

1 CONFIDENTIAL TESTIMONY OF GARY COX

2 Introduction:

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

5 A. My name is Gary Cox. My business address is 4551 South Atherton Drive, Salt
6 Lake City, Utah 84123. I am an Assistant Business Manager of the International
7 Brotherhood of Electrical Workers Local Union 57 (herein Local 57). Further
8 information regarding my employment for Local 57 is set forth in my Direct Testimony
9 in this matter. In addition to my responsibilities, I am a Trustee for both the IBEW
10 Western Utilities Health and Welfare Trust and the PacifiCorp/IBEW Local 57
11 Retirement Trust Fund which I also chair.

12 Q. What is the purpose of your testimony?

13 A. To address and rebut certain recommendations of OCS witness Donna Ramas,
14 and UEA witness Higgins, regarding adjustment of labor expenses. This is an issue that
15 must be understood in the context of the issues I raised in my direct testimony, to wit,
16 that the Company's decision to keep the number of internal FTE's flat is costing rate
17 payers unnecessary, excessive and imprudent costs in contracting that generation plant
18 work. The true cost of this contract labor is not known or appreciated by reason of an
19 insufficient filing requirement and discovery data in this area. And that the availability of
20 skilled labor is threatened due to a demographic crises not being prudently addressed by
21 Applicant. I continue to urge the Utah Public Service Commission to establish a separate

22 docket to study and evaluate the concerns I raise, to compare internal and external labor
23 costs as well as skilled craft staffing shortages and the need for apprenticeships now. The
24 recommendations made by the UAE and OCS witnesses will only compound the
25 problems and are made without appreciating the problems I raise, and on insufficient
26 evidence.

27

28 Higgins Testimony.

29 Q. What testimony of Mr. Higgins do you wish to address?

30 A. At pages 33 to 37, lines 662 to 754 where he testifies:

31 **WAGE AND BENEFITS EXPENSE**

32

33 Q. What is RMP proposing for its wage and benefit expense?

34

35 A. RMP is proposing an increase of \$34.9 million (total Company), or 7.2%, over the
36 wage and benefit expense for the historical period ending June 2010. A summary
37 of the Company's wage and benefit expense history since 2007 is presented in UAE
38 Exhibit RR 1.8, page 3. This exhibit also presents RMP's proposed wage and
39 benefit expense for the test period ending June 2012.

40

41 Q. What are your observations concerning RMP's proposed wage and benefit expense?

42

43 A. RMP's actual annual wage and benefit expense (which excludes capitalized labor)
44 for the period 2007 through 2010 ranged between \$483 million and \$502 million.
45 The maximum expense occurred in 2009. In 2010, wage and benefit expense fell to
46 \$494 million, and for the period ending June 2010 (filed in this case), it was \$485
47 million.

