were presented. Rather it went to Operations Managers and Engineers and it appears to be consistent with the concerns I have raised. While the data response shows lack of concern, the managers on the ground certainly are, as expressed to us.

Our survey doesn't take other reasons for leaving such as moving, disability and health reasons and other attrition. But it shows that 18% of an already depleted work craft generation force plan to retire within four years and will have to be replaced.

In spite of this, the Company has not put into place any plans to hire, train or replace these people, and has run out of time and ability or to do so even if it wanted to.

Necessary Training of Replacement Internal Craft Employees.

Q. Why do you say that?

A. Internal replacements need to be trained and this takes 3 years of an apprenticeship and another 3 years on the job to become proficient enough to competently handle the job. Yet the numbers of these positions and efforts to retrain them have been minimal.

At the Naughton Plant, UP&L employed about 18 skilled maintenance craft persons in the I and C shop (Instrument and Control). Now the Company is down to five (5) I and C journeyman Techs at Naughton with no apprentices. Qualified Journeyman cannot be hired off the street to fill the anticipated vacancies due to retirement. The Company has tried this and failed. I sit on the journey qualifications Committee with the Company to determine the qualifications of potential new hires, and the applicants as a whole have practically all been mutually rejected.

The need for more I and C Techs is essential to comply with recent EPA mercury monitoring requirements at each unit which at Hunter alone means a need to hire about 2 more I and C's, in addition to the need for two more, based on our retirement survey they otherwise need to fill vacancies. Finally, just in April of this year, they indentured one I and C apprentice. Yet they have not otherwise opened up any new apprentice positions there since 2005 when there were two that have since journeyed out.

The Company otherwise currently has only 5 journeyman craft apprentices at this time in generation plants I am involved in. They are apprentice mechanics. They are at Naughton and will be replacing vacant positions that have been unfilled for some time with no one to replace mechanics who will retire in the near future.

At Huntington the Company has already been notified of two I and C Tech retiring this year and nobody to replace them. Again, they need an additional Tech for the EPA mandates to monitor Mercury emissions which require monitoring of 4 hours per day per each of the two units.

But once again there cannot be an increase in headcount, as the managers have expressed to me with frustrations. And the Company can't contract out I and C work so they will be faced with vacant positions.

Since 2005 there have been no apprentice <u>electricians</u> within Local 57s jurisdiction at the generation plants. In the past the Company has had limited success in hiring electricians

for its Plants, which appears to be because of an apparent trend that due to the lack of qualified off the street Substation Journeyman and Relay Technicians, a significant number of newly hired and tenured electricians are transferring to Rocky Mountain Power into distribution. Blundell Plant was without even one electrician for over a month and is still trying to fill the final second vacancy several months later. There are currently no Electrician apprentices in the program due to the headcount restrictions the Company has committed itself to.

In our data request, we asked the Company about their plans to replace these employees. (No. 1.10 (c)) They respond in five brief lines they would post the jobs internally and then if unsuccessful post it externally. I have been involved in the external postings and it doesn't work. There was not even a mention of utilizing apprenticeships from whoever crafted this answer.

Current and past staffing at the generation plants of internal maintenance employees, as provided by Applicant is attached at Ex 4.

Q What else is wrong with hiring off the street?

A. 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 generation 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 monthly meetings. They acknowledge contractors more and more are being utilized to perform routine maintenance contracts on jobs internal employees have performed in the past. For example, at Hunter Plant internal mechanics repair emergent boiler leaks. All of the plants had mechanics used to do this at much lower costs than contractors and faster turn-around times. We will seek information as to these and other specific contract costs, but a more comprehensive approach is warranted by the Commission.

Union representatives, including myself, were given a power point presentation bout looming deficit in worker in power plants. Mangers are frustrated but constrained by the arbitrary manpower budgets, plant by plant.

Q. What is the danger of having inadequate internal staffing as you have described?

A. Danger to the boiler, the turbine, the plant. The PSC has been concerned about

this before. I understand in 1976 the Huntington Plant generator wrongly came off line resulting in a regulatory investigation and order. We have been unable to locate this file at the Utah State Archives and asked the Company for it but they objected as to it not being relevant. How could major incidents such as this not be relevant to the public's rate making concerns? The shorter the staffing, the longer the hours, the more unfamiliar with the plant contract workers are, the more danger and I hope I don't have to say I told you so. While the Company has addressed many of these issues on the distribution side due to the December 2003 storm, the generation side has been disregarded.

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 to properly staff the generation plants with knowledgeable people. It must now pay for and train and employ at least about 40 people just to stay at current levels in the near terms of additional skilled personnel in Local 57 jurisdiction alone. It could save this money by reducing contractor expenses. Higher levels of internal maintenance personnel have proven their value by reducing unplanned outages in the past and prudently maintaining equipment. The Commission should scrutinize high unreasonable contractor costs by requiring the Company to be forthright in disclosing them, and otherwise recognize the need to use these revenues to hire and train internal craft employees in generation plants to protect the plant investment, service reliability,

and safety of those working long hours to make up for short staff.

Q. Does this conclude your testimony?

A. Yes.