

ORIGINAL

INTERVENTION



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AZ CORP COMMISSION  
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Arizona Corporation Commission  
**DOCKETED**

AUG 26 2011

Attorneys for Intervenor-Applicants  
IBEW Locals 387, 640 & 769

**BEFORE THE ARIZONA**

DOCKETED BY	
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**CORPORATION COMMISSION**

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

Docket No. E-01345A-11-0224

**APPLICATION TO INTERVENE  
ON BEHALF OF INTERVENOR-  
APPLICANTS IBEW LOCALS  
387, 640 & 769**

22 Pursuant to the provisions of A.A.C. R14-3-105(A) and  
23 (B), Local Union 387, International Brotherhood of  
24 Electrical Workers, AFL-CIO, CLC ("IBEW Local 387"), Local  
25 Union 640, International Brotherhood of Electrical Workers,  
26 AFL-CIO, CLC ("IBEW Local 640"), and Local Union 769,  
27 International Brotherhood of Electrical Workers, AFL-CIO,  
28 CLC ("IBEW Local 769"), by and through undersigned counsel,  
hereby move the Arizona Corporation Commission ("ACC") for  
leave to intervene as parties in the above-captioned matter.

**IBEW Local 387**

At the outset, IBEW Local 387 acknowledges that the  
instant motion is much longer and detailed than what is

1 typical for a motion of this sort. However, by including a  
2 great deal of detail herein, IBEW Local 387 intends to  
3 preview to the ACC and the parties exactly what it has in  
4 mind with respect to its participation in this case.

5 IBEW Local 387 is "directly and substantially affected  
6 by the proceedings," A.A.C. R14-3-105(A), inasmuch as it is  
7 the duly elected and recognized exclusive bargaining agent  
8 for approximately one-thousand nine hundred (1,900)  
9 employees of the Arizona Public Service Company ("APS").<sup>1</sup>  
10 See attached Exhibit A, p. 3. As such, IBEW Local 387 and  
11 APS have entered into a long series of collective bargaining  
12 agreements ("CBA") dating back to 1945 concerning rates of  
13 pay, wages, hours of employment, and other terms and  
14 conditions of employment. See generally *International*  
15 *Brotherhood of Electrical Workers, Local 387 v. NLRB*, 788  
16 F.2d 1412, 1413 (9<sup>th</sup> Cir. 1986). At the present time, IBEW  
17 Local 387 and APS are in the process of negotiating a new  
18 CBA.

19 As such, IBEW Local 387 should be permitted to  
20 intervene because the Commission's consideration of the  
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22 <sup>1</sup> It is worth noting that since the conclusion of the last  
23 APS rate case, Decision No. 71448, a self-determination election  
24 was conducted by the National Labor Relations Board and IBEW  
25 Local 387 became the exclusive bargaining agent for approximately  
26 seventeen (17) APS employees holding the position of Project  
27 Inspector-Electrical ("PI"). Of these, roughly half of the PIs  
normally work on high voltage projects - i.e., those equal to or  
in excess of 69,000 volts - while the other half of the PIs work  
on low voltage projects. Negotiations with APS regarding this  
new group of employees are still underway.



1 and reliability. Inherent in this type of an assessment is  
2 an analysis of APS's human resource infrastructure,  
3 including the extent to which APS is adequately staffed with  
4 appropriately skilled employees. Moreover, it is on a  
5 forward-looking basis by which these concerns must be  
6 assessed and addressed.

7 Specifically, in its application, (p. 24), APS refers to  
8 challenges associated with its aging workforce. Likewise, a  
9 2009 report issued by the Center for Energy and Workforce  
10 Development ("CEWD") predicts that some 46 percent of the  
11 current electric and natural gas industry employee skilled  
12 workforce will be eligible to retire by the year 2015.<sup>2</sup>  
13 Additionally, in its "2007 Long-Term Reliability  
14 Assessment," the North American Electric Reliability  
15 Corporation ("NERC") observed that "[t]he loss of industry  
16 workers and their years of accumulated expertise due to  
17 retirements is a serious threat to the bulk power system  
18 reliability, exacerbated by the lack of new recruits  
19  
20  
21

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22 <sup>2</sup> Ctr. For Energy Workforce Dev., Gaps in the Energy  
23 Workforce Pipeline: 2009 CEWD Survey Results (2009),  
24 [http://www.cewd.org/mem\\_resources/2009%20Survey%20Exec%20Summary.](http://www.cewd.org/mem_resources/2009%20Survey%20Exec%20Summary.pdf)  
25 pdf ("2009 CEWD Results") (last visited July 12, 2011). "The  
26 2009 survey was conducted in June 2009 and includes data from 31  
27 companies representing 44 percent of all electric and natural gas  
28 employees in 46 states, with investor-owned utilities making up  
the majority of respondents." *Id.* at 4. See also Ctr. for  
Energy Workforce Dev., Gaps in the Energy Workforce Pipeline:  
2007.

1 entering the field."<sup>3</sup> Similarly, the Department of Labor  
2 ("DOL") reported in March 2007 that 500,000 energy industry  
3 workers are expected to retire over the next five (5) to ten  
4 (10) years, a turnover rate of 50 percent.<sup>4</sup>

5 Statements of concern about energy utility companies'  
6 ability to continue to supply safe and reliable services  
7 have been prompted by the prospect of significant  
8 retirement-related losses of expertise and manpower. In  
9 fact, in August 2006, the U.S. Department of Energy ("DOE")  
10 issued a report to Congress entitled "Workforce Trends in  
11 the Electric Utility Industry."<sup>5</sup> In that report, the DOE

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12  
13 <sup>3</sup> N. Am. Elec. Reliability Corp., 2007 Long-Term Reliability  
14 Assessment: 2007-2016, at 20 (2007) ("2007 Assessment"),  
15 available at <http://www.nerc.com/files/LTRA2007.pdf> (Italics  
16 omitted) (last visited July 12, 2011).

17 <sup>4</sup> U.S. Dep't of Labor, Employment & Training Admin.,  
18 Identifying and Addressing Workforce Challenges in America's  
19 Energy Industry 4 (2007) ("Workforce Challenges"), available at  
20 [http://www.doleta.gov/BRG/pdf/Energy%20Report\\_final.pdf](http://www.doleta.gov/BRG/pdf/Energy%20Report_final.pdf) (last  
21 visited July 12, 2011). This report reviews efforts by DOL's  
22 Employment and Training Administration to gain a handle on energy  
23 industry workforce issues and potential solutions, in part  
24 through a series of "executive forums" with energy company  
25 executives. *Id.* at 11.