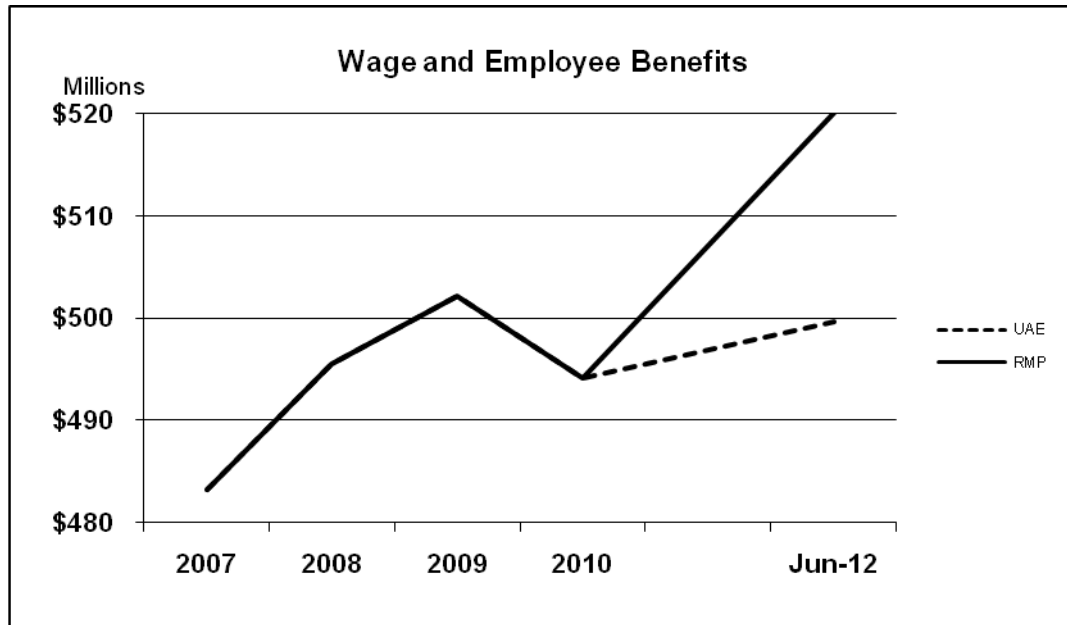
48

49 The wage and benefit expense that RMP is proposing to be included in rates is
50 materially greater than the Company's experience over the past four years: it is
51 5.2% greater than actual 2010 expense and, as noted above, 7.2% greater than the
52 actual expense for the 12 months ending June 2010. The trend line for the four
53 calendar years plus RMP's proposal for 2011 is shown in Figure KCH-1 below.

54

55
56

Figure KCH-1 RMP Wage and Employee Benefits 2007-2012



57
58

59 Q. What are the main drivers behind RMP's proposed increase in wages and benefits?
60

61

62 A. As shown in UAE Exhibit RR 1.8, page 3, two significant components of the
63 increase are pension expense (an increase of \$10.3 million relative to 2010) and
64 medical benefits (\$5.8 million increase). RMP is also proposing an increase of \$7.1
65 million in its annual incentive program, while regular wage expense ("regular
66 ordinary time") is proposed to increase by \$16.4 million.

67

68 Q. Has any other utility commission recently ruled on RMP's proposed wage and
69 benefit expense in a general rate case?

70

71 A. Yes. On February 28, 2011, the Idaho Public Utilities Commission issued its
72 Order in RMP's general rate proceeding, Case No. PAC-E-10-07. On the subject of
73 wages, the Idaho Commission Staff cited to the difficult economic conditions
74 prevalent in the Company's Idaho service territory and proposed that all wage
75 increases awarded by the Company to its employees during 2009 and 2010 be
76 disallowed in rates. The Idaho Commission concurred, ruling that:

77

78 The Commission finds that in challenging economic times the local economy in
79 the Company's service area is a greater indicator as to the appropriateness of a
80 wage increase than market data and industry averages. We find no demonstration
by the Company that the union and non-union wage increases were required for

81 the Company to be a competitive employer able to retain or attract employees.
82 We find no evidence that without the union and non-union wage increase the
83 service provided by the Company would be degraded and safety compromised.
84 We find that as a certificated provider of service RMP has elected to be a member
85 of the communities it serves. We find Staff's proposed wage adjustment to be
86 reasonable. The Company may choose to implement its wage increases, but we
87 will not allow recovery of that expense from its Idaho customers. [Order 32196 at
88 18-19]

89

90 Q. What is your recommendation for addressing RMP's proposed increase in wage and
91 benefit expense?

92

93 A. I agree with the Idaho Commission that it is important to be sensitive to the
94 economic conditions faced by customers when determining the amount of increased
95 wage and benefit expense that will be passed on to those customers in rates.
96 Utilities should not be exempt from the belt-tightening that its customers must
97 endure during challenging economic circumstances. I find it especially troubling
98 that RMP is proposing to recover an additional 26.7% (\$7.1 million) for its
99 incentive pay plan at a time when the Company is proposing to increase Utah rates
100 by a very substantial 13.7 percent.¹

101

102 As shown in UAE Exhibit RR 1.8, RMP's *actual* wage and benefit expense has
103 been relatively contained within the past four years: indeed the Company's wage
104 and benefit expense was only 2.24 percent higher in 2010 than it was in 2007. It is
105 only when we come to the projected test period used for setting rates that a
106 projected large year-over-year jump occurs.

