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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED  
Arizona Corporation Commission AZ CORP COMMISSION

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Chairman  
MARCIA WEEKS  
Commissioner  
CARL J. KUNASEK  
Commissioner

DEC 23 1996

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IN THE MATTER OF THE COMPETITION IN ) DOCKET NO. U-0000-94-165  
THE PROVISION OF ELECTRIC SERVICES )  
THROUGHOUT THE STATE OF ARIZONA. ) **EXCEPTION TO PROPOSED**  
 ) **ORDER ADOPTING RULES**  
 ) **ON ELECTRIC INDUSTRY**  
 ) **RESTRUCTURING**

The International Brotherhood of Electrical Workers represents 8,000 workers in the State of Arizona. I.B.E.W. members are employed in physical, technical, clerical and administrative positions, many bearing front line responsibility for the safe and reliable operation and maintenance of electric generating units, transmission lines, networks, and electrical distribution systems throughout the State. In addition, 3000 I.B.E.W. represented workers are employed by Contractors providing construction and maintenance services to the industry. All 8,000 members and their families are consumers, dependent on clean, safe, affordable and reliable electrical power in every aspect of their work and personal lives.

Our members and their families have a vital interest in this proceeding. As employees and consumers we are genuinely concerned with and actively involved in State regulatory activity, as the electric power industry undergoes various shifts, changing from a highly regulated and relatively stable industry, to a more diversified and competitive one. Our members understand that change is inevitable, and neither they nor the I.B.E.W. oppose the introduction of necessary efficiencies to a more competitive environment. We are seriously concerned however, with key portions of the proposed rules R-14-2-1601 and R-14-2-1615, regarding the Introduction of Retail Electric competition to the State of Arizona.

**R-14-2-1607 Recovery of Stranded Costs of Affected Utilities**

The I.B.E.W. believes that the transition to a competitive electric utility industry will result in Stranded Costs and Stranded Commitments and that some meaningful action must be taken to address this issue. Utilities have invested in generating plants because they had an obligation to provide universal service, including a margin of reliable power reserves to customers who could not leave the system. If there is a change to the competitive

environment where customers have a choice, the Utilities have a right to some compensation for assets that are no longer competitive with newer plants built by power generators (which have no real regulatory obligation to consumers).

While often overlooked stakeholders other than investors have similar "investments" and deserve compensation, the workers who entered and stayed in the Utility labor force believing that once built, Powerplants and Transmission/Distribution systems would continue to be operated until they were obsolete. Now, through no lack of diligent performance or fault of their own, these employees face job extinction. Any plan which provides for Utility Stranded "Investment" **MUST** consider these workers investments as well.

The I.B.E.W. suggests this can be done in the following ways:

First Recovery of Stranded Costs should not be an incentive for premature abandonment of efficiently operating generating plants, which may be marginally higher cost producers primarily as a result of capital costs. The potential for unnecessary displacement and reconstruction of generating facilities is many billions of dollars, most of which will ultimately be shouldered by consumers. Utilities which receive payments for stranded costs should be compelled to utilize these funds to write down the capital costs of existing generating plants, so that these plants can continue to operate and be economically competitive in the marketplace. Otherwise, perfectly good assets will be abandoned solely to construct new unnecessary plants.

Second, a portion of any moneys received by Utilities for Stranded assets should be required to be used for the compensation, restructuring of jobs and retraining or re-employment measures for stranded workers who have based important personal and career decisions on a higher level of industry stability. Considerations must be given equally to workers, as well as investors who made decisions based on reasonable expectations governed by requirements for a more fully franchised industry.

Third, downsizing work staffs, closing service centers and the job loss that results from these moves, can have significant effects on the tax base and social stability of a community. Entities should be required to submit economic impact statements in which they acknowledge and take stock of the impact of their projected actions on the community. In addition, they must detail the steps they are committed to take to mitigate those impacts. For **example**: entities claiming cost savings through personal reductions must assess the impact of job loss on the community. In addition, they must consider implementing retraining or relocation programs and severance packages to mitigate those impacts to the community at large, and they must account for the costs of these programs to their own balance sheets.

The future for quality employment prospects is bleak for the entire industry and for the communities that have benefited from the employment provided by Utility facilities. These

developments are being driven by an unwarranted sense of immediacy, prevalent in restructuring debates.

The I.B.E.W. opposes the mandating of competition which simply enriches one small segment of America's consumers - **large industry** - at the expense of the vast majority of small businesses and residential consumers. The I.B.E.W. urges the Arizona Corporation Commission to consider that competition in an industry as vital as electricity must be introduced carefully and judiciously, lest, well meaning initiatives result in irreparable damage.

The I.B.E.W.'s interest is not solely the protection of its members jobs, we share the concern that this country must continue to develop a healthy and prosperous economy; because of the size and importance of the electric utility industry, and the critical policy questions that any significant change restructuring raises for society. The industry should not be restructured or deregulated merely to facilitate an influx of low paying jobs in other industries at the expense of meaningful jobs in Utilities. The State of Arizona is already suffering from the loss of well paying quality jobs of the type the Utility industry once believed necessary to assure reliable, safe supply of electric power. It is also important, that the dollars Arizonan's have spent on assuring clean supplies of electricity along with diverse use of fuel sources for power generation are not wasted.

