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6 Attorneys for Intervenor IBEW Local 1116

ARIZONA CORP COMMISSION
CORPORATIONS DIVISION

8 BEFORE THE ARIZONA

9 CORPORATION COMMISSION

10 IN THE MATTER OF THE
 11 APPLICATION FOR TUCSON
 ELECTRIC POWER COMPANY FOR
 12 THE ESTABLISHMENT OF JUST
 AND REASONABLE RATES AND
 13 CHANGES DESIGNED TO REALIZE
 A REASONABLE RATE OF RETURN
 14 ON THE FAIR VALUE OF ITS
 OPERATIONS THROUGHOUT THE
 15 STATE OF ARIZONA

Docket No. E-01933A-07-04~~0~~⁰²

Arizona Corporation Commission
DOCKETED

MAR - 3 2008

DOCKETED BY	<i>[Signature]</i>
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16 IN THE MATTER OF THE FILING
 17 BY TUCSON ELECTRIC POWER
 COMPANY TO AMEND DECISION
 18 NO. 62013

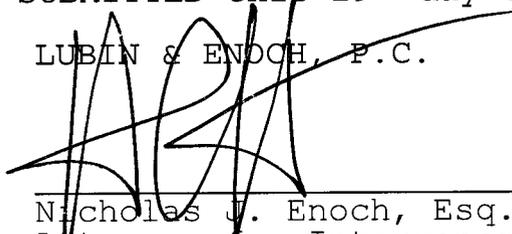
Docket No. E-01933A-05-0650

19 NOTICE OF FILING DIRECT
TESTIMONY OF FRANK GRIJALVA

20 Pursuant to the Administrative Law Judge's Procedural
 21 Order (p. 3) dated October 5, 2007, Local Union 1116,
 22 International Brotherhood of Electrical Workers, AFL-CIO,
 23 CLC ("IBEW Local 1116"), by and through undersigned counsel,
 24 hereby provides notice of its filing of the attached Direct
 25 Testimony of Frank Grijalva in this docket.
 26
 27
 28

