

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application) Docket No. 13-035-184
Of Rocky Mountain Power for)
Authority to Increase Its Retail) **Rebuttal Revenue Requirement**
Electric Utility Service Rates in Utah) **Testimony of**
and for Approval of Its Proposed) **Gary Cox**
Electric Service Schedules and) **for IBEW LOCAL 57**
Electric Service Regulations) **Intervenor**

June 4, 2014

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

3 A. My name is Gary Cox. My business address is 4551 South Atherton Drive, Salt
4 Lake City, Utah 84123. I am an Assistant Business Manager of the International
5 Brotherhood of Electrical Workers Local Union 57 (herein Local 57). Local 57 is
6 the certified representative of maintenance, operation and support employees of
7 PacifiCorp Energy (PE) in its Power Supply/Generation Plants as well as Rocky
8 Mountain Power is Power Delivery, representing approximately 1600 FTE
9 employees, as well as Hiring Hall temporary employees. I administer and enforce
10 collective bargaining agreements with PE, in Utah, and parts of Idaho and
11 Wyoming. PE currently employs approximately 550 FTE in Power Supply
12 represented by Local 57. I have daily and regular contact with employees in PE's
13 generation plants, as well as their supervisors and managers up to the President of
14 PE.

15

16 Q. What is your employment experience?

17 A. I have been Assistant Business Manager of Local 57 since August 2004 to
18 present. Prior to this, I was employed by Utah Power and Light and its
19 successors. I was trained by the Company as an Instrument and Control
20 Technician and became a journeyman in 1985. I&C Technicians design, install
21 and maintain operating control devices. I worked in that capacity at the Naughton
22 Steam Plant for 22 years and at Gadsby Plant for 2 years. I was assigned to

23 maintain boiler, steam turbine, scrubber, emissions, water treatment, combustion
24 turbines systems and their associated subsystems. I have a high school education.

25

26 Q. What is the purpose of your testimony?

27 A. To rebut the contentions made by the OCS and UAE in regard to disallowing
28 revenue requirements for Full Time Employee positions (FTE's) they contend
29 overall have declined or are expected to decline due to the closing of the Carbon
30 Plant on or about April 15, 2015. Such disallowance impairs the ability of the
31 Company to manage and properly staff PE's supply generating stations and all
32 areas where Local 57 represents employees working. There is an ongoing need
33 for FTE positions to be retained and filled but it cannot happen overnight. It
34 would be shortsighted and costly to ratepayers to cut back on them now.
35 Reductions affect reliability and safety in the plant, endangering employees, other
36 personnel and the integrity of the plant property itself.

37

38 Q. How many FTE's are affected as contended by OCS that concern you?

39 A. According to OCS witness Donna Ramas, at pages 4-6 of her Direct Revenue
40 Requirement Testimony, the FTE count should not be based on the average Base
41 Year, ending June 2013, employee compliment of 5,460.00 (including a reduction
42 of 4 employees removed due to the closure of the Little Mountain Plan in May
43 2013) but rather should be based on the FTE count in January 2014 of 5,334.5, for
44 the reason the Company indicated in response to OCS 4.4 dated February 14,
45 2014 that there were no plans to increase or decrease the current FTE count. This

46 results in a reduction of 125.5 FTE's and should be reflected in proportionate cost
47 savings in operations.

48 While these reductions likely go beyond power supply positions with which I am
49 primarily concerned, it is a rather high number of positions to arbitrarily cut
50 across the board. The Company has endeavored to keep the number of positions
51 flat but not to this level. This drastic cut would impair its ability to hire or train in
52 other areas of need where positions have not been filled for legitimate reasons,
53 other than immediate need. In fact there is a need as I will demonstrate. In part
54 they have not been filled because the Company has been unable to find competent
55 qualified employees. The Company's practice has been not to fill a position until
56 it is vacated, and then it is not necessarily filled with the same position number or
57 job description. So any area in need is potentially affected by the reductions.

58

59 For example, the Company currently in "Transmission and Distribution
60 Operations has 43 posted positions due to employees terminating employment for
61 various reasons. In addition, a Local 57 class of 15 skilled groundmen is
62 scheduled to begin July 2014." See Company Response to IBEW 57 Data Request
63 2.1(b) and (c). A recent agreement between the Union and Company converted
64 groundmen positions to pre-apprentice linemen positions and opened up this
65 class. They can become apprentice linemen after approximately 6 months.
66 According to this Response, the need for additional apprentices in both for PE and
67 PMP is continually assessed. The large number of vacancies for journeyman
68 linemen is due to retirement or resignation as shown on the Company's

69 Attachment IBEW 57 2.1 to IBEW 57 Data Request 2.1(b) and (c). Many
70 resignations are driven by more lucrative employment offers from California. The
71 Company should not be restricted from utilizing these FTE'S positions simply
72 because it takes time to hire or train such personal.