26 <sup>5</sup> U.S. Dep't of Energy, Workforce Trends in the Electric  
27 Utility Industry: A Report to the United States Congress Pursuant  
28 to Section 1101 of the Energy Policy Act of 2005 (2006)  
("Workforce Trends"), available at  
[http://www.oe.energy.gov/DocumentsandMedia/Workforce\\_Trends\\_Report\\_090706\\_FINAL.pdf](http://www.oe.energy.gov/DocumentsandMedia/Workforce_Trends_Report_090706_FINAL.pdf) (last visited July 12, 2011). The report was  
prepared in response to a mandate in Section 1101 of the Energy  
Policy Act of 2005, which required the Secretary of Energy to  
monitor "trends in the workforce" with respect to "skilled  
technical personnel that support energy technology industries."  
Workforce Trends at iii (Energy Policy Act of 2005, Section  
1101(b)(1)(A)). Along with requiring a report on these "trends"

1 noted that for "electric utilities, whose service quality  
2 and reliability depends on maintaining an adequate,  
3 knowledgeable workforce, managing the upcoming retirement  
4 transition is a particular challenge."<sup>6</sup> Further, the DOE  
5 went on to state that, "[d]espite the growth in training  
6 institutions, retirements outpace the supply of new  
7 lineworkers."<sup>7</sup> According to the DOE, *id.* at 3, an increase  
8 in lineworker hiring since 2000 had not compensated for the  
9 decline that occurred during the prior decade:

10 From the early 1990s into the early  
11 2000s, electric power utilities  
12 experienced a general steady and overall  
13 decline in workforce levels. That trend  
14 may have been largely due to  
15 restructuring of the industry, which  
16 began in the early 1990s. The  
17 introduction of deregulation created a  
18 competitive utility market prompting  
19 electric utilities to downsize in an  
20 effort to reduce operating costs.

21 *Id.* at 3. Since 2000, the DOE found that:

22 the electric utility industry's  
23 employment level for lineworkers has been  
24 steadily increasing. This hiring trend

25 \_\_\_\_\_  
26 within one year, the statute goes on to state (in Section  
27 1101(b) (3):

28 As soon as practicable after the date on which the Secretary  
identifies or predicts a significant national shortage of  
skilled technical personnel in 1 or more energy technology  
industries, the Secretary shall submit to Congress a report  
describing the shortage.

<sup>6</sup> *Id.* The passage of the statute and subsequent preparation  
of the DOE report reflects congressional concern over potential  
utility industry workforce shortages.

<sup>7</sup> *Id.* at 10. This finding assumed a "base case," in which  
"apprenticeship, training program and retirement numbers  
remaining consistent with the current situation." *Id.*

1 is driven by utilities' anticipation of  
2 increased demand, and is a response to  
3 the long periods of little or no capital  
4 investment. Utilities, concerned with  
5 the prospect of meeting the rising demand  
6 for energy using the existing  
7 transmission lines, embarked upon a  
8 hiring trend focused on employment to  
9 maintain, upgrade, and expand the  
10 electric utility system.

11 *Id.*<sup>8</sup>

12 These trends notwithstanding, the DOE concluded that<sup>9</sup>:

13 [t]he percentage of the lineworker  
14 workforce expected to retire within the  
15 next five to ten years could approach 50%  
16 in some organizations. The loss of  
17 institutional knowledge is a critical  
18 concern, especially for a profession  
19 heavily dependent on mentoring and on the  
20 job training. Although the number of  
21 lineworker training institutions has  
22 grown considerably, analysis indicates a  
23 significant forecasted shortage in the  
24 availability of qualified candidates by  
25 as many as 10,000 lineworkers, or nearly  
26 20% of the current workforce. This could  
27 eventually limit the nation's ability to  
28 maintain and/or increase electricity  
supply, potentially impacting the  
economic and national security of the  
United States.

Similarly, based on June 2009 survey results, the CEWD predicts a shortage in available lineworkers and identifies near term shortages in many technical positions with electric and gas utilities.<sup>10</sup>

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<sup>8</sup> In terms of retirement trends, DOE reports (*id.* at 5) the example of the Tennessee Valley Authority ("TVA"), which has "already turned over a quarter of its workforce in the past 5 years and expects at least another third to retire in the next 5 years." DOE goes on to note that the TVA experience "is not atypical of the industry." *Id.*

<sup>9</sup> *Id.* at xi (footnote omitted) (Executive Summary).

<sup>10</sup> 2009 CEWD Survey at 2.

1 There are approximately 535,000 employees  
2 in the electric and natural gas utilities  
3 and almost one-third (approximately  
4 172,000) fall into four key job  
5 categories - lineworkers, plant/field  
6 operators, technicians, and  
7 pipefitters/pipelayers/welders. There is  
8 a potential to lose 46%, or almost 80,000  
9 of these skilled trade employees by 2015.  
10 This is an increase over previous  
11 forecasts, reflecting retirements by  
12 those who have delayed leaving, in  
13 addition to employees who will reach the  
14 critical age category in the coming five  
15 years.

9 Likewise, utility labor organizations have expressed  
10 similar concerns regarding the quality of services provided  
11 to customers suffering as a result of staffing deficiencies.  
12 Indeed, James L. Hunter, Director of the Utility Department  
13 of the International Brotherhood of Electrical Workers,  
14 addressed the issue in his 2007 congressional testimony:<sup>11</sup>

15 We have 40% less workers than in 1990 and  
16 the system has increased in size by 30%  
17 during that period [between 1990 and  
18 2007]. When major storms hit the  
19 utilities do not have enough trained  
20 workers to assist the out of state help  
21 that is sent in by reciprocity  
22 agreements. One scenario [C]ongress  
23 should remember is the major storm in  
24 2003 that hit the DC area. Customers  
25 were out of service for over 8 days....  
26 Customer hookup times and service  
27 complaints have steadily increased over  
28 the last few years across the U.S.

23 Now is the time to act and address these issues. Based  
24 on all of the aforementioned surveys and reports, it is  
25 evident that the electric and gas industry are facing a

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27 <sup>11</sup> Domestic Energy Industry 84 (testimony of James L.  
28 Hunter, Director, International Brotherhood of Electrical  
Workers).