107

108 From a regulatory standpoint, it is not necessary to adjust each line item of the
109 Company's wage and benefit expense, particularly when using a future test period.
110 My recommendation is that the Commission set an overall level of wage and benefit
111 expense that is acceptable in rates, recognizing that it is RMP's choice to pursue a
112 test period that extends significantly into the future and the Commission must use
113 its best judgment to ascertain the level of projected wage and benefit expense that
114 ratepayers should bear. For the purposes of this case, I recommend that the
115 Commission approve an overall wage and benefit expense equal to the Company's
116 Calendar Year 2010 actual expense plus 0.75 percent on an annualized basis, which
117 is an increase of 1.13 percent for the test period relative to 2010. This approach

¹ Footnote omitted.

118 results in a wage and benefit expense for ratemaking purposes of \$499.7 million
119 (total Company).

120

121 Q. Why do you propose allowing a 0.75 percent annualized increase over the level
122 experienced in the year ending December 2010?

123

124 A. Such an increase is consistent with the Company's experience over the past several
125 years. Even though 2010 actual wage and benefit expense declined relative to
126 2009, on average, the year-over-year increase in RMP's wage and benefit expenses
127 has been running about 0.75 percent since 2007. I recommend approval of wage
128 and benefit expense in rates that is consistent with this three-year trend in RMP's
129 wage and benefits costs.

130

131 Q. What is the revenue requirement impact of your recommendation?

132

133 A. As shown in Table KCH-1, my recommendation reduces RMP's Utah revenue
134 requirement by **\$8,430,269**. The impact of this adjustment on net operating income
135 is shown in UAE Exhibit RR 1.8.

136

137 Q. Mr. Cox, have Pension and Health Benefits increased for IBEW Local 57

138 represented employees such that its costs have been driven up?

139 A. No. Pension expenses have increased primarily due to new federal minimum

140 funding requirements enacted in 2006 and the economic downturn since then in financial

141 markets. By reason of this in October 1, 2010 steps had to be taken to reduce the pension

142 pay credits employees earn by 40-50%, depending on which age group the participants

143 were in. As a result, for employees represented by IBEW Local 57, the rate of pay credits

144 for plan participants decreased. For example, for a Group 2 journeyman lineman, used to

145 receive a pay credit of \$543 a month at 8% of base payroll. Since October 2010, a

146 participant received a pay credit of half of that, at 4% or \$271 a month. This results in

147 lower benefits to employees when they retire. Nevertheless the Company had to increase

148 expenses to meet the federal minimum funding requirements so it was similarly costly for
149 both the Company and the employees. See Exhibit R.1 attached, showing the reduced
150 benefit accruals for Groups 1-3 as 2.0%, 4% and 6%, respectively from their previous
151 4%, 8%, and 10%. For a Group 2 average utility worker position, the pay credits dropped
152 from \$158 month to \$79 a month. Utility workers are the group of employees that would
153 likely apprentice for Operator and Maintenance journeymen positions.

154

155 Q. Have health expenses increased?

156 A. It goes without saying health costs have gone up. However, employees
157 represented by Local 57 are bearing a greater proportion of the expense. In 2010, the
158 family premium of a typical employee represented by Local 57 was \$1,444 a month. This
159 was paid on the basis of an 85/15 split between RMP and the employee, that is, \$1,228
160 paid by RMP, and \$216 a month paid by the employee. But in 2011 the premiums were
161 paid on the basis of 80/20, and the premium increased to \$1,589. So RMP paid \$1,271 a
162 3.50% increase and the employee paid \$317, a month, a 46.76% increase of \$101 a
163 month! See attached Exhibit R. 2, a 2011 Contributions Summary. Other efforts over the
164 years have been taken by the Company and Union to make cost savings steps which have
165 kept this plan's medical expenses historically less than the national average.