73

74 Q. How many FTE positions should be reduced as contended by UAE?

75 A. According to UAE witness, Kevin Higgins at pages 34-35 of his Redacted
76 Direct testimony:

77 "RMP's employee count has declined relative to the June 2013 date the Company
78 used for establishing the baseline for its test period wage and benefits expense. I
79 recommend basing wage and benefit expense for the test period on more recent
80 January 2014 employment levels. Accordingly, I have reduced test period wage
81 and benefits expense to account for a reduction of 9 full-time equivalent
82 employees ("FTEs") at the Carbon Plant and 17 FTEs elsewhere in the
83 Company..."

84

85 "RMP indicates that its wage and benefits expense for the test period is based on
86 its employee count as of June 2013 of 5,364.5 FTEs.¹ However, as shown in
87 UAE Exhibit RR. 1.11, by September 2013, RMP's FTE count had declined from
88 its June 2013 level by about 30 FTEs and it remained at this lower level through
89 January 2014, before decreasing slightly the following month. It appears that 4 of
90 the 30 FTEs are associated with the facility closure at Little Mountain, which
91 have been taken into account by the Company in its adjustments.² Further, it
92 appears that 9 of the 30 FTEs that were reduced subsequent to June 2013 are
93 associated with the Carbon plant, which is scheduled to be retired in April 2015.³

94

95 I recommend that test period wage and benefits expense be based on the
96 more recent January 2014 FTE level, which better reflects the Company's
97 employment levels than RMP's initial filing. Accordingly, I have reduced test
98 period wage and benefit expense to account for a reduction of 9 FTEs at the
99 Carbon plant and 17 FTEs elsewhere in the Company.

100

¹ See RMP Response to MFR R746-700-20.C.3.a and RMP Response to OCS Data Request 4.3.

² See RMP Exhibit SRM-3, p. 5.3.

³ Derived from RMP Responses to UAE Data Requests 6.1(a) and 6.1(b).

101 **Q. What is the revenue requirement impact of your adjustment to wage**
102 **and benefits expense?**

103

104 A. The resulting impact from my wage and benefits expense
105 adjustment is a **\$1,155,605** reduction to Utah revenue requirement
106 deficiency. This adjustment is shown in UAE Exhibit RR 1.12.”
107 Footnotes included)

108

109 And at page 36, Higgins states:

110 **“CARBON LABOR EXPENSE**

111 **Q. Please describe your adjustment to Carbon labor expense.**

112 A. “RMP’s proposed revenue requirement includes \$6.9 million in
113 labor expense at the Carbon plant during the test period that will be
114 incurred prior to the plant’s scheduled retirement in April 2015.⁴ These
115 projected costs include the costs of the 9 FTEs that I have removed in my
116 wage and benefits expense adjustment. Because of the planned retirement
117 of the Carbon Plant, the remaining test period labor expenditures at that
118 plant (after the removal of the 9 FTEs) should be viewed as non-recurring
119 in nature and should be removed from base rates, although, as in the case
120 of non-labor O&M, the Company should still be permitted to recover these
121 costs to the extent they are prudently incurred.” (footnotes included).

122

123 Q Will FTE’s be reduced by reason of the closures of the Carbon and Little

124 Mountain Plants and if not why?

125 A. No. As to Carbon, it is not scheduled to close until April 15, 2015. However it

126 has already been stated by the Company as to these FTE’s in response to UAE

127 Data Request 6.1:

128 **Response to UAE Data Request 6.1**

129 (a) The headcount at Carbon Plant at the end of June 2013 was 56. This
130 represents full time employees working on a daily basis. No Hiring hall
131 employees are included in this number. There were four hiring hall workers
132 available at Carbon in June 2013 each working on an as-needed basis.
133

⁴“ RMP Response to UAE Data Request 6.1(d).”