1 RESPECTFULLY SUBMITTED this 29th day of February, 2008.

2 LUBIN & ENOCH, P.C.

3
4 
5 Nicholas J. Enoch, Esq.
Attorney for Intervenor IBEW Local 1116

6 ORIGINAL and thirteen (13) copies
7 of IBEW Local 1116's Notice filed
8 this 29th day of February, 2008, with:

9 Arizona Corporation Commission
10 Docket Control Center
11 1200 West Washington Street
12 Phoenix, Arizona 85007-2996

13 Copies of the foregoing transmitted
14 electronically/mailed this
15 same date to:

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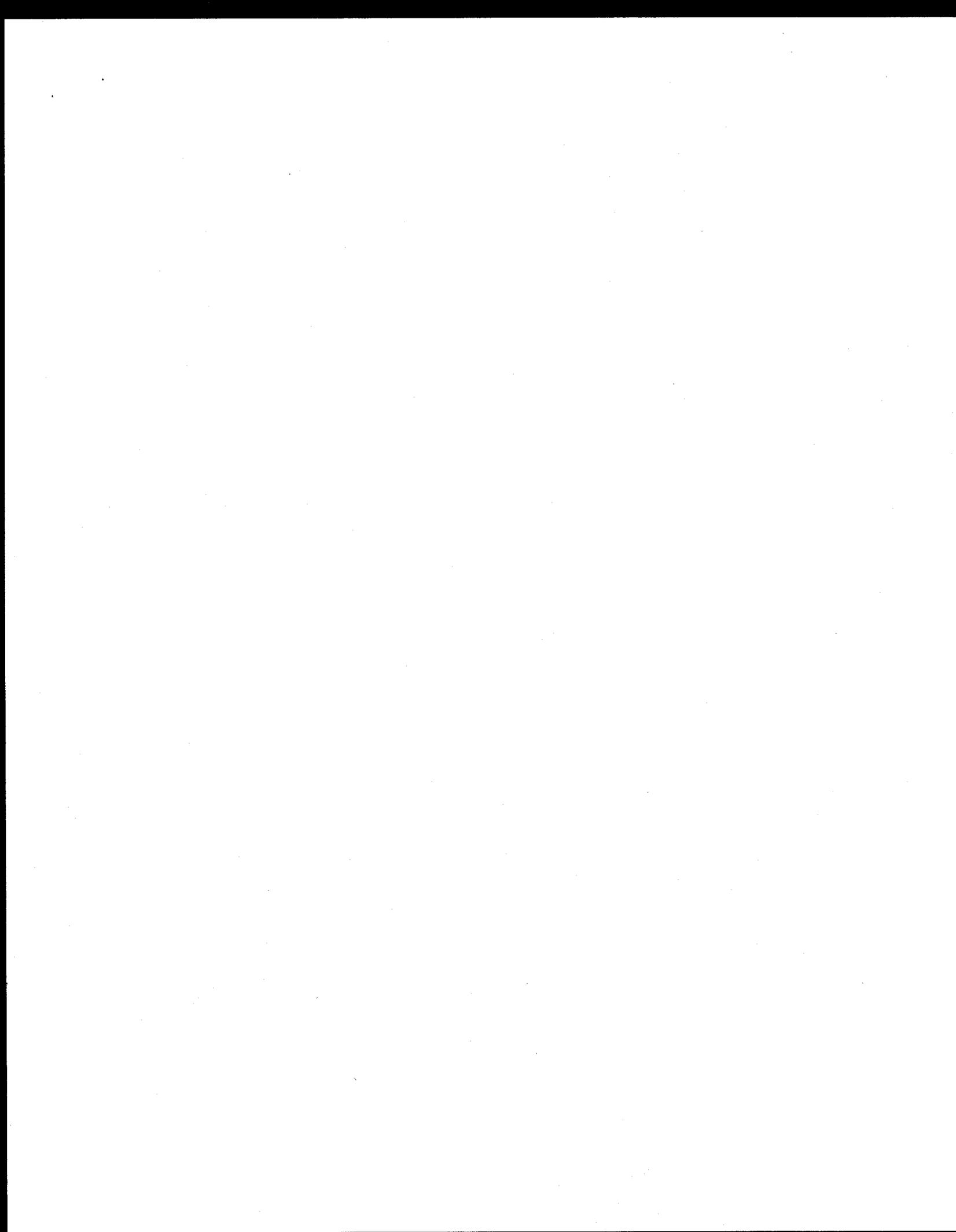
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1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A1. Frank Grijalva. My business address is 750 South Tucson
3 Boulevard, Tucson, Arizona 85716-5689.

4
5 **Q2. PLEASE DESCRIBE YOUR RECENT EMPLOYMENT.**

6 A2. I am the Business Manager/Financial Secretary for Intervenor
7 Local Union 1116, International Brotherhood of Electrical
8 Workers, AFL-CIO, CLC ("IBEW Local 1116"). The position of
9 Business Manager/Financial Secretary is an elected union
10 position and, due to the retirement of my predecessor, I was
11 appointed by our Executive Board to my present position in
12 October 2007. Because all IBEW local unions also have a
13 person holding the position of "President," it is common for
14 persons outside of our organization to believe that the
15 "President" is the principal officer of the Local. That is
16 not the case. Article 17, §§ 4 and 8 of the Constitution of
17 the International Brotherhood of Electrical Workers, AFL-
18 CIO, clearly states that the Business Manager/Financial
19 Secretary is the "principal officer" of any IBEW local
20 union.

21
22 Prior to my becoming Business Manager/Financial
23 Secretary for IBEW Local 1116, I was employed by the
24 Tucson Electric Power Company ("TEP") for twenty-two
25 (22) years in a variety of bargaining unit positions,
26 the last of which was as a Designer for Transmission
27 and Distribution Construction. While employed at TEP,
28 I was a very active member of IBEW Local 1116,

1 including previously serving as the Local's President
2 and in other positions on the Executive Board.

3
4 **Q3. WHAT IS IBEW LOCAL 1116?**

5 A3. IBEW Local 1116 is the labor organization which serves as
6 the exclusive representative for, *inter alia*, approximately
7 six hundred seventy-five (675) non-managerial workers at
8 TEP. IBEW Local 1116 and TEP have entered into a long
9 series of collective bargaining agreements dating back to
10 November 16, 1937 concerning rates of pay, wages, hours of
11 employment, and other terms and conditions of employment.