1 near-term threat of losing critical workers to retirement in  
2 the absence of an adequate pipeline of qualified  
3 replacements. While it may be true that the recession could  
4 be impacting the timing of retirement decisions, the  
5 fundamental demographic workforce problem remains. An  
6 October 2009 report by NERC notes that:<sup>12</sup>

7 While recent industry estimates  
8 anticipate that workers will delay  
9 retirement due to the current economic  
10 downturn, it is impossible to predict how  
11 long workers will extend employment.  
12 There is a concern in the industry that  
13 delayed retirement could lead to more  
14 acute worker shortages at some point in  
15 the future if many workers retire around  
16 the same time.

17 In its 2009 Assessment (*id.* at 65) considering the impact of  
18 the recession on the "graying problem," NERC observed that:

19 While it may seem that the current  
20 economic recession would drive new  
21 workers into the industry to alleviate  
22 the workforce issues, in fact it will  
23 have a serious negative impact on the  
24 future workforce. This counter-intuitive  
25 reality is driven by several factors. As  
26 the demand for electricity decreases and  
27 access to capital for infrastructure  
28 investments tightens, utility companies  
may delay or cancel their resource and  
transmission projects and, to cope with  
short-term financial difficulties, often  
stop hiring new employees, reducing  
workforce, and encourage older employees

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25 <sup>12</sup> National Commission on Energy Policy, Task Force On  
26 America's Future Energy Jobs 6-7 (Oct. 1, 2009),  
27 [http://bipartisanpolicy.org/library/report/task-force-americas-fu](http://bipartisanpolicy.org/library/report/task-force-americas-future-energy-jobs)  
28 [ture-energy-jobs](http://bipartisanpolicy.org/library/report/task-force-americas-future-energy-jobs) (last visited July 12, 2011). The report  
reflects the work of 19 participants representing labor  
organizations, electric power companies, and education and  
training organizations.

1 to take early retirement. As the result,  
2 the gap in qualified employees will  
3 become more critical in the long-term,  
4 when the economy recovers.

5 Furthermore, the utility "graying workforce" problem in  
6 not simply an APS issue; the problem is national in scope.  
7 CEWD reports that even now, "[s]urveyed [utility] companies  
8 reported difficulties in finding qualified applicants to  
9 fill all of the skilled craft positions. Overall, utilities  
10 reported that between 30-50 percent of applicants who met  
11 the minimum requirements for a position were not able to  
12 pass the pre-employment aptitude tests."<sup>13</sup> A failure to  
13 take proactive measures will undoubtedly cause problems for  
14 utility companies in hiring their way out of the problem in  
15 the future. It is possible that a pipeline of skilled  
16 replacements simply may not exist, and this is precisely why  
17 the utility companies should take proactive measures to  
18 address their staffing needs and avoid critical shortages of  
19 essential skilled workers.

20 Although this review is by no means exhaustive, all of  
21 these findings unquestionably raise concerns about looming  
22 workforce staffing issues on the horizon. It is  
23 indisputable that the "graying problem" is apparent across  
24 energy industry sectors, and this problem will have  
25 implications for the safety, reliability, and quality of  
26 utility services. Adequate staffing bears directly on the  
27 ability of jurisdictional utilities to provide safe and  
28 reliable services. This goes to the heart of the statutory

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<sup>13</sup> 2009 CEWD Results at 2.

1 mandate imposed on state commissions and their  
2 jurisdictional utilities. Given all of the current data  
3 regarding the utilities' aging workforces, it is imperative  
4 that APS address the significant risks and seek potential  
5 solutions.

6 The broad and general power delegated to the ACC in  
7 A.R.S. § 40-321 to determine the adequacy of service  
8 rendered by public service corporations includes the  
9 authority to address such issues. The Arizona Statute  
10 provides that:

11 When the commission finds that the  
12 equipment, appliances, facilities or  
13 service of any public service  
14 corporation, or the methods of  
15 manufacture, distribution, transmission,  
16 storage or supply employed by it, are  
17 unjust, unreasonable, unsafe improper,  
18 inadequate or insufficient, the  
19 commission shall determine what is just,  
20 reasonable, safe, proper, adequate or  
21 sufficient, and shall enforce its  
22 determination by order or regulation.

23 This broad and general power is also delegated in the  
24 Arizona Constitution, which states:

25 The corporation commission shall have  
26 full power to, and shall, prescribe just  
27 and reasonable classifications to be used  
28 and just and reasonable rates and charges  
to be made and collected, by public  
service corporations within the state...  
and make and enforce reasonable rules,  
regulations, and orders for the  
convenience, comfort, and safety, and the  
preservation of the health, of the  
employees and patrons of such  
corporations[.]

29 Ariz. Const. art. XV, § 3. As was demonstrated in the  
30 aforementioned data, the "graying workforce" problem  
31 directly affects APS's ability to provide safe and reliable

1 service, an area well within the Commission's regulatory  
2 province.

3 Under comparable statutory authority, utility  
4 commissions in many states have investigated and regulated  
5 utility workforce staffing. Several examples include the  
6 Wisconsin Public Service Commission, the Illinois Commerce  
7 Commission, the Vermont Public Service Board, and the  
8 Connecticut Department of Public Utility Control, all of  
9 whom have recently investigated and regulated utility  
10 staffing issues.

### 11 1. Wisconsin

12 The equivalent Wisconsin statute authorizes the  
13 Wisconsin Public Service Commission ("Wisconsin PSC") to  
14 "supervise and regulate every public utility in this state  
15 and to do all things necessary and convenient to its  
16 jurisdiction."<sup>14</sup> Wis. Stat. § 196.02 (West, Westlaw through  
17 2011 Act 22). Acting in response to concerns raised  
18 regarding the Madison Gas and Electric Company's ("MGE")  
19 staffing levels during a rate case, the Wisconsin PSC  
20 developed an ongoing process to address workforce planning  
21 issues. The Wisconsin PSC ordered MGE to:

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22  
23 <sup>14</sup> The Wisconsin PSC cited a number of statutory provisions  
24 in its Final Decision in the rate case in question, Application  
25 of Madison Gas & Elec. Co. for the Auth. to Change Elec. and  
26 Natural Gas Rates, Docket No. 3270-UR-115 (Wis. Pub. Serv. Comm'n  
27 Dec. 24, 2007) ("Madison Gas & Elec. Co.") (citing Wis. Stat. §§  
28 1.12, 196.02, 196.025, 196.03, 196.19, 196.20, 196.21, 196.37,  
196.374, 196.395, and 196.40). These provisions cover a wide  
range of the Commission's substantive and procedural powers;  
however, none gives more explicit authorization to regulate a  
public utility's management and operations or to investigate its  
staffing levels than the provision quoted above.