Rule R-14-2-1613 Subgroups D.F.J.R and L.

A fundamental issue in evaluating the proposed rule, must be, whether the Utility will be able to provide the community with reliable service. And, there is no question that as Utilities rely on staffing amounts as the basis for cutting costs, their ability to continue to provide such service will suffer. The I.B.E.W.'s concerns in this regard, stem from first hand observations of trends in the industry and the significant problems stemming from these trends.

In case after case, Electric Utilities in this country are achieving cost savings by engaging in significant downsizing. It is important to note in this regard, that Utilities engaging in downsizing are not claiming that technological change has reduced their personnel needs, nor are they necessarily claiming efficiencies of scale; they are simply laying off employees.

What our members are seeing, is that as the workforce shrinks, so does the quality of service being provided to the public. On the one hand, as the Utilities make due with fewer employees, the pressure on the remaining employees increases drastically. On the other hand, tasks that can be delayed are being given lower and lower priority. In large part, this translates into less attention being paid to routine maintenance, with formerly scheduled inspections being stretched over longer periods of time, and other tasks being postponed until problems actually arise. When actually faced with labor shortages, that is, when there is work that simply cannot be put off, the remaining workforce cannot meet the demands. The Utilities are increasingly relying on independent contractors to provide employees on an ad hoc basis. These contract employees lack the skill and experience

possessed by the Utilities long term employees. Moreover, there is no assurance that in a time of need (for example, during a severe storm season or snowstorm) the Utility will be able to locate contractors that can quickly provide employees in the numbers and with the skills required.

Reducing personnel costs may yield short term savings, but in the long term, it simply leads to increased costs and greatly decreased reliability. Simply put, a workforce that is cut to the bone, reduced to a level where it can cope only with ordinary day to day operations, cannot be expected to keep the Utility running in emergencies or other situations of increased demand. And, it is when these emergency situations occur that the public most needs to be able to rely on the public utilities service.

In previous times, the industry set its own performance standards and shared information, this enabled Utilities to assess a jurisdictions power needs through reliability councils. In transforming themselves into competitors, these companies are losing both their interest, and ability to share this information and to engage in any sort of self regulation. As the voluntary industry mechanism for assuring reliability is breaking down, the Arizona Corporation Commission must fill the void.

In order for the Commission to evaluate the systems ability to serve the community, the Arizona Corporation Commission should require all entities to detail how they propose to assure capacity and reserves. Moreover, the Commission should condition its acceptance on the requirement that the entity make periodic compliance filings, in order to demonstrate that it is adhering to the plans on which the approval was premised.

Competition can dramatically and adversely affect service quality, reliability and safety, which in the electric utility industry, would lead to substantial economic harm to all. Competition should only be implemented in a manner in which all customers benefit and service quality and reliability are not degraded. Safety and Reliability of the electric system should be protected through standards promulgated and enforced by regulators. Performance based regulatory mechanisms, should provide measurements and incentives for true efficiencies, not merely cuts in staff or levels of service.

Competition in the electric utility industry is proceeding already, but, should not be speeded up to outpace the more reasonable intentions which motivate the need for restructuring. Wholesale competition has only recently been introduced, and no where near enough time has elapsed to allow us to learn its lessons and solve the inevitable problems. Reliable, affordable and safe electric power supply is fundamental to the economic and social fabric of the State of Arizona. The proposed Rule must not be implemented precipitously, risking the present level of industry performance.

The most important and least acknowledged fact in this debate, is that most of the societal benefits of competition can probably be achieved through wholesale competition which is already underway. As drafted, the proposed Rules leave large gaps with the intent of filling in the blanks at some later date. From labors vantage point, this is a very risky

venture; to many issues remain unresolved. When livelihoods, standards of living and the safety of communities lay at stake, the I.B.E.W. must once again, voice opposition to the proposed Rules as written. Although the Commission staff has constructed a "framework", that is all that is in place.

We feel strongly, that the above issues must be resolved prior to adoption of the proposed Rules and we ask the Arizona Corporation Commission and Staff, to consider the full ramification of the proposed Rules as written.

The State of Arizona has the opportunity to be a model for other states moving towards a deregulated environment, but, only if done properly. The unresolved issues and concerns must be addressed prior to adoption; this will not delay the timetable set forth, only the adoption of the Rules as written. If these issues are not addressed prior to adoption, then the State of Arizona will be a model, but, not a model of comprehensiveness, not a model of efficiency, not a model of consensus among stakeholders and not a model of definitive Rules for a safe and reliable future. The State of Arizona will be a model for Rule adoption, without regard to the inevitable consequences and a model of short sightedness, backed by personal gains.

We ask the Commission to vote no, and allow the "framework" to become the "building", a building that benefits the citizens of Arizona.

RESPECTFULLY SUBMITTED this 20th day of December, 1996.

INTERNATIONAL BROTHERHOOD OF ELECTRICAL  
WORKERS LOCAL UNION #1116

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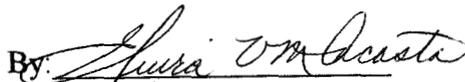
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