166

167 Q. Did the employees you represent get a wage increase in this period?

168 A. Yes, it was 1.75%, effective January 26, 2011. For a Journeyman, the base pay

169 went up \$116 a month. But the increases in cost of typical health insurance premium of
170 \$101 and the decrease in pensions pay credits of \$271, results in an overall decrease in
171 wages and benefits received by the employee. Similarly, Group 2 Utility Worker received
172 a wage increase of about \$68.00 a month which was more than eaten up by the \$101.00
173 increase in the health premium, and the reduction in pension credits from \$158 to \$79.00
174 a month in 2011. This is not a matter of employees or the Company not tightening its
175 belts, they have.

176

177 Q. Can RMP be competitive in the labor market without the rate increases the
178 Applicant seeks associated with these benefits expenses?

179 A. Absolutely not. RMP is not competitive now. I do not know what evidence the
180 Idaho Public Service Commission had before it, or how contested those adjustments were
181 but Utah should make its own decision and for that it needs evidence. Certainly the
182 evidence Mr. Higgins or OCS presents is not there in regard to RMP being competitive in
183 the labor market. And it is not a local marker. This is a national labor market, as I
184 previously testified. There is a nationwide shortage of skilled labor in the electrical
185 industry.

186

187 Only I have testified before this Commission as to how difficult it has been to hire and to
188 replace skilled workers who have retired or quit and that there is crisis the electrical
189 industry due to an aging workforce. Studies have not been conducted by Applicant or

190 Public Service Commission as to this issue, which the exception of a certain confidential

191 report Applicant made which reflects a serious problem in regard to [REDACTED]

192 [REDACTED] to wit that:

193 [REDACTED]
194 [REDACTED]
195 [REDACTED]
196 [REDACTED]

197 [REDACTED]
198 [REDACTED]
199 [REDACTED]

200 [REDACTED]
201 [REDACTED]
202 [REDACTED]
203 [REDACTED]

204 [REDACTED]
205 [REDACTED]
206 [REDACTED]
207 [REDACTED]

208 [REDACTED]
209 [REDACTED]
210 [REDACTED]
211 [REDACTED]
212 [REDACTED]
213 [REDACTED]
214 [REDACTED]
215 [REDACTED]
216 [REDACTED]
217 [REDACTED]

218 [REDACTED]

219 [REDACTED]
220 [REDACTED]
221 [REDACTED]
222 [REDACTED]
223 [REDACTED]
224 [REDACTED]

225 [REDACTED]
226 [REDACTED]

227
228
229
230
231
232
233
234
235
236
237
238
239

[REDACTED]

240 This study is consistent with my concerns, that there is a need to train craft people now,
241 that they are not step up to supervisory positions, and that due to internal staff shortages
242 they some are earning far in excess of their base wage due to overtime which has its own
243 hazards. Moreover this internal knowledge is about to be lost, and it will be far more
244 difficult to train their replacements.

245

246 In summary, Mr. Higgins evidence is insufficient to cut back on revenue for benefits and
247 would be highly detrimental to the Company and the public in obtaining reliable service,
248 made possible by dedicated workers who have tightened their belts. The internal craft
249 shortages the Company faces are further discussed, in addressing OCS testimony.

250

251 OCS Testimony and Recommendations:

252 Q. Does the Company have difficulty filling vacant craft positions?

253 A. Yes. I addressed this to a certain extent in my direct testimony. I am also aware the

254 Company has had major difficulty filling vacant positions for craft and supervisory
255 positions, as addressed in my direct testimony. For example, the Company has had to
256 resort to hiring inexperienced operations supervisors that have no operations experience.
257 That used to be unheard of! PacifiCorp Energy (PE) recently hired two Plant Operations
258 Supervisors at the Hunter plant who have had no operations experience despite Company
259 qualification that five years of operation experience in a coal fired power plant or similar
260 facility was required. The qualification recognizes they also need to make timely decision
261 during critical plant conditions. But how can they do that when they have no experience?
262 See Exhibit R.3, a posting of such position at Naughton and showing PE wide
263 qualifications for the position. Applicant is actually training these supervisors alongside
264 apprentice operators! This is a major threat to the safety and reliability of the plant and is
265 only going to get worse with an aging workforce.

