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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

DEC 30 2008

Attorneys for Intervenors
IBEW Locals 387, 640 & 769

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BEFORE THE ARIZONA

CORPORATION COMMISSION

10 IN THE MATTER OF THE
11 APPLICATION OF ARIZONA
12 PUBLIC SERVICE FOR A HEARING
13 TO DETERMINE THE FAIR VALUE
14 OF THE UTILITY PROPERTY OF
15 THE COMPANY FOR RATEMAKING
16 PURPOSES, TO FIX A JUST AND
17 REASONABLE RATE OF RETURN
18 THEREON, AND TO APPROVE RATE
19 SCHEDULES DESIGNED TO
20 DEVELOP SUCH RETURN.

Docket No. E-01345A-08-0172

**NOTICE OF FILING EXHIBIT A
TO THE DIRECT TESTIMONY OF
SAMUEL ELLIOTT HOOVER II**

**To: Applicant Arizona Public Service Company, et al. and
their attorneys.**

NOTICE IS HEREBY GIVEN that on the date set forth
below, Intervenors Local Union 387, International
Brotherhood of Electrical Workers, AFL-CIO, CLC ("IBEW Local
387"), Local Union 640, International Brotherhood of
Electrical Workers, AFL-CIO, CLC ("IBEW Local 640"), and
Local Union 769, International Brotherhood of Electrical
Workers, AFL-CIO, CLC ("IBEW Local 769"), by and through
undersigned counsel, hereby provide notice of their filing
Exhibit A to previously filed Direct Testimony of Samuel
Elliott Hoover II in this docket.

///

1 RESPECTFULLY SUBMITTED this 30th day of December 2008.

2 LUBIN & ENOCH, P.C.

3 

4 Nicholas J. Enoch, Esq.
5 Attorney for Intervenors
6 IBEW Locals 387, 640 & 769

7 Original and thirteen (13) copies
8 of Intervenors' Notice filed
9 this 30th day of December, 2008, with:

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

14 Copies of the foregoing
15 transmitted electronically or
16 via regular mail this same date to:

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18 Hearing Division
19 Arizona Corporation Commission
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Exhibit A

1 BEFORE THE ARIZONA CORPORATION COMMISSION

2

3 IN THE MATTER OF THE APPLICATION OF) DOCKET NO.
 4 ARIZONA PUBLIC SERVICE COMPANY FOR) E-01345A-08-0172
 5 A HEARING TO DETERMINE THE FAIR)
 6 VALUE OF THE UTILITY PROPERTY OF)
 7 THE COMPANY FOR RATEMAKING PURPOSES,)
 8 TO FIX A JUST AND REASONABLE RATE OF)
 9 RETURN THEREON, AND TO APPROVE RATE)
 10 SCHEDULES DESIGNED TO DEVELOP SUCH)
 11 RETURN.)
 12) OPEN MEETING

8

9

10

At: Phoenix, Arizona

11

Date: December 17, 2008

12

Filed: **DEC 22 2008**

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

16

AGENDA ITEM U-20

17

EXCERPTS OF PROCEEDINGS

18

(Pages 246 through 267, inclusive.)

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Court Reporting

Suite 502

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2200 North Central Avenue

Phoenix, Arizona 85004-1481

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By: Kate E. Baumgarth, RPR

Certified Reporter

24

Certificate No. 50582

25

Prepared for:

IBEW Locals 387, 640, 739

ARIZONA REPORTING SERVICE, INC.

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Phoenix, AZ

1 BE IT REMEMBERED that an Open Meeting was held at
2 the Arizona Corporation Commission, 1200 West Washington
3 Street, Phoenix, Arizona, commencing at 10:00 a.m., on the
4 17th day of December, 2008.

5

6

7 BEFORE: MIKE GLEASON, Chairman
8 WILLIAM MUNDELL, Commissioner
9 JEFF HATCH-MILLER, Commissioner
10 KRISTIN K. MAYES, Commissioner
11 GARY PIERCE, Commissioner

12 LINDA HOGAN, Secretary

13

14 APPEARANCES:

15 AGENDA ITEM NO. 20

16 For Arizona Corporation Commission Staff:

17 Ms. Janet Wagner
18 Mr. Charles Hains
19 Mr. Ernest Johnson

20

21 For Arizona Public Service Company:

22

23 Mr. Thomas L. Mumaw
24 Mr. William J. Maledon

25 The Arizona Investment Council:

Mr. Michael M. Grant

26

27 For the Residential Utility Consumer Office:

28

29 Mr. Daniel Pozefsky

30

31

1 APPEARANCES CONTINUED:

2
3 Freeport-McMoRan and Arizonans for Electric Choice &
4 Competition:

5 Mr. C. Webb Crockett

6 For Mesquite Power, LLC; Southwestern Power Group II, LLC;
7 and Bowie Power Station, LLC:

8 Mr. Lawrence V. Robertson, Jr.

9

10 For IBEW Locals 387, 640 and 769:

11 Mr. Nicholas J. Enoch

12

13

KATE E. BAUMGARTH, RPR
Certified Reporter
Certificate No. 50582

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1 that this Commission would take whatever appropriate
2 action that would be required.

3 COM. MAYES: Thank you.

4 CHMN. GLEASON: Okay. Board is clear. Thank
5 you.

6 MR. CROCKETT: Thank you.

7 CHMN. GLEASON: Next in line.

8 MR. ENOCH: Good afternoon. Chairman Gleason,
9 members of the Commission, again, my name is
10 Nicholas Enoch. I appear before you today on behalf of
11 three separate locals of the International Brotherhood of
12 Electrical Workers.

13 Local 640 is a construction local, which
14 provides, through contractors, services to APS.

15 Local 769 is a local, which represents, again,
16 contractors, but they do the basically power line
17 construction and maintenance.

18 The third local, which numerically actually is
19 the first, is Local 387. Local 387 is the certified
20 representative of approximately 2,300 APS employees.

21 And we, collectively the three, intervened, I
22 think it was granted in October. So we didn't even
23 participate earlier on in the September hearings.

24 I can tell that you all three locals vigorously
25 usually support APS's request for interim rate relief, and

1 much in the way that Mr. Maledon kind of passed it off to
2 Mr. Grant, with me today is Sam Hoover, who is the
3 president of Local 387, which is the one that represents
4 more than 2,000 APS employees.

5 Frankly, I think it would be a good opportunity
6 to hear from Mr. Hoover, instead of myself, regarding some
7 of the issues we heard about earlier today about cash
8 balance planning, pensions, layoffs and the like.

9 So if the Chair would be so inclined, I would
10 prefer to turn it over to Mr. Hoover to share his
11 sentiments and directly to respond to any questions from
12 the Commission.

13 CHMN. GLEASON: That's fine.

14 MR. ENOCH: Thank you.

15 MR. HOOVER: Mr. Chairman, members of the
16 Commission, my name is Sam Hoover. I work for Arizona
17 Public Service Company. I also am the president of IBEW
18 Local 387. We represent over 2,000 members under a
19 collective bargaining agreement with Arizona Public
20 Service Company.

21 And it's our position today that we support the
22 APS interim rate increase. We feel that if the Company's
23 bond rating goes to junk, that it's going to inevitably
24 cost our customers millions of dollars of interest, and
25 it's also going to take a long painful time for Arizona

1 Public Service Company to dig ourselves out of the junk
2 bond status.

3 We feel that APS needs to provide competitive
4 wage schedules, not only to the officers of the company,
5 but also to our bargaining members. We obviously have
6 very highly-skilled members out there, journeymen linemen,
7 journeymen electricians, substation electricians, and also
8 our generation side of the house.

9 As some of the Commissioners have mentioned
10 today, we are dealing with an aging work force, and that
11 is a big concern of ours, an aging work force. And with
12 the younger generation, you don't have them wanting to
13 step into the roles that we currently do today for Arizona
14 Public Service Company or with any utility company across
15 the nation. And I just feel that we will compound this
16 measure with -- by not granting an interim rate increase.

17 Due to a -- to allude on Mr. Brandt's comments,
18 the Company is doing a lot of cost cutting. Mr. Brandt
19 and Mr. Bennett came down to our executive board and told
20 us in depth that this was going to be a painful process.
21 We have eliminated jobs. We have eliminated hundreds of
22 jobs in the Union.

23 I think either Commissioner Mayes or Commissioner
24 Mundell talked about, you know, layoffs. That was one
25 thing that we together didn't want to have happen to

1 Arizona Public Service Company. Years ago those -- there
2 was layoffs. Those are a very painful process.

3 We did everything in our power to hopefully
4 prevent and ward off a potential layoff. I have to answer
5 to 2,000 members. We did some serious discussion,
6 consolidations that our membership isn't happy about, but
7 they understand the tough economic times that we are all
8 facing today.