1 report to Commission staff in 2008,  
2 identifying the workforce challenges it  
3 is facing, the actions it is and will be  
4 taking to address these challenges, and  
5 the progress MGE is making toward meeting  
6 its goals. In its report, MGE shall also  
7 explain how it is implementing any  
8 recommendations from [a joint Commission  
9 and Department of Workforce Development  
10 Working Group]. If MGE is not  
11 implementing one of these  
12 recommendations, it shall explain why,  
13 and what it is doing in the alternative.  
14 Commission staff may ask MGE to provide  
15 portions of this report in writing as  
16 needed.

17 *Madison Gas & Elec. Co.* at 15.<sup>15</sup>

## 18 2. Illinois

19 Under similar statutory authority, the Illinois  
20 Commerce Commission ("ICC") may require a public utility to  
21 perform any act "which the health or safety of its  
22 employees, customers or the public may demand." 220 ILL.  
23 COMP. STAT. 5/8-505 (West, Westlaw through 2011 Reg. Sess.).  
24 In the context of a gas rate increase proceeding and acting  
25 in response to concerns raised, the ICC held that it was  
26 authorized under § 8-505 to review and consider utility  
27 staffing issues. Their particular focus was how the  
28 staffing issues related to service safety and reliability.  
The ICC, in its holding, directly rejected the utility's  
argument that the Commission was acting outside of its  
jurisdiction and intruding into matters that were subject to  
collective bargaining. Rather, the ICC held that § 8-505

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29 <sup>15</sup> In a 2008 re-opener of the same case, the Commission  
30 ordered that MGE "continue to report to the Commission" on  
31 workforce planning issues. *Madison Gas & Elec. Co.*, Docket No.  
32 3270-UR-115, at 10 (Wis. Pub. Serv. Comm'n Dec. 18, 2007).

1 had to be interpreted to give the authority "to touch upon  
2 matters that might also be reasonably characterized as  
3 labor-management relations matters," explaining that:

4 [t]o hold otherwise would be to end the  
5 regulation of public utilities. Every  
6 act of a public utility is performed by  
7 someone, and in countless instances that  
8 person is managed by another someone.  
9 While it is certain that the Commission's  
10 power to regulate the relationship  
11 between and conduct of those persons [is]  
12 not unlimited, it is equally certain that  
13 we can exercise some degree of control  
14 over those relationships and conduct, in  
15 order to fulfill our unambiguous mandate  
16 to require public utilities to promote  
17 the health and safety of employees and  
18 customers.

12 *In Re N. Shore Gas Co.*, Docket No. 07-0241, 2008 WL 631214,  
13 at 290 (Ill. Commerce Comm'n Feb. 5, 2008). In fact, the  
14 Commission required that the Company have an audit performed  
15 in response to the staffing deficiencies, and it ordered the  
16 Company to provide both the Commission and the intervening  
17 union with a copy of the audit. The ICC further stated that  
18 if the audit and ensuing discussions did not satisfy the  
19 union's concerns, the ICC or any other party could initiate  
20 a proceeding, emphasizing that "[i]nsofar as public health  
21 and safety concerns are implicated, such a proceeding could  
22 be conducted on an expedited basis." *Id.* at 316.

### 23 3. Vermont

24 In opening an investigation into the staffing levels of  
25 the Central Vermont Public Service Corporation ("CVPS"), The  
26 Vermont Public Service Board ("Vermont Board") viewed its  
27 regulatory authority broadly, explaining that:

1 CVPS' current organizational structure  
2 has not been reviewed on a comprehensive  
3 basis in recent years to determine  
4 whether it is the most cost-effective  
5 structure. The Company appears to have  
6 some layers of management and spans of  
7 control that may not be aligned with  
8 CVPS' functional and organizational  
9 needs.

6 *Investigation into Cent. Vt. Pub. Serv. Corp.'s Staffing*  
7 *Levels*, Docket No. 7496, slip op. at 5 (Vt. Pub. Serv. Bd.  
8 Aug 20, 2009). When the Vermont Department of Public  
9 Service ("Department") staff sought to impose an hour-  
10 tracking requirement on CVPS' salaried employees, CVPS  
11 argued that it constituted "an intrusion upon the Company's  
12 management of its affairs," and that there had "been no  
13 showing that CVPS [failed] to conduct its business 'so as to  
14 be reasonable and expedient, and to promote the safety,  
15 convenience and accommodation of the public' as required by  
16 30 V.S.A. § 209(a)(3)." *Id.* at 7. While acknowledging that  
17 "utilities are vested with significant discretion to manage  
18 their operations," the Board concluded that:

19 Vermont law ... charges the Board with  
20 broad powers to ensure that utilities  
21 conduct their business in a fashion that  
22 is consistent with the public good.  
23 Specifically, the Board has jurisdiction  
24 to hear, determine, render judgement and  
25 make orders and decrees in all matters  
26 concerning: the manner of operating and  
27 conducting any business subject to  
28 supervision under this chapter, so as to  
be reasonable and expedient, and to  
promote the safety, convenience and  
accommodation of the public.

26 *Id.* at 9 (internal citations and quotations omitted). The  
27 Vermont Board concluded that the ordered investigation fell  
28 "well within [its] supervisory authority over CVPS' staffing

1 levels and the attendant costs imposed upon CVPS  
2 ratepayers." *Id.* at 9.

#### 3 4. Connecticut

4 In a proactive decision anticipating upcoming  
5 retirements and future service problems, the Department of  
6 Public Utility Control ("DPUC") approved regulatory  
7 treatment that would enable United Illuminating Company to  
8 hire additional lineworkers. In so doing, the DPUC  
9 discussed the problem of the upcoming lineworker retirements  
10 and the need for regulatory actions to ensure adequate  
11 staffing to maintain system reliability claiming:

12 Line work is physically difficult,  
13 demanding work, often in harsh weather  
14 conditions and is not generally appealing  
15 to older workers, and it can reasonably  
16 be expected that a large percentage of  
17 eligible workers would retire soon after  
18 eligibility. Further, such work is  
critical to the reliability of the  
electric system. A shortfall in Electric  
System Staffing would potentially affect  
the Company's electric system  
reliability, especially after restoring  
[power] from a major storm.

19 *In Re United Illuminating Co.*, 246 P.U.R. 4<sup>th</sup> 357, 408  
20 (Conn. Dep't of Pub. Util. Control 2006). In approving the  
21 expense, the DPUC required that the company "report to the  
22 Department annually on the actual level of hiring."