266

267 The Company has had to rehire retirees or person who have quit, as so called Agency
268 FTE's to bulk up the workforce and they are not getting any younger. PE had in October
269 2010, 31 Agency FTE's, including engineers who have quit to also contract with the
270 Company as a vendor (not an Agency FTE) or retired.

271

272 However, the Agency FTE does not refer to vendor employees for which an actual FTE
273 headcount is not kept. But RMP does track the vendor employees and it shows a steady
274 increase in their use in primarily maintenance areas. See Pacific Energy Total Vendor

275 Positions for Jan 10 through May '11 at PE from RMP Data response IBEW 2.1.b.4: **647-**
276 **736-896-891-861-922-999-1081-1207-1253-1238-1317-1423-1453-1421-1370.** That is
277 an increase of vendor employees on the premises of 112% in a relatively short period!

278

279 As I have stated in my direct testimony, these craft maintenance vendors do much the
280 same maintenance work as internal employees but at greater cost. For example, from
281 Data response IBEW 2.1.b.4, it is seen that the Company contracts with CCI Mechanical
282 to provide 8 HVAC technicians basically throughout the 1/10 to 5/11 period to work on
283 heating and air conditioning (HVAC). In 2009 and 2010 the Company paid in expenses
284 (non-capital) to CCI Mechanical for HVAC of \$282,430.34 and \$272,575.18
285 respectively, according to Data Response IBEW 2.1.b.3. However one internal
286 electrician at Naughton during this same period, does all their HVAC work, along with
287 other maintenance duties. That electrician's wages and benefits cost approximately
288 \$111,646.00 a year, according to the 1.42 factor the Vice President of PE, Dana Ralston
289 uses to value benefits paid when measuring whether it is cheaper to do the work
290 internally or externally (2080 hours x base wage rate \$37.80 x 1.42). While CCI Techs
291 may be serving several plants, the Utility still experiences unnecessary travel costs and
292 delay costs for its vendor employees.

293

294 HVAC is but one example. The Company uses contractors increasingly now for ash haul
295 (Savage). Internal Equipment Operators have done this but as their positions are vacated,

296 the Company uses those FTE's to fill in other areas of need, rather than increase overall
297 FTE's. So Savage gets more work while the Company's heavy equipment is idle. Now
298 with the new Huntington Scrubber creating problems, more ash will have to be hauled
299 and more expensive contracting will result. The Equipment Operators also push coal at
300 the plants but as there are not enough of them so they work excessive overtime and the
301 Company still must contract with Castle Blast and Vac who regularly employed 5-6
302 people in 2010 (According to Data Response IBEW 2.1.b.4, at an increasing cost from
303 2006 - 2010 which according to Data Response IBEW 2.1.b.3 of \$349,392.35,
304 \$575,441.50, \$895,919.00, \$1,196,130.26, and \$1,574,583.00.

305

306 Internal boilermakers and pipefitters are being supplemented by PSSI (but their cost data
307 on the exhibit could not be located.) They used to do overhauls on boilers but more and
308 more, they come in for routine fixes of boiler tube leaks, that internal employees fix in
309 half the time, if a recent incident at Naughton is representative of the work Total West
310 Contractors did who were much less familiar with the plant. They traveled all the way
311 from Arizona to do this work, at Company expense, and finished an easier fix much later
312 than the internal crew did. Their costs steadily increased from 2007 to 2010 and were
313 \$54,860, \$164,595, 311,847, 860,487 according to Data Response IBEW 2.1.b.3. Was it
314 because of fewer overworked internal employees, more boiler leaks? Either way it is a
315 problem that should be looked out, other than passively accepting these increasing
316 contract vendor charges.