9 So with that being said, you know, I just want to
10 leave you with one thought, that the Company has gone to
11 great extents to cut costs and take care of its customers.

12 During our growth period, as you are well aware,
13 these officers were under great stress to navigate a very
14 challenging climate to meet our customers' needs through
15 this growth period. The infrastructure needed to be
16 built. Arizona Public Service Company couldn't control
17 that growth -- the growth was out in places I never
18 thought I would see growth around in this state of
19 Arizona. We had to build that infrastructure, and we have
20 to maintain that infrastructure today. And that takes
21 highly-skilled competent workers to deliver a safe,
22 reliable product to our customers.

23 So that is what I would like to leave you, the
24 Commissioners, and also the Chairman with.

25 COM. MAYES: Thank you, Mr. Hoover, for being

1 here and sitting through the whole day.

2 MR. HOOVER: No problem.

3 COM. MAYES: Sometimes our meetings can be a
4 painful process.

5 MR. HOOVER: They are interesting, though.

6 COM. MAYES: And I know your meetings are, too.
7 I have been to some IBEW meetings and some other union
8 meetings.

9 You know, I think that the executives sitting
10 here are very lucky to have such a supportive union, but I
11 do want to ask you some tough questions, and recognizing,
12 you know, that the union has, obviously, already taken a
13 hit.

14 You heard what I said earlier when I was talking
15 to the executives. It seems to me that the folks who have
16 taken a hit in the company are the average workers but the
17 executives haven't done much to cut costs in their own
18 ranks.

19 Doesn't it strike you as odd that this company
20 has increased the number of officers and managers and
21 directors, has increased their salaries, has increased
22 their bonuses, and that there has been apparently no cuts
23 in any of those areas, at the same time they asked you
24 guys to take -- to cut back?

25 MR. HOOVER: To your question, Commissioner

1 Mayes, I have got a lot of respect for the officers of
2 this company and what they have guided this company
3 through. I'm very privileged and honored to work for such
4 a good company.

5 I have all the respect in the world and all of
6 our employees do in these officers, and personally I feel
7 that they earn every dime that they make.

8 And I am not going to question their salaries.
9 They do a tremendous job. And they have navigated us
10 through some very challenging times, and they are doing it
11 right now.

12 COM. MAYES: So you think it's okay to continue?
13 Do you think that the ratepayers of this company would
14 agree with you, that it's okay for this company, and in a
15 time of emergency, for the executive officers to be
16 increasing their bonuses, increasing their salaries,
17 increasing their numbers? Do you really think that that
18 is appropriate?

19 MR. HOOVER: I think that -- like Mr. Brandt
20 said, I think that all those need to be looked at in a
21 very prudent manner.

22 COM. MAYES: Well, with all due respect, sir, I
23 don't know what that means.

24 In the last two years they haven't cut costs in
25 any of those areas, and yet you're standing in front of us

1 asking us to increase rates and they're asking us to
2 increase rates. And it strikes me that that is a very odd
3 situation.

4 So it doesn't strike you as odd at all that no
5 cuts have been made in those areas, even in light of this
6 ongoing emergency at the company?

7 MR. HOOVER: Well, like I said before, I have got
8 a lot of respect for them and the adversarial
9 relationships that they have had out there and dealing
10 with the growth of this state and everything. I support
11 what they get, and I'm not here to question what they get.

12 You know, I understand that when this cycle turns
13 back around, you know, that we -- the union will get jobs
14 back. You know, this is one of the sacrifices. I'm not
15 up there on the 20th floor, but I'm telling you what, I
16 have got the utmost respect for the officers on the 20th
17 floor.

18 COM. MAYES: Thank you.

19 CHMN. GLEASON: Mr. Hatch-Miller.

20 COM. HATCH-MILLER: Thank you. I appreciate you
21 being here today. Thank you for stepping for,
22 Mr. President.

23 And I appreciate you mentioning that it's hard to
24 bring people into this industry now. They are not just
25 sitting out there and begging to come in. This is a hard

1 job, and some your jobs are damn dangerous. We lost a
2 good person just recently.

3 MR. HOOVER: We certainly did.

4 COM. HATCH-MILLER: And let me express my deep
5 sympathy for that.

6 You know, kind of to this point, do you feel or
7 are your men and women oversupervised or are there too
8 many people at the top?