#### 23 **5. Examples of potential staffing solutions**

24 Measures being undertaken by utility companies to  
25 address staffing questions can involve simple internal  
26 changes (e.g., a simple decision to fill more positions over  
27 a period of time) or steps taken in partnership with  
28 external entities (e.g., individual utility decisions to

1 develop training programs either internally or through  
2 partnerships with outside institutions).

3 American Electric Power ("AEP") has several programs in  
4 place to address the "[a]ging workforce - retention,  
5 recruitment issues," which AEP has identified as a  
6 priority.<sup>16</sup> The programs include the "Legacy of Knowledge  
7 Program," with the purpose of "allow[ing] critical  
8 retirement-age employees to continue working part-time with  
9 full-time benefits while they share their invaluable  
10 knowledge and experience with their successors." Corporate  
11 Sustainability Report at 26.<sup>17</sup> AEP also stresses the  
12 importance of utility commission support for its efforts:

13 AEP's Indiana Michigan Power received  
14 rate support for work force [sic]  
15 development at the Cook Nuclear Plant.  
16 The money will be used to hire additional  
17 fire and security personnel required by  
18 new Nuclear Regulatory Commission  
19 regulations and also help the plant  
20 tackle aging work force [sic] issues in  
21 engineering and operations. This type of  
22 rate recovery can be a model for other  
23 states and illustrates that customers are  
24 willing to pay for reliability and a  
25 skilled work force. [sic]

26 *Id.* at 29. AEP's Corporate Sustainability Report praises

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27 <sup>16</sup> Information on this program can be found in AEP's 2009  
28 Corporate Sustainability Report, which can be accessed at  
29 [http://www.aepsustainability.com/reporting/docs/CS\\_Report\\_2009\\_we](http://www.aepsustainability.com/reporting/docs/CS_Report_2009_web.pdf)  
30 [b.pdf](http://www.aepsustainability.com/reporting/docs/CS_Report_2009_web.pdf) ("Corporate Sustainability Report") (last visited July 12,  
31 2011). The program is described at 21.

32 <sup>17</sup> In the same vein, AEP notes as a "potential recruiting  
33 barrier" the "negative perception many people have about coal,  
34 especially today when the general push is for 'green' jobs." *Id.*  
35 at 28. The Company's response has been to "enhance [its]  
36 recruiting efforts to highlight AEP's standing as an innovative  
37 company, including our leadership in pushing advanced coal  
38 technologies." *Id.*

1 the company for its recognition of "the aging work force  
2 [sic] issue several years ago" and, as a consequence, has  
3 been "aggressively recruiting and establishing alliances  
4 with two- and four-year colleges."<sup>18</sup> AEP concludes that  
5 this has "resulted in more qualified job applicants with  
6 greater technical knowledge, which allows them to be  
7 productive employees sooner." *Id.*

8 In addressing the need for a larger and differently-  
9 skilled utility workforce, universities and community  
10 colleges have developed new training curricula<sup>19</sup> and at  
11 times have done so with the direct involvement of utilities.  
12 Utility companies around the country have partnered with  
13 educational institutions to establish pipelines of  
14 sufficiently skilled energy workers.

15 An example of such a partnership occurred in 1999 when  
16 Georgia Power approached the Central Georgia Technical  
17 College with ideas for an apprenticeship program and  
18 appropriate standards for the program. A partnership  
19 between the school and the utility formed, and the college  
20  
21  
22

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23 <sup>18</sup> Corporate Sustainability Report at 28.

24 <sup>19</sup> For example, in February 2009, Arizona State University  
25 launched a graduate-level program in nuclear power generation,  
26 noting that both the NRC and the American Nuclear Society predict  
27 a growing need for nuclear power plants. April Murelio, *ASU*  
28 *News: Workforce Education Will Staff Jobs For The Nuclear Power*  
*Rebirth*, Nuclear Street (Feb. 27, 2009), available at  
[http://nuclearstreet.com/blogs/nuclear\\_power\\_news/archive/2009/02.aspx](http://nuclearstreet.com/blogs/nuclear_power_news/archive/2009/02.aspx) (last visited July 12, 2011).

1 has been training Georgia Power recruits ever since.<sup>20</sup>

2 A program called "PowerPathway," established by Pacific  
3 Gas & Electric, consists of a "[p]ortfolio of programs aimed  
4 at building capacity within the state of California to  
5 produce the skilled workers needed by PG&E and the energy  
6 and utility industry."<sup>21</sup> Among the program's four efforts,  
7 as described by PG&E, is "career preparation collaborations  
8 with educational institutions, participation in and  
9 leadership of industry efforts to jointly address workforce  
10 challenges." *Id.*

11 In New Jersey, the Public Service Enterprises Group,  
12 the holding company that owns Public Service Electric and  
13 Gas, New Jersey's largest investor-owned utility, recently  
14 won Workforce Management's 2009 Optimas Award for  
15 Partnership. The award was in recognition of the company's  
16 innovative collaboration to address the workforce shortage.  
17 The company partnered with local community colleges and high  
18 schools to establish a program of in-class instruction,  
19  
20

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21  
22 <sup>20</sup> See Central Georgia Technical College, News Release,  
23 Georgia Power Employees Graduate from CGTC (June 4, 2009),  
24 available at  
25 [http://www.centralgatech.edu/general/press\\_releases/release2.cfm?  
26 auto\\_number=395](http://www.centralgatech.edu/general/press_releases/release2.cfm?auto_number=395) (last visited July 12, 2011).; see also Jeff  
27 Wilson, Georgia Power, Co-op program preps students for technical  
28 jobs (Sept. 6, 2006), available at  
[http://www.centralgatech.edu/general/press\\_releases/release2.cfm?  
auto\\_number=134](http://www.centralgatech.edu/general/press_releases/release2.cfm?auto_number=134) (last visited July 12, 2011).

<sup>21</sup> Pacific Gas and Electric Company, Welcome to  
PowerPathway™, <http://www.pge.com/about/careers/powerpathway>  
(last visited July 12, 2011).

1 internships, and on-the-job training in utility work.<sup>22</sup> The  
2 utility was faced with the problem that more than 25 percent  
3 of its employees were within five (5) to seven (7) years of  
4 retirement, and the pipeline of new replacement workers was  
5 empty. After the establishment of this program, the once-  
6 empty pipeline is now full.