317

318

319 I have not been able to comprehensively evaluate all the cost information of these
320 contractors supplied. I don't have the expertise, tools or time to do this and lack the
321 familiarity with utility accounts to add up the numbers, and ask the right questions. A
322 comprehensive analysis of this increasing use of contractors is warranted. But it is
323 difficult because in many cases, the data is not kept. While the Company admits in
324 response to IBEW Data Request 2.5 that:

325 The SAP system is capable of tracking all hours worked through the SAP time
326 entry system for employees and certain contractors. Contractor time is recorded if
327 the hiring manager elects to enter their time. Typically, the time entry system is
328 utilized for exception based reporting and any hour worked outside an employee's
329 default work assignment. If labor hours are charged as an integral part of a
330 contract, hours and related dollars are not specifically recorded outside the total
331 price of the contract. Typically, supporting invoices would include such
332 information.
333

334 In fact for the 1207 vendor employees for PE which were kept track of on SAP, no hours
335 or associated costs apparently were kept, managers did not "elect" to do this. Yet
336 managers likely know approximately what the hourly cost of a contractor employee is
337 from supportive information, such as cost plus billings. Managers are otherwise able from
338 experience to compare a contract bid with the cost of what it would take their own people
339 to do it, had they had the employees.

340

341 Further, the Company has not supplied information sought seeking to identify vacated

342 craft positions open for which they sought to fill but have been unable to. It said:

343 **IBEW Data Request 1.10**

344 Set forth for Applicant's internal FTE's in maintenance generation for journeyman
345 electrician, journeyman mechanic, I&C technician, computer technician, electronic
346 technician, control room operator, AMO/JMO/PO, equipment operator, utility worker,
347 laboratory technicians and their supervisors at Gadsby, Carbon Naughton, Hunter,
348 Huntington, Blundell and Utah/Idaho Hydro.

349

350

351 b. The number of vacancies or unfilled positions and the period they have gone unfilled
352 for each of the last five years; and

353

354 c. Describe and produce any plans to replace these employees with internal or external
355 FTE's and identify the numbers and sources (external or internal) of such replacements in
356 the past and next five years.

357 **Response to IBEW Data Request 1.10**

358

359 b. The Company objects to the request on the basis that it is overly broad and unduly
360 burdensome. Collecting this information for each of the last five years is also most likely
361 not possible.

362

363 c. The practice followed by PacifiCorp Energy to fill positions is to determine the need
364 for the position and receive approval from the business unit management to fill the
365 position. Bargaining unit positions are first posted internally to the bargaining unit bid
366 board to identify qualified and interested employees. If this process is unsuccessful,
367 positions are posted externally.

368

369 That is, the Company made no effort to provide any information on vacancies

370 whatsoever, or address meaningful plans to address the crisis it is facing, such as training

371 employees. I seems oblivious to the difficulties Power Generation managers are having

372 filling these position, and one doubts the Company's regulation department and managers

373 are talking to each other.

374 Applicant will have to add new plant generation to make up for aging plants, lost heat

375 rate from poorly maintained plants and environmental regulations. The Company will
376 have difficulty finding a skilled workforce to man to do all this, either by hiring internally
377 or by contracting out to vendors who don't do the job properly.

378

379 Q. Did Mr. Falkenburg for the OCS address these manpower problems?

380 A. Yes, in a manner of speaking. Mr. Falkenburg for the OCS recommended adjustments
381 based on instances of imprudent work done by contractors such as at pages 47-49:

382 A. Recent discovery requests² concerning this event demonstrate that the
383 Company's contractor, [REDACTED]

384 [REDACTED] According to the Company, [REDACTED]

385

386

387

388

389

390 [REDACTED] Because the Company was [REDACTED]

391 [REDACTED], imprudence and/or negligence is not debatable. [REDACTED]

392

393

394

395 [REDACTED] Consequently, I made adjustments to both planned and

396 forced outages to remove the impact of this event.