9 MR. HOOVER: No. In the ranks of management
10 there has been consolidation. We consolidated our
11 departments, and we consolidated.

12 And when I talk about consolidation, basically
13 you are eliminating people and positions. So that
14 happened on the union front, and it also happened in
15 management side of the house.

16 COM. HATCH-MILLER: And at your level, do you see
17 a lot of excess equipment or money going out the door that
18 is not being used to get the task done.

19 MR. HOOVER: Absolutely not. Like Mr. Brandt
20 said, he had put a team together a while back, before this
21 financial mess that we are -- that this country and this
22 world is facing, to look at everything, to explore. And
23 this company is continuously looking at new ways to
24 explore, to be more efficient, more productive, safer, cut
25 costs. I mean, that is ingrained in us.

1 I have been with the company 29 years, and that
2 is basically the culture I have grown up in this company.

3 COM. HATCH-MILLER: Okay. So you are not seeing
4 a -- how do I put it the best way?

5 You are seeing -- you are seeing out there in the
6 real world of APS the effects of the cost-cutting
7 measures. You are seeing them actually out there?

8 MR. HOOVER: Absolutely. I'm a front-line
9 employee. I'm a journeymen lineman by trade. I work on
10 all the high voltage electricity. Absolutely.

11 COM. HATCH-MILLER: Okay. And assuming from what
12 you say that you don't have a lot of lax time. It's not
13 like a real kickback schedule you guys are all on. You
14 are not driving around all access and all that?

15 MR. HOOVER: No.

16 COM. HATCH-MILLER: You are working hard for your
17 money?

18 MR. HOOVER: Yes.

19 COM. HATCH-MILLER: And you feel they are as
20 well?

21 MR. HOOVER: Absolutely.

22 COM. HATCH-MILLER: Thank you.

23 CHMN. GLEASON: Commissioner Mundell.

24 COM. MUNDELL: Thank you, Mr. Chairman.

25 Thank you, Mr. Hoover, for being here.

1 You know, I talked about -- earlier about joint
2 sacrifice, and I appreciate the sacrifice that you and
3 your members are making. And I guess all I'm asking for
4 is, like I said, sacrifice not only from the workers but
5 from everyone in the company, and I guess we will continue
6 to discuss that the rest of day today and tomorrow.

7 So just to be clear about it, I have respect
8 also, you know, for the officers of the company. I think
9 Mr. Post is salt-of-the-earth guy.

10 I have been around here nine years now, but we as
11 regulators have a job to do. And you heard me jokingly
12 talk about that earlier when I was talking about the SEC
13 and how they're investigating themselves about how they
14 didn't do their job as regulators and everything we have
15 seen on Wall Street. There is a place for regulation in
16 our society. The question is: How do you balance it?

17 So just to be clear, I have respect for them,
18 too. I disagree with them at times. I try to do it in a
19 professional manner, but I think it's important to say
20 that.

21 Having said that, we still need to delve into the
22 issues, and it's too bad that all, you know, the unions
23 around the United States don't have the same outlook that
24 you do. It seems like you have a good working
25 relationship with the management, and you are trying to

1 reach a common goal. I mean, we saw what happened with
2 the big three back in Washington.

3 So I guess what I would say is, these are not
4 easy decisions. You heard me talking about the Chamber
5 this morning. I mean, RUCO is against this rate increase.
6 RUCO is appointed by the governor. So the governor of
7 Arizona is saying we should not -- through their
8 spokesperson, is saying we should not grant this rate
9 increase. And so then we have -- and they are saying
10 that, based on their evidence and the testimony, that it
11 won't lead to a downgrade.

12 So we have this conflicting evidence that we have
13 to sort out. And so, just again, the same kind of
14 discussion that I gave this morning with Chambers, please
15 be cognizant there are two sides to every issue, and there
16 are conflicting pieces of evidence and facts in front of
17 this Commission trying to make this difficult decision.

18 But again, I'm glad you are here, and I
19 appreciate you said it's interesting. I know -- I guess
20 it's like beauty in the eyes of a beholder; right?