12
13 **Q4. DO YOU BELIEVE TEP IS A RESPONSIBLE CORPORATE CITIZEN?**

14 A4. Absolutely. While by no means perfect, the relationship
15 between IBEW Local 1116 and TEP is one which is mature and
16 stable. It is clear that this stability has benefitted TEP,
17 its employees, and customers. In my opinion, the importance
18 of the strong and stable relationship between a public
19 service corporation and its employees cannot be overstated.
20 I believe that my opinion in this regard is widely shared.

21
22 During a hearing before this Commission several years ago *In*
23 *the matter of UniSource's Reorganization*, Docket No. E-
24 04230A-03-0933, James S. Pignatelli, the President and Chief
25 Executive Officer of both TEP and its parent company,
26 UniSource Energy Corporation ("UniSource"), recognized that
27 the harmonious relationship between the IBEW Local 1116 and
28 UniSource inevitably leads to a stable work environment

1 which, in turn, helps the preservation of health and safety
2 for the employees of UniSource. Mr. Pignatelli defined the
3 public interest as, *inter alia*, providing a safe and secure
4 working environment for the employees.

5
6 Mr. Pignatelli also agreed with the notion that acrimonious
7 relations between a public service corporation and the
8 certified representative of its employees will almost
9 certainly hinder the company's ability to provide safe,
10 reasonable, and adequate service. He also acknowledged that
11 an acrimonious relationship may also impair the ability of
12 the public service corporation to attract capital at fair
13 and reasonable terms. I share Mr. Pignatelli's views in
14 this regard.

15
16 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A5. As you know, Article XV, §3 of the Arizona Constitution
18 expressly states that the interests of public service
19 employees are on par with those of patrons. It reads as
20 follows:

21 The corporation commission shall have full
22 power to, and shall ... make reasonable
23 rules, regulations, and orders, by which such
24 [public service] corporations shall be
25 governed in the transaction of business
26 within the State, and ... make and enforce
27 reasonable rules, regulations, and orders for
28 the convenience, comfort, and safety, and the

1 preservation of the health, of the **employees**
2 and patrons of such corporations[.]
3

4 On behalf of its own members, as well as several hundred
5 thousand patrons of TEP, IBEW Local 1116 believes this
6 proceeding provides it with a unique and timely opportunity
7 to express to this Commission our qualified support of TEP's
8 Application and our reasons for doing so.
9

10 **Q6. DO YOU BELIEVE THAT TEP IS ENTITLED TO AN INCREASE ITS**
11 **RETAIL RATES EFFECTIVE NO LATER THAN JANUARY 1, 2009?**

12 A6. Yes.
13

14 **Q7. WHICH OF THE THREE PROPOSED METHODOLOGIES DOES IBEW LOCAL**
15 **1116 SUPPORT?**

16 A7. IBEW Local 1116 supports the so-called "Cost-of-Service
17 Methodology". At the very best, the so-called "Market
18 Methodology" would place the employees and patrons of TEP
19 and, indeed, TEP itself in a highly precarious position
20 along the lines of what transpired in California just a few
21 years ago. This is one of the central points made by the
22 IBEW's International President in a Statement he issued on
23 August 19, 2003, a copy of which is attached hereto as
24 Exhibit A.

25 ///

26 ///

27 ///

28 ///

1 Q8. IN ITS COST-OF-SERVICE METHODOLOGY, TEP SEEKS RECOVERY OF
2 APPROXIMATELY \$835 MILLION IN COSTS AND LOSSES ASSOCIATED
3 WITH THE FAILED TRANSITION TO RETAIL COMPETITION. DOES IBEW
4 LOCAL 1116 SUPPORT THIS REQUEST?

5 A8. Generally speaking, yes. At the outset I must admit that
6 IBEW Local 1116 has not undertaken an extensive examination
7 of the specific size of the request and, as such, cannot
8 speak to the reasonableness of the \$835 million figure.
9 With that qualification, IBEW Local 1116 firmly believes
10 that TEP management prudently and in good faith spent many
11 millions of dollars in response to this Commission's earlier
12 - and in our opinion ill-conceived - decision to transition
13 TEP toward market-based rates. IBEW Local 1116 believes
14 that TEP is entitled to substantial rate relief from this
15 Commission with due consideration of the tremendous amount
16 of money wasted, albeit unwittingly, by TEP transitioning
17 its business plan from a cost-of-service basis back to a
18 cost-of-service basis.