397 And at pages 49 and 50 he testified:

398

399 Q. WERE [REDACTED] RECEIVED BY
400 THE COMPANY RELATED TO OUTAGES AT THE BRIDGER PLANT?

401 A. Yes. [REDACTED]

402 [REDACTED].

² Footnote omitted

403 However, there were no Root Cause Analysis (“RCA”) reports for these events.³
404 [REDACTED]
405 [REDACTED] Further, the lack of any
406 RCA reports indicates prudence cannot be established by the Company. As a
407 result, I have removed the impact of these events from the test year.
408

409 See also his Confidential Attachment WIEC 1.22 re Liquidated Damages. At the
410 [REDACTED] plant, the delay under review was ended when the plant manger finally
411 brought in internal I and C Techs to do the job the [REDACTED] contractor’s I and C
412 personnel could not do. I have personal knowledge of this. As I showed in my direct
413 testimony, there is a severe shortage of I and C personnel internally and the Company has
414 kept FTE’s flat.

415

416 Q. Don’t internal employees have failings too like Contractor vendors skilled staff?
417 A. Perhaps, they’re only human. Internal Employees are stretched due staff shortages
418 and overtime. But at least the Company has much more oversight over them, knowledge
419 and control of them and their work. The Company can train them. These workers have
420 institutional knowledge and ownership and don’t start from scratch in addressing
421 problems. They live with the work they do and care about it. They do not have an
422 incentive like a contractor may have to draw a job out. Contractor [REDACTED]’ track record
423 is not good, and they built the Lakeside Plant which was supposed to be a turnkey
424 project, and as Mr. Falkenberg testified “has [REDACTED] outage rate modeled in

³ See Wyoming PSC Docket 20000-384-ER-10, WIEC 1.22.

425 the GRID.” (page 47). Contractors have incentives to cut corners.

426

427 Q. Do you question Mr. Falkenberg’s testimony in regard to imprudent work and long
428 outages?

429

430 A. No, but I don’t see how the OCS can disregard that witnesses concern about plant
431 management to recommend cut budgets of internal staff which would essentially
432 facilitate more contracting out of work which is likely to exacerbate the problems and
433 cost so much more money. Mr. Falkenberg would be in a position to know that my
434 concerns are valid and a closer review of the staffing problems of which I speak is
435 warranted.

436

437 Q. Has OCS recommended cuts to workforce?

438 A. Effectively, yes by disallowing revenue due to the Company apparent failure to
439 actually use the FTE’s it had budgeted and requested revenue for in prior proceedings.

440 Its witness Danna Ramas has evaluated so called work force FTE’s of both Internal

441 Employees and Agency Contractors and found [REDACTED]

442 [REDACTED] See pages 54-56 where she testifies:

443 Q. IS THERE ANY INFORMATION YOU HAVE SEEN THAT WOULD
444 INDICATE THAT THE EMPLOYEE COMPLIMENT AT PACIFICORP HAS
445 CONTINUED TO DECLINE SUBSEQUENT TO THE END OF THE BASE
446 YEAR USED IN THE COMPANY’S FILING?