- 134 (b) The headcount at Carbon Plant at the end of January 2014 was 47. This
135 represents full time employees working on a full time daily basis. No Hiring
136 hall employees are included in this number. There were eight hiring hall
137 workers available at Carbon in January 2014 each working on an as-needed
138 basis. The head count at the end of January 2014 does not include one
139 employee who was on short term disability at the time. That employee has
140 since returned to work. This one headcount would be a reconciling item.
141
- 142 (c) The current net projected reduction in full-time equivalent (FTE) is four. The
143 four headcount reduction here represents employees that are projected to retire
144 from the company between now and plant closure on April 15, 2015. These
145 four positions will be a reduction to the total workforce of PacifiCorp Energy.
146 The assumption is that all other union and non-union employees will be re-
147 assigned to cover anticipated retirements in the company. The 43 employees
148 of Carbon will be fully absorbed by the end of 2017. There will be a need to
149 retain some employees at Carbon Plant for the demolition through mid-2016.
150
- 151 (d) The total projected payroll expense for Carbon in the test period is
152 \$6,938,000. The detail by FERC Account is not available.
153
- 154 (e) \$409,907. This amount represents the payroll expense for the four employees
155 from the Company's response to subpart (c) above. These costs are fully
156 loaded payroll costs. It is assumed that these four individuals will retire at
157 plant closure. The amount is calculated based on forecast rate of pay plus
158 forecast benefits to April 15, 2015.

159 Of the nine (9) bargaining unit FTE's that left Carbon after June 2013, that Mr.
160 Higgins addressed, they have all since been absorbed vacated positions at other
161 power plants. And they have all essentially been replaced at Carbon by temporary
162 employees, contractor employees or internal bidders.

163

164 Two (2) bargaining unit Control Room Operators FTE's have recently and
165 unexpectedly retired from Carbon since May 16, 2014. The Company had to
166 replace them prematurely with an apprentice maintenance operator and
167 journeyman maintenance operator at Carbon who are not fully qualified, and now
168 there is a scramble to modify the training program in order to replace their

169 positions as well. Due to these reductions, Carbon is quickly reaching the point it
170 will be difficult to operate safely and efficiently. Operators cannot be replaced by
171 contract labor or hiring hall workers due to the variations and complexities of
172 each plant.

173

174 Currently at Carbon there are 32 bargaining unit FTE's. It is prudent and
175 necessary for the Company to eventually absorb these FTE's at other power plants
176 in the future. They are all experienced long term employees and skilled operators
177 or maintenance employees, except for one clerk, who are needed at facilities
178 across the fleet to replace FTE's that that have not been filled since June 2012.
179 There are 35 such positions open alone in areas represented by IBEW 57,
180 according to the Company's response at Attachment IBEW 57 2.1.

181 More positions will be needed to be filled for attrition due to retirements in the
182 near future, through the test year. According to the Company's response to
183 Local 57's 2nd data request in this matter, at Attachment 57 2.1, sixty nine (69)
184 bargaining unit FTE positions in the last two years have been vacated due to
185 retirement.

186

187 At Hunter plant the Company is currently trying to fill a Shift Mechanic position
188 and has a need an additional three (3) Mechanics. They have been trying to fill
189 four (4) I&C vacancies to avoid the possibility of operating the plant with only the
190 remaining four (4) I&C Technicians due to anticipated retirements by the end of

191 2014 in order to fully staff at 9 FTE's. Recently, at Hunter Plant an I&C
192 technician and two electrician have accept positions in other areas of the
193 Company and need to be replaced.

194

195 At Naughton Power Plant, the Company currently has only three (3) I&C Techs
196 and three (3) apprentices, under its staffing level of 8 technicians. The three (3)
197 apprentices were brought on two years ago to replace vacancies at that time. Due
198 to another employee currently disabled, the Company has put apprentices on
199 weekend coverage without a journeyman. This is highly unusual and required the
200 Company and Union to modify and define the duties of apprentices in this unique
201 situation. There are likely three (3) more I& C Technicians expected to retire in
202 the next two years. Three (3) Electricians are likely to retire in the next two years
203 and there is only one Apprentice Electrician who is being trained there to fill a
204 position opened up by a retirement more than two years ago. They have been
205 trying for some time to hire two electricians needed for vacancies with limited
206 success. While Naughton Unit 3 will eventually be converted to gas, it is
207 reasonable to believe this will be delayed until 2018 and even if was converted
208 now, existing staff is barely adequate to operate and maintain the plant. They have
209 the need for 3 additional Mechanics but have delayed filling these positions due to
210 uncertainty arising around gas conversion.