7 A wide range of utilities, including APS, have  
8 established the Energy Providers Coalition for Education  
9 ("EPCE"),<sup>23</sup> a program "open to any industry-related company  
10 or organization" and whose membership currently includes  
11 "investor-owned utilities, national and regional  
12 associations representing co-operative and municipal  
13 utilities, industry contractors, governmental agencies,  
14 professional associations and local unions."<sup>24</sup> EPCE  
15 "develops, sponsors, and promotes industry-driven,  
16 standardized, quality online learning programs to meet the  
17 workforce needs of the energy industry."<sup>25</sup>

18 Other partnership efforts include labor unions  
19 collaborating with employers and colleges to address  
20 staffing needs and implement worker training. The "UWA

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21  
22 <sup>22</sup> Workforce Management, 2009 *Optimas Award Winners*,  
23 available at  
[http://www.workforce.com/archive/feature/optimas-awards/2009-opti-  
25 mas-award-winners/index.php](http://www.workforce.com/archive/feature/optimas-awards/2009-opti-<br/>24 mas-award-winners/index.php) (last visited July 12, 2011).

26 <sup>23</sup> The EPCE website can be accessed at  
27 <http://www.epceonline.org/index.html>. (last visited July 12,  
28 2011).

<sup>24</sup> *Id.* (follow "About the EPCE Coalition," then "EPCE  
member list").

<sup>25</sup> *Id.*

1 Power for America Training Trust Fund" is a program  
2 pioneered by Local 223 of the Utility Workers of America,  
3 AFL-CIO ("UWA"). Under this program, the local union works  
4 with electric utility employers and several Michigan  
5 community colleges. The "Trust" is funded by utility  
6 employers and is managed by labor and management trustees  
7 who develop a set of curricula in several trades and provide  
8 training to union members. The purpose of the training is  
9 to enable employees to develop the skills needed both to  
10 staff existing operations and address emerging technologies.  
11 The training curricula include high voltage transmission,  
12 substation operation and maintenance, relay-system  
13 equipment, and underground line splicer and cable  
14 technician. The trust program is now being administered by  
15 the UWA national union and has programs operating in  
16 Michigan, Iowa, and Minnesota.<sup>26</sup>

17 Another interesting example of a public/private  
18 partnership to promote workforce development grow out of  
19 efforts to build a "greener" energy industry. One type of  
20 this partnership opportunity arose from the New York State  
21 Public Service Commission's ("NYPSC") efforts to implement  
22 statewide energy efficiency portfolio standards. During the  
23 process, two commission administrative law judges identified  
24 critical-path items, one of which was workforce development,  
25 and convened working groups to address them. On this  
26 subject, the administrative law judges found:

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27  
28 <sup>26</sup> Information on the UWUA program can be accessed at  
[www.power4america.org](http://www.power4america.org)

1 Workforce Development. This category  
2 encompasses rapid development and  
3 expansion of the energy efficiency  
4 workforce, and of apprenticeship  
5 programs, higher education curricula, and  
6 related measures. This is a critical  
7 path issue because these programs' rapid  
8 development and expansion is the  
9 foundation on which all programs will be  
10 built. A trained workforce is essential  
11 to ensure New York has the capacity to  
12 implement and sustain the state's energy  
13 efficiency initiatives. Expanded efforts  
14 should build upon existing [New York  
15 State Energy Research and Development  
16 Authority ("NYSERDA")] programs and other  
17 state efforts in this field. We will  
18 immediately convene a working group to  
19 review current efforts and develop and  
20 propose programs.<sup>27</sup>

21 The working group "contained representatives of  
22 fourteen entities including utilities, customer advocates,  
23 efficiency providers, workforce development professionals,  
24 and government agencies and authorities." NYPSC Workforce  
25 Development Initiative Order at 2. In October 2008, the  
26 working group recommended approval of an earlier NYSERDA  
27 proposal to spend approximately \$5.4 million per year to  
28 support workforce development strategies, plus and  
additional \$2 million per year for three (3) years to  
provide energy-efficiency skills training to low-income  
populations. The NYPSC declined to authorize the entire  
funding request, but they found it reasonable to authorize a  
total of \$6.6 million on a one-year basis, *id.* at 10, with

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25 <sup>27</sup> Proceeding on Motion of the Commission Regarding an  
26 Energy Efficiency Portfolio Standard, Procedural Ruling  
27 Concerning EEPs Design Issues, Case No. 07-M-0548, at 4 (N.Y.  
28 Pub. Serv. Comm'n July 3, 2008), available at  
<http://documents.dps.state.ny.us/public/common/ViewDoc.aspx?DocRefId={FF69344F-1747-4559-8AAB-BE86D2AB994B}>.

1 the expectation that other funding sources, including  
2 federal stimulus funds, would become available for NYSERDA's  
3 proposed programs. *Id.* at 9-10. Among the programs was one  
4 titled "Internships and Apprenticeships" stating "NYSERDA  
5 would work with New York State Department of Labor and the  
6 Workforce Development Institute to expand on-the-job  
7 training opportunities during profession development and  
8 continuing education."

9 Florida provides another example of a statewide, energy  
10 workforce-focused initiative. In 2006, the Florida's  
11 Governor's workforce investment board, Workforce Florida,  
12 Inc., established an energy-focused off-shoot: the Florida  
13 Energy Workforce Consortium, which "includes representatives  
14 from major electric utilities and associations, contractors,  
15 organized labor, state economic development, workforce  
16 development, and education."<sup>28</sup> The group's goals are "to  
17 develop accurate projections for future energy industry  
18 workforce needs detailed by occupation, and to prioritize  
19 those needs for focused educational and recruiting  
20 efforts."<sup>29</sup> This effort dovetails with those of the "Employ  
21 Florida Banner Center for Energy," which is a "statewide,  
22 industry-driven resource for energy workforce education and  
23

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24 <sup>28</sup> Florida Energy Workforce Consortium, <http://www.fewc.org>  
25 (last visited July 12, 2011).