21 MR. HOOVER: You learn something new every day.

22 COM. MUNDELL: You do, and I appreciate that. I
23 appreciate all the hard work you are doing.

24 Again, we will wait to hear from RUCO and why
25 they oppose the rate increase, and then we will have to

1 sort that out. But --

2 And if you have suggestions about any other cost
3 cutting that this Commission, you know, can look at to try
4 to, you know, prevent layoffs but also provide affordable
5 reliable service to the customers, I'm sure that we would
6 love to hear about it.

7 MR. HOOVER: And I appreciate your comments,
8 Commissioner.

9 And to your point, you know, we have got probably
10 one the most unique relationships in the utility industry
11 across this country, a labor union and a company. Usually
12 labor unions are viewed as very adversarial. There are
13 certain things that we don't agree with the Company, but
14 there are a lot of things that are to the success of this
15 company and our shareholders and our customers and
16 creating jobs for us. You know, so if Arizona Public
17 Service Company doesn't survive, we don't survive. So --

18 But we have got a very unique relationship that I
19 would put our relationship up against any relationship in
20 a utility industry across this country. We have got
21 officers of our local -- of our company that come down to
22 our executive board, give us an update. Other local
23 unions across the country, say, "The officers of the
24 company coming down there?"

25 I said, "Absolutely. They come down all the

1 time. We invite them. They keep us up to date on the
2 challenges that we and the company are facing together."

3 So we do have a very unique relationship, and
4 it's one that I would put up against any utility in this
5 country.

6 To expand a little bit on Commissioner Mayes'
7 comment on the benefit -- defined benefit, as Mr. Brandt
8 told you, in 2003, that was one of the things that, you
9 know, we obviously were looking at, you know, and always
10 looking at is cost.

11 And so in our 2003 agreement we had our defined
12 pension, and we were given the option to go to a cash
13 balance. But then also the Union at that point in time
14 gave up and made that any new hires after 2003 would fall
15 under that cash balance and not put such a burden -- a
16 financial burden on the Company for that defined pension.

17 So, you know, we put teams together to look at
18 this. So we understand this, and we understand that you
19 have a difficult task ahead of you. But I'm here to tell
20 you our relationship is very unique.

21 COM. MUNDELL: Well, it is, and it's too bad that
22 it can't spread throughout the country, as I said, because
23 we need cooperation and joint sacrifice if we are going to
24 keep our -- this utility viable but in our homegrown
25 industry.

1 So it's really -- I'm glad you showed up and
2 spoke because it's fascinating to hear your perspective.
3 Thank you very much.

4 CHMN. GLEASON: Thank you.

5 You made a statement earlier that if APS -- if
6 their bonds go to junk bond capacity that they will be
7 there a long time.

8 On what basis did you make that?

9 MR. HOOVER: Mr. Chairman, I base that off of
10 looking at the rest of the country and looking at -- I am
11 an investor also in the mutual funds and everything. And
12 I track a lot of companies and I watch the performance of
13 companies, and like Mr. Brandt said and probably everybody
14 in this room, you know, if you watched a portfolio drop
15 30, 40, 50 percent.

16 But I also watch companies, too, that fall into
17 junk status. And a lot of them have a very difficult time
18 climbing out of that cellar of junk bond status to get
19 their credit ratings back up. It's a very painful
20 process.

21 CHMN. GLEASON: Did you read the record of this
22 case?

23 MR. HOOVER: Some of it.

24 CHMN. GLEASON: Did you read the record on junk
25 bonds? There was an expert here that said that they don't

1 necessarily stay in that category very long?

2 MR. HOOVER: I have heard a lot about --

3 CHMN. GLEASON: Did you read the record? We go
4 by the record in this case.

5 MR. HOOVER: Not that portion.

6 CHMN. GLEASON: Okay. Thank you.

7 You said you have an aging workforce.

8 There has been some layoffs; right?

9 MR. HOOVER: We have had a reduction in force,
10 correct.

11 CHMN. GLEASON: Okay. Who was reduced, the older
12 workers or the younger ones?

13 MR. HOOVER: The older workers were given an
14 opportunity with a severance package. We also -- like I
15 said earlier, we consolidated departments. We did not
16 fill jobs.

17 Based off Commissioner Mayes' remarks or
18 Commissioner Mundell's, you don't want to have a layoff.
19 The layoff, if we end up having a layoff in a union, it
20 affects the least-senior people in the company. That is
21 your future work force, you know.