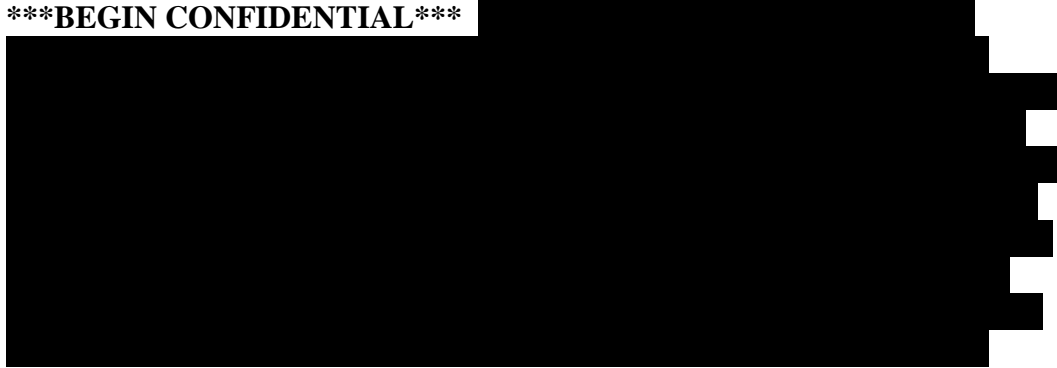
447

448 A. Yes. While on-site at the Company’s Portland, Oregon offices, the

449 Company provided copies of its monthly operating reports. Included within each
450 of the monthly reports is a page that shows the work force levels broken down
451 into various categories. The page shows the actual FTE employee levels for the
452 month as well as the budget for that month and the budget variance.

453
454
455
456
457
458
459
460
461
462
463
464
465

*****BEGIN CONFIDENTIAL*****



*****END CONFIDENTIAL*****

466 Based on the above presented employee levels, clearly PacifiCorp's full-time
467 equivalent employee level has declined both during the base period and
468 subsequent to the base period used in this case.

469
470
471
472
473
474

Q. HAS THE COMPANY PROVIDED ANY DOCUMENTS IN THIS
CASE THAT WOULD INDICATE THAT THE LOWER FTE EMPLOYEE
COMPLIMENT HAS RESULTED IN O&M COSTS BEING LOWER THAN
WHAT WAS BUDGETED IN THE BASE PERIOD AND SUBSEQUENT?

475
476
477
478
479
480
481
482
483
484
485

A. Yes. *****BEGIN CONFIDENTIAL*****



CONFIDENTIAL***

486 Q. Mr. Cox, do you agree with her recommendations?

487 A. No. Adjusting revenues based on a decline in FTE's disregards the consistently higher
18

488 total Operations and Maintenance costs for the period, driven consistently by higher then
489 budget cost for Contracts and Services. Indeed if the budget for payrolls had been met
490 there would be less need for contracts and services and an overall savings. However, the
491 OCS has not looked at this, partially because this data is not available to compare with
492 the cost of internal employee costs of O and M to contracts and services. Cutting the
493 payroll revenue discourages further savings on the internal side, compounds the problems
494 of internal staff shortages and the need to build them up from wherever there are
495 vacancies; undercuts management's ability to address the problems now; and encourages
496 further use of contractors in the very areas where problems imprudent maintenance has
497 occurred and there are decreased plant efficiencies, heat rates and capacities. This is an
498 area that requires further study to include in future filing requirement. I am confident if
499 this was looked at further, all parties would have a better handle on costs, and ratepayers
500 would benefit by long term investment in internal labor force, just as it invests in capital.

501

502 Q. But if the Company is not using these positions, why should the ratepayers fund it?

503

504 A. I can't speak for what past rate case revenues authorized. This case looks toward a
505 future period when costs will be incurred and rates paid with considerable overlap. And
506 the future is now as far as the need to build up the internal skilled work force. Certainly
507 the Commission could put into place, as it has in the past, a mechanism to guarantee
508 certain revenues, in particular for generation operations and maintenance, are in fact

509 being paid, and recovery allowed for it if it is not, without simple cutting back the
510 opportunity to fill positions the Company says it needs but is having trouble filling due to
511 labor market constraints or because of lack of training. The money could be spent on
512 apprenticeships to everyone benefit. Apprenticeships have been markedly increased on
513 the Distribution side, to no one's objection for journeyman lineman. Somehow the FTE's
514 were found to staff them. However on the maintenance side, too often an opening in craft
515 is replaced by a supervisor, or other non craft FTE. So when one of those positions opens
516 up, such as to technology saving sought by Ms. Ramas at pages 58 of her testimony for
517 the Energy Trading System Cost Saving, it allows for more internal craft and operations
518 employees which is badly needed. Accordingly, I also disagree with those adjustments.
519 They would be imprudent and short sighted.

520

521 Q. Does this conclude your testimony?

522 A. Yes.