19
20 Q9. IN ITS COST-OF-SERVICE METHODOLOGY, TEP SEEKS TO IMPLEMENT A
21 PURCHASED POWER AND FUEL ADJUSTMENT CLAUSE TO ENSURE TIMELY
22 RECOVERY OF TEP'S POWER SUPPLY COSTS. DOES IBEW LOCAL 1116
23 SUPPORT THIS REQUEST?

24 A9. Yes.

25 ///

26 ///

27 ///

28 ///

1 Q10. DURING HIS TESTIMONY ON MARCH 6, 2007,¹ MR. PIGNATELLI
2 DISCUSSED THE INCREASE HEALTH CARE EXPENSE ASSOCIATED WITH
3 TEP'S EMPLOYEE BENEFITS PACKAGE. IN BOTH TEP'S APPLICATION²
4 AND RECENTLY FILED DIRECT TESTIMONY OF MICHAEL J. DeCONCINI,
5 TEP'S SENIOR VICE PRESIDENT AND CHIEF OPERATING OFFICER FOR
6 TRANSMISSION AND DISTRIBUTION,³ TEP ALLUDED TO THE SAME
7 CONCERNS. DO YOU HAVE ANY COMMENTS OR OBSERVATIONS THAT YOU
8 WOULD LIKE TO SHARE WITH THE COMMISSION REGARDING THIS
9 TOPIC?

10 A10. Yes. While IBEW Local 1116 does not dispute the fact that
11 the costs associated with employee benefit plans and, in
12 particular, health care insurance have grown significantly
13 in recent years, I also believe that the point should be
14 made that IBEW Local 1116 has made concessions and has
15 agreed to health plans that have cost its represented
16 employees more in out-of-pocket expenses. An increase in
17 rates should be such that it would eliminate whatever
18 pressure is on TEP to increasingly shift healthcare costs to
19 its represented employees.

20
21 In the most recent year of 2007, in an attempt to reduce its
22 health plan cost, TEP unilaterally made changes with some
23 healthcare related benefits for its retirees in a manner it
24 believes is consistent with the National Labor Relations Act

25
26 ¹ See Hearing Transcript Volume I, page 81, lines 12-21.

27 ² See page 4, line 15.

28 ³ See page 31, lines 4-5.

1 of 1935, 29 U.S.C. § 151, *et seq.*, the Employee Retirement
2 Income Security Act of 1974, 29 U.S.C. § 1001, *et seq.* and
3 our collective bargaining agreement. Likewise, it appears
4 to me that TEP management believes that it is within their
5 province to make similar unilateral changes to the benefits
6 package of their unionized employees. It is my hope that
7 with an increase in rates this will eliminate TEP's need to
8 unilaterally make changes to reduce healthcare benefits for
9 or shift costs to its employees.

10
11 **Q11. DO YOU HAVE ANY FINAL COMMENTS?**

12 A11. Yes. IBEW Local 1116 believes that two of the symptoms
13 identified by President Hill in his attached statement - to
14 wit, a low employee count and deferred equipment maintenance
15 - are already present at TEP and, in the absence of prompt
16 and substantial relief from this Commission, they will
17 continue to grow. As such, IBEW Local 1116 respectfully
18 submits that TEP and its employees need prompt rate relief
19 from this Commission to address these mounting concerns.

20
21 **Q12. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A12. Yes.

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Exhibit A

NEWS RELEASE

International Brotherhood of Electrical Workers®
AFL-CIO-CLC

1125 Fifteenth St. N.W.
Washington DC 20005



www.ibew.org

Edwin D. Hill, International President

Jeremiah J. O'Connor, International Secretary-Treasurer

August 19, 2003

Contact: Malinda Brent 202-728-6134

Statement of International Brotherhood of Electrical Workers

President Edwin D. Hill on Largest Power Failure in U.S. History

Last week's power failure for 50 million Americans may well have stemmed from an overworked transmission system, a severe reduction of the work force and deferred equipment maintenance—all developments that followed deregulation.