26 <sup>29</sup> *Id.* According to the consortium, its "Top Occupations  
27 of Concern" are Line Installers, and Repairers, Plumbers,  
28 Pipefitters & Steamfitters, Welders, Maintenance and Repair  
Workers, Electricians, Engineering Technicians, Instrumentation &  
Control Technicians, and Power Plant Operators. *Id.*

1 training" and one of whose objectives is to "provide a  
2 pipeline of skilled workers, entry level to advanced, for  
3 the energy industry funded in part by state general revenues  
4 and in part through education and industry partnerships."<sup>30</sup>

5 No other party has a similar obligation or ability to  
6 protect the interests of IBEW Local 387 members. The APS  
7 employees represented by IBEW Local 387 have a strong  
8 general interest in the safety and reliability of APS'  
9 operations and the provision of satisfactory service to the  
10 consuming public. In these regards, IBEW Local 387's  
11 participation will fulfill a unique role in these  
12 proceedings. APS' plans will also directly affect those  
13 members of IBEW Local 387 who reside in Arizona and are APS  
14 customers. IBEW Local 387 submits that these proceedings  
15 will be enhanced by its participation, and that its  
16 intervention will not unduly broaden the scope of these  
17 proceedings. Instead, its participation will raise a vital  
18 matter of public interest bearing on APS' plans and ability  
19 to provide reliable service in a manner satisfactory to its  
20 regulated ratepayers and the consuming public. For these  
21 reasons, IBEW Local 387 respectfully requests that the  
22 Commission grant the instant Petition to Intervene and that  
23 the IBEW Local 387 be permitted to participate in this  
24 proceeding with full party rights.

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25  
26  
27 <sup>30</sup> Employ Florida Banner Center, Our Mission,  
28 <http://bannercenterforenergy.com/mission.html> (last visited July  
12, 2011).

1 IBEW Local 640

2 IBEW Local 640 is "directly and substantially affected  
3 by the proceedings," A.A.C. R14-3-105(A), inasmuch as it is  
4 the owner of an office building/union hall located at 5808  
5 North 7<sup>th</sup> Street in Phoenix which, in turn, is within the  
6 service area of APS. As on of APS' "small-business"  
7 customers, IBEW Local 640 is signed-up under the E-32 Rate  
8 Plan - *i.e.*, the standard plan for APS commercial customers  
9 who have a demand of less than 3,000 kilowatts a month.  
10 Typically, this includes small and medium sized businesses  
11 and organizations such as restaurants, retail outlets,  
12 manufacturers, and offices.

13 Because none of the existing parties adequately protect  
14 the interests of a ratepayer like IBEW Local 640, the Union  
15 is confident that its participation in these proceedings  
16 will lead to a more well-reasoned decision on the part of  
17 the Arizona Corporation Commission. *Cf.*, A.R.S. §40-462(A)  
18 ("A residential utility consumer office is established to  
19 represent the interests of residential utility consumers in  
20 regulatory proceedings involving public service corporations  
21 before the corporation commission.")

22 Were that not enough, IBEW Local 640 should also be  
23 granted intervention in this case on the grounds that it is  
24 currently supplying electricians to the Abengoa CSP solar  
25 project near Gila Bend, and stands ready to supply qualified  
26 Arizona electricians at all skill levels to support the  
27 large, utility-scale solar projects that have been mandated  
28 by the ACC. In addition, IBEW Local 640 supplies employees

1 to various power generation plants, including the Palo Verde  
2 Nuclear Generating Station ("Palo Verde"), periodically for  
3 maintenance outages through an International Maintenance  
4 Agreement between the Arizona Building Trades and  
5 contractors such as Bechtel, GD Barri & Associates, and Day  
6 & Zimmerman. IBEW Local 640 has also provided employees to  
7 APS in the past as a part of a task force assembled to  
8 assist in underground construction in residential housing  
9 developments. IBEW Local 640 has a direct interest in  
10 ensuring that APS has a continued demand for its supply of  
11 qualified, efficient manpower to perform their electrical  
12 installations.

13 **IBEW Local 769**

14 Like its sister local, IBEW Local 769 is "directly and  
15 substantially affected by the proceedings," A.A.C. R14-3-  
16 105(A), inasmuch as it is the owner of an office  
17 building/union hall located at 3232 North 20<sup>th</sup> Street in  
18 Phoenix which is within the service area of APS. Like IBEW  
19 Local 640, it is signed-up under the E-32 Rate Plan.

20 In addition, IBEW Local 769 also represents employees  
21 of subcontractors working for APS. For example, IBEW Local  
22 769 has recently provided outside line construction work for  
23 APS through Argent Construction, Inc., Wilson Construction,  
24 Klondyke, NPL, Henkels & McCoy and Sturgeon Electric.  
25 Recently, IBEW Local 769 has provided bargaining unit  
26 employees to Argent Construction, Inc. for the installation  
27 of sub-transmission lines for APS. At any given time, IBEW  
28 Local 769 will have anywhere from five (5) to two-hundred

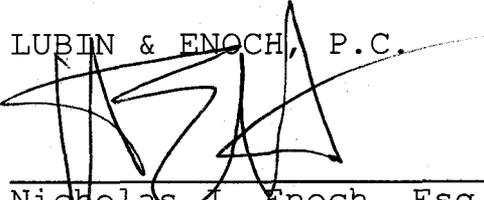
1 (200) of its bargaining unit employees working for  
2 subcontractors of APS. It is for this same reason that IBEW  
3 Local 769 recently sought, and was subsequently granted,  
4 intervention status in Docket No. E-01345A-11-0207 which  
5 deals with the application for approval of Version 12 of  
6 Service Schedule 3 and the Agreement concerning the same.

7 Based on the above, these three IBEW Locals not only  
8 have a direct financial interest in the outcome of this  
9 proceeding, but there is a substantial risk that this case  
10 may impair their interest absent being permitted to  
11 intervene into the above-captioned matter. Because Ariz.  
12 Const. Art. XV, §3 expressly provides that "[t]he  
13 Corporation Commission shall ... make and enforce reasonable  
14 rules, regulations, and orders for the convenience, comfort,  
15 and safety, and the preservation of the health, of the  
16 employees and patrons of [public service corporations]," the  
17 three IBEW Locals are confident that their participation in  
18 these proceedings will not unduly broaden the issues  
19 presented herein. Similarly, because no existing (or  
20 potential) party adequately protects the interests of IBEW  
21 Locals 387, 640, and 769, their participation in these  
22 proceedings will also lead to a more well-reasoned decision  
23 on the part of the Arizona Corporation Commission.

24 **WHEREFORE,** it is respectfully requested that IBEW  
25 Locals 387, 640, and 769 be permitted to intervene in the  
26 above-captioned matter as parties.