211

212 Huntington Power Plant will likely be needing a Computer Technician in the near
213 future due to a long term disability and would need to be replaced by an I& C
214 Tech or Electrician from one of the plants.

215

216 Moreover, an undetermined number of personnel will have to be retained at
217 Carbon while it is being de-commissioned until at least 2016 and beyond,
218 including operators for tag outs and craft people.

219

220 The Company as well has been trying to replace multiple skilled employees over
221 the last two years with limited success also at Blundell, Lake Side, Current Creek
222 and Gadsby in the positions of I&C Technician, Electrician, Certified
223 Combustion Turbine Control Room Operator. There has also been a very high
224 turnover rate for employees recruited from other areas of the country, due to the
225 nationwide demand for trained and experienced electrical workers. This demand
226 will continue to escalate over the next few years as the “grey tsunami” hits the
227 industry.

228

229 Accordingly, the Company is justified in wanting to absorb or retain these
230 positions at Carbon and Little Mountain (as next discussed) to meet their business
231 needs in the near future.

232

233 Absorbing skilled maintenance craftsmen and operators is prudent because they
234 will fill in for employees who retire or leave for other reasons. Further, what goes
235 out the door are experienced personnel capable of training their replacements or
236 new apprentices, passing on institutional knowledge and hands to training of
237 apprentices or new personnel required to operate and maintain the plants. The
238 Company has only 6 Apprentice positions currently in PE but more are needed as
239 it is so difficult to find competent replacements.

240 Q. Are the FTE's that came out of Little Mountain still needed elsewhere?

241 A. Yes. As the Company stated in Response to the Filing Requirement at
242 R746-700-20.C3.a:

243 "As of November 30, 2013, full-time equivalents were 5,333.5, which
244 included 2,973.5 union employees. Contract labor employees were 460.

245
246 As of June 2013, full-time equivalents were 5,364.5, which included 3,022.5
247 union employees. Contractor labor employees were 437. The forecasted period is
248 based on the base period workforce levels and assumes no material additions or
249 reductions with the exception of adjustment 5.3 (Little Mountain).

250
251 Adjustment 5.3 removes the labor cost related to four (4) FTE from the test
252 period. However, in reality some of these employees will be able to fill other
253 vacant positions. The labor costs for the plant manager are only for the time
254 charged to Little Mountain as he continues to manage the Gadsby plant."

255
256 Of the Little Mountain employees, two (2) operators and one (1)
257 Mechanic went to the Gadsby plant, one retired and one (1) is expected to be
258 absorbed according to the Company's response to IBEW Local 57 data request
259 2.1 (d), although that remains to be seen. Absorbing that employee as an
260 operator, which he is, would save operating expenses such as overtime to cover
261 for an operator at Pioneer hydro plant who is not working due to disability,

262 provide additional coverage for the Veyo hydro operator that is on light duty and
263 provide adequate training time prior to anticipated retirements within the Hydro
264 group. This will also allow the Company to retrain a fully qualified Safety
265 Compliance Technician avoiding duplicative training costs. It will also prevent a
266 bump or displacement and the associated expenses that will impact up to six
267 employees and their work groups in both Power Supply and Rocky Mountain
268 Power and retain other trained qualified employees who could be displaced by
269 that operator in order to avoid a layoff.

270

271 Q. The OCS states that the reductions are fair because the Company has stated it
272 does not intend to increase or decrease FTE's above the January 2014 level in
273 response to UAE Data Response 4.4. Do you believe this reasoning is correct?

274 A. No. I believe too much is being read into this response. It has to be put in
275 context of the Company's previous and continuing statements, as set forth above,
276 by which it has indicated and affirmed it intends to absorb the Carbon and Little
277 Mountain FTE's to include those FTE's. The Company asked for more FTE's
278 than it actually has to account for this and other needs based on the established
279 practice of utilizing average base year periods of FTE's. This gives the Company
280 some flexibility to address business needs. These positions should not be micro-
281 managed by the Commission. To the extent the positions are utilized in
282 maintenance and operations, they are proper costs and should not be prematurely
283 eliminated. Even to the extent they are not eventually utilized, the Company will
284 still incur the expenses in additional overtime, temporary employees and/or

285 contractor expenses as somebody is going to have to do the work. It is in the best
286 interest of everyone that FTE's do it for reasons of safety, reliability,
287 accountability and efficiency.

288

289 Q. Does this conclude your testimony?

290 A. Yes.