22 So it doesn't make sense to go into a layoff and
23 affect your future work force that has those scars for the
24 rest of their lives about being laid off. If you can come
25 to a mutual agreement and understanding, a more proactive

1 way to allow people to leave the company, consolidate
2 departments and reduce jobs that way, it works out a whole
3 heck of a lot better for the union side of the house. And
4 that is what we collectively did with the company.

5 CHMN. GLEASON: Okay. Then, but the union has a
6 real bias to, for the rate increase; in other words, you
7 feel it will benefit the union?

8 MR. HOOVER: Absolutely.

9 CHMN. GLEASON: Okay. Thank you.

10 Mr. Pierce.

11 COM. PIERCE: Thank you. I would like to address
12 that bias just for a moment.

13 Unions ought to care about a company's
14 competitiveness, and I think that is part of the problem
15 with some of our friends in the Midwest, is that companies
16 are not competitive. They are losing money, and the
17 unions seem to be disconnected from that.

18 But in the regulated utility, such as APS, don't
19 you believe that the ability of the customers to pay,
20 their ability to pay, needs to be also a concern of the
21 union?

22 MR. HOOVER: Absolutely, that their ability to
23 pay their bills needs to be addressed.

24 You know, I'm out there every day. I hear. I
25 interact with our customers on a daily basis. You know, I

1 hear and I pay APS rates, just like probably a lot of
2 people in this room. And I interact with our public.

3 The public tells me, well, you know, APS, I pay
4 high utility rates in the summertime. Well, out here in
5 the southwest, you know, everybody pays high rates. You
6 go back east during the wintertime, you will pay high
7 rates back there.

8 So, you know, that is a concern. You know, but I
9 can honestly tell you through providing safe reliable
10 power to our customers, you don't -- like I say, I'm out
11 there. I don't get the negative feedback back from the
12 customers that are saying, you know, that their rates are
13 too high and all the grumblings and everything because we
14 are providing a safe reliable commodity to our customers.

15 COM. PIERCE: The relationship that employees
16 have with APS, that relationship, I think, on the whole is
17 unique. Because I think there are a lot of employees that
18 have been around as long as Mr. Post, and I mean, a lot of
19 them.

20 The rural communities that greater Arizona has, I
21 think local people have a closer connection to the people
22 that are employed by APS and know who they are; whereas in
23 Phoenix, that -- it's -- a lot of people may not know
24 anyone that works for APS. But many of the folks I knew,
25 I think, still work there -- I think some of them have

1 sons that now work for APS as well -- and have been there
2 longer than you have.

3 And so when there is discussion about longevity
4 and trying to, and you looked at early retirement, a lot
5 of folks have been in these positions a long, long time.

6 MR. HOOVER: Absolutely.

7 COM. PIERCE: Have you pretty much been in this
8 market here with APS in your tenure?

9 MR. HOOVER: Yes. I have been with the company
10 29 years. I started out in the mailroom delivering mail,
11 got into the garage and then got on out on the line crew
12 and I was a groundman. And then I ended up bidding an
13 apprenticeship. And then I served my apprenticeship and I
14 have been a journeymen lineman and a crew foreman for the
15 last 26 years with the company.

16 COM. PIERCE: And, I think, that's -- see that is
17 very commendable for the company. I think their ability
18 to retain valuable employees, but it also says something
19 for the regulatory environment that allows good-paying
20 jobs to continue.

21 And so it's a balancing act because all of this
22 is on the back of the ratepayers, as you well know. So
23 it's kind of a -- you know, you look at that link, that
24 unique relationship between the Company and the employees.
25 I think the next part of that is the ratepayers, that it's

1 really a three-legged stool. We are not really part of
2 that. You know, we are if we are the APS ratepayer, we
3 are part of that customer side of it.

4 And so it's one of those things that we have to
5 balance, appreciating everything you said and the value of
6 everything that you have said, I understand and have for a
7 long, long time, and I am appreciative of that, but I
8 balance that as I think about the effect on ratepayers.

9 But thank you for being here. It's great to hear
10 from you.

11 MR. HOOVER: My pleasure. Just a little comment
12 off that.

13 You know, I have -- my dad -- Bill Post worked
14 for my dad at Arizona Public Service Company, and I have
15 watched Bill Post grow up to where he is at today, too.
16 And my son now is working for Arizona Public Service
17 Company.

18 So you talk about the longevity, you know,
19 throughout the utility industry, APS has made a name for
20 itself out here, and there are people all across the
21 country that want to come out here and come to work for
22 Arizona Public Service Company because of Bill Post, the
23 officers' leadership and because of our unique
24 relationship. And that has to say something pretty
25 important about Arizona Public Service Company.