Deregulation promised benefits from competitive markets, but it also brought uncertainty, which froze investment in new construction. In the 10 years since utility deregulation was first introduced, power companies have built or updated very few new transmission lines. Today demand continues to climb, but transmission investment in 2000 was less than half of what it was in 1975. In general, training programs for workers have been reduced or suspended indefinitely. The work force has been reduced by one third in the past 10 years, with an obvious impact on maintenance.

In fact, deferred maintenance has become the hallmark of deregulation. In order to maximize profitability, maintenance schedules in many utilities have been extended from six months to two or three years, greatly adding to system risk. Because electricity is often generated hundreds of miles from its user, the system is increasingly interconnected. When one or two elements of such a highly integrated system break down, the result is cascading blackouts like the one that occurred last week.

Deregulation provides incentives to a utility company to sell electricity across state and national boundaries, but it is transmitted on a grid initially designed to deliver only to its local customers. What happened last week is bound to happen again, given the growing demand for electricity.

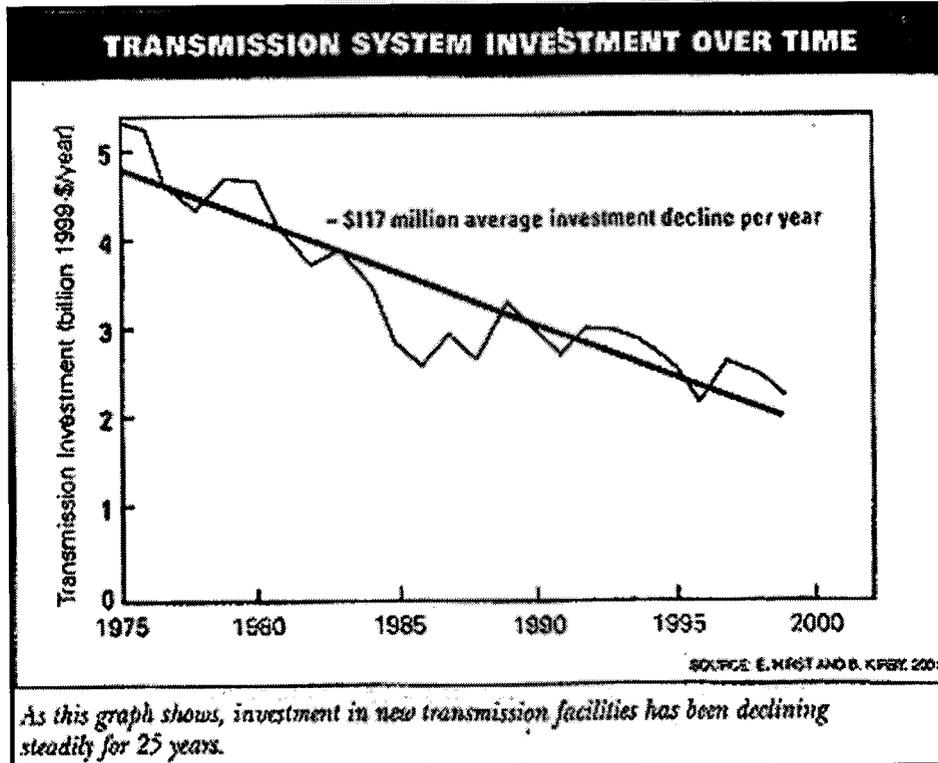
In recent years, deregulation has caused blackouts in the West and manipulation of power markets by the likes of Enron and others. If we continue down this road, the fallout will become national. Power outages will become a way of life.

It is a cause of grave concern that utility deregulation has turned the once reliable, self-sustaining

utility business into a marketplace where profit-taking trumps reliability. Consumers, businesses and industries are more at risk since electricity was redefined as a commodity rather than as a necessary service.

The IBEW urges policy makers to conduct an independent, engineering-based investigation into the blackout. Our modern electricity-dependent society should not be left to the mercies of today's deregulated utilities.

The IBEW represents 220,000 utility workers in the United States and Canada.



###