1 And the longevity of our employees, too, is
2 another asset to this company.

3 MR. PIERCE: Well, maybe they want to work out
4 here for less. I know Mr. Brandt was saying --
5 Commissioner Mundell went up there on the board. I think
6 he is going right to that point. I will back off and let
7 him go.

8 CHMN. GLEASON: Mundell.

9 COM. MUNDELL: I don't want to pick on
10 Mr. Hoover.

11 I was just going to say, Mr. Brandt, he made my
12 point, that people want to come to Arizona, you know, for
13 other than just purely dollars.

14 So thank you, Mr. Hoover. He will probably
15 listen to you more than he will listen to me.

16 MR. HOOVER: Let me expand a little bit on that.

17 COM. MUNDELL: Mr. Hoover, there is question in
18 front of you.

19 CHMN. GLEASON: We have got your point.

20 MR. HOOVER: Let me expand on my comment.

21 You know, I'm a journeymen linemen. You know,
22 and journeymen linemen want to come here for this unique
23 relationship. And I can tell you what, you know, if APS
24 isn't paying a competitive wage and benefit package to
25 your journeymen linemen, which is a highly-skilled worker,

1 guess where they are going. They are going right over
2 there to California where they are going to be paying
3 probably \$50 an hour, double time and everything else,
4 something we don't have here at Arizona Public Service
5 Company.

6 So that is the mentality of a journeymen linemen.
7 They are going where the money is at or wherever they have
8 got some good sound job security.

9 COM. MUNDELL: I can see why you are president.
10 Thank you.

11 CHMN. GLEASON: Okay. Mr. Hatch-Miller.

12 COM. HATCH-MILLER: And that was the point we
13 have been discussing, as you know. I think it's an
14 important one.

15 Because as I try to see about moving people from
16 one point to another, what I'm finding is it's not as easy
17 to move a family as it was just two or three years ago.
18 They cannot sell their house. If they do sell their
19 house, they might sell it at a loss or looking at a new
20 job. Am I going to take a loss here if I can sell the
21 house? Where am I going to live when I get there?

22 It's become a much more complex picture. I don't
23 want to oversimplify it and just think that, well, people
24 want to come here. It's not that easy.

25 MR. HOOVER: Yes.

1 CHMN. GLEASON: Okay. Thank you very much.

2 MR. HOOVER: Thank you.

3 CHMN. GLEASON: Okay. I guess AIC.

4 I assume you are looking at the clock.

5 MR. GRANT: I will be quick.

6 COM. MUNDELL: Mr. Grant was here late yesterday
7 too.

8 MR. GRANT: Mr. Chairman, Commissioners, good
9 afternoon. Again, Mike Grant, Gallagher & Kennedy on
10 behalf of the Arizona Investment Council.

11 I wish Mr. Robertson could go next because that
12 is kind of a tough act to follow. And the other problem I
13 have got is I have restructured these darn opening
14 comments about nine times today as I have listened to what
15 is going on at the bench. So let me try to this way, and
16 we have heard this a lot today.

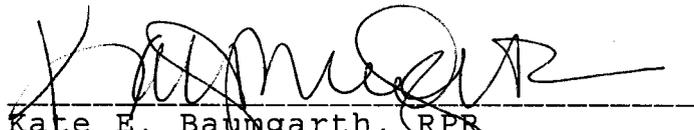
17 These are extraordinary and unprecedented times.
18 I think investors -- debt and equity, current and
19 prospective -- see these things standing out in an
20 especially dangerous mix of capital and credit markets
21 that are injured and unfortunately, so far, growing weaker
22 despite Herculean trillion-dollar efforts to revive them,
23 a company, which despite recent significant CAPX cuts,
24 needs about \$2 billion of access to those capital markets
25 over the next five years.

1 STATE OF ARIZONA.)
) ss.
2 COUNTY OF MARICOPA)

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I, KATE E. BAUMGARTH, RPR, Certified Reporter
No. 50582, for the State of Arizona, do hereby certify
that the foregoing printed pages constitute a full, and
accurate transcript of the proceedings had in the
foregoing matter, all done to the best of my skill and
ability.

WITNESS my hand this 22nd day of
December, 2009.



Kate E. Baumgarth, RPR
Certified Reporter, No. 50582