1 RESPECTFULLY SUBMITTED this 26<sup>th</sup> day of August 2011.

2 LUBIN & ENOCH, P.C.

3   
4 \_\_\_\_\_  
5 Nicholas J. Enoch, Esq.  
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8 Original and thirteen (13)  
9 copies of the foregoing  
10 Application filed this 26<sup>th</sup> day  
11 of August, 2011, with:

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28



APPLICATION OF THE UNITED ILLUMINATING COMPANY TO INCREASE ITS  
RATES AND CHARGES

DOCKET NO. 05-06-04

Connecticut Department of Public Utility Control

2006 Conn. PUC LEXIS 17; 246 P.U.R.4th 357

January 27, 2006

**PANEL:** [\*1] By the following Commissioners: John W. Betkoski, III; Donald W. Downes; Jack R. Goldberg; Anne C. George; Anthony J. Palermino

**OPINION: DECISION**

**I. INTRODUCTION**

**A. SUMMARY**

This full rate setting proceeding pursuant to General Statutes of Connecticut sections 16-19 and 16-244c(b)(2)(C) was initiated by The United Illuminating Company (UI) by way of an application filed on July 18, 2005. UI's application presented a rate plan for a period of four years through December 31, 2009. In its application, UI requested rates sufficient to recover UI's increased revenue requirements as requested by UI for each year of the rate plan. In this Decision, the Department makes pertinent adjustments to the revenue requirements requested by UI and approves new revenue requirements and rates that will allow for the recovery of appropriate revenue requirements or each of the four years of the plan. No adjustments were made to rates associated with the recovery of competitive transition assessment revenue requirements. The incremental revenue requirements approved by the Department and as requested by UI for the years [\*2] 2006, 2007, 2008 and 2009 are as follows:

2006	\$ 14,324,000 approved;	\$ 39,814,000 requested
2007	\$ 4,302,000 approved;	\$ 3,576,00 requested
2008	\$ 10,263,000 approved;	\$ 12,528,000 requested
2009	\$ 6,710,000 approved;	\$ 8,611,000 requested

The allowed increases translate into total company increases compared to then-current rates of 1.98% in 2006, 0.6% in 2007, 1.4% in 2008 and 0.9% in 2009.

To more closely align rates with the cost of providing service, the Department will allow UI to increase residential Rate R rates by 3.0% in 2006 and Rate RT by the average of 1.98%. Rates to most commercial industrial customers and Street Lighting customers will be increased by less than the average increase approved. Rates GST and LPT shall be increased by 1.0% and Rate M and Rate U by .75%.

Accordingly, the Department disallows training expenses of: \$ 731,000 in 2006 (\$ 2.336 million less \$ 1.605 million); \$ 741,000 in 2007 (\$ 2.441 million [\*128] less \$ 1.700 million); \$ 691,000 in 2008 (\$ 2.468 million less \$ 1.777 million); and \$ 662,000 in 2009 (\$ 2.524 million less \$ 1.862 million).

#### 14. Compensation Expense

##### a. New Hires to Replace Retiring Electric System Workers

UI plans to hire incremental Electric System n5 workers in anticipation of the future retirement of workers who are or will be eligible for retirement in the next several years. The Company states that the Electric System employees require long lead times to be fully qualified, typically approximately four years. To meet the projected decline in its Electric System workforce, the Company has initiated a recruitment and training program to fill an incremental 18 FTEs. The Company states that the targeted recruitment levels are based on retirement eligibility and anticipated attrition levels as well as lead times to develop the necessary skills in new workers. The net increase attributable to this program is \$ 423,000 in 2006, \$ 404,000 in 2007, \$ 175,000 in 2008, and a small decrease in 2009. Reed PFT, p. 15; Response to Interrogatory EL-269.

n5 The Electric System includes the UI job classifications of power delivery lineworkers, substation electricians, engineers, electrical test technicians and system operators.

[\*129]

UI states that the pending retirements are due to the maturing of the large population of workers UI hired in the 1960s and 1970s, when its infrastructure was in a rapid state of development. In 2004, the Company conducted a study of the resource needs to address attrition in the skilled technical positions, including lineworkers. Response to Interrogatory EL-271. According to the study, out of 393 total employees, the number of retirement-eligible employees will increase from 109 in 2005 to 163 in 2009. Up to five years of training is required for inexperienced new hires to replace fully qualified personnel, particularly among lineworkers, substation electricians, and underground system workers. These employees must go through a training/certification program which ranges in length from 3-5 years before the employees are fully qualified. Therefore, UI plans to hire personnel in advance of the retirements so that their replacements will be fully capable to assume duties. Response to Interrogatory EL-270.

The OCC recommends that the Department allow the Company no more than 34 total incremental positions, including some to compensate for anticipated retirements of technical workers. [\*130] However, the OCC did not provide specific recommendations regarding the levels of lineworkers and other Electric System workers that should be allowed. OCC Brief, p. 77.

The Company's study assumes that 33% of eligible employees will retire in their year of eligibility. Response to Interrogatory EL-271, Attachment EL-271-1. Over the last four years, 34% percent of eligible employees in the Electric System retired each year, compared to a companywide retirement rate of 12%. Responses to Interrogatories EL-274 and EL-385. The Company states that the differential in retirement rates is due to the physically demanding nature and stressful nature of their work. Tr. 10/7/05, pp. 500 and 501. The Department concludes that the evidence supports the supposition of a high retirement rate for Electric System employees; and, for the purpose of the Company's study, a 33% retirement rate is reasonable.

The Department addressed the issue of pending retirements of lineworkers for The Connecticut Light and Power Company (CL&P) in the 03-07-02 Decision. In that Decision, the Department acknowledged an aging lineworker work force and authorized CL&P to hire incremental lineworkers in anticipation of [\*131] retirements. Further, the entry of large proportions of skilled technical workers into retirement age has become a concern throughout the energy industry.

Decision, pp. 90-92.

The pending retirement of Electric System workers is a serious concern for UI. In 2005, 109 of the workers are eligible for retirement, which equates to 31% of all lineworkers. By 2009, if there are no hires, that number rises to 41%. The Department agrees that the pending retirement of Electric System workers is a concern that must be addressed. Line work is physically difficult, demanding work, often in harsh weather conditions and is not generally appealing to older workers, and it can reasonably be expected that a large percentage of eligible workers would retire soon after eligibility. Further, such work is critical to the reliability of the electric system. A shortfall in Electric System staffing would potentially affect the Company's electric system reliability, especially after restoring from a major storm.

The Department agrees with the Company's retirement forecast for planning purposes. The Company's expectations for hiring and attrition, given the above planning assumptions, are as follows:

Electric System Division Staffing

2005-2009

	2005	2006	2007	2008	2009	Total
Hires	27	26	22	22	22	119
Attrition	(25)	(21)	(19)	(18)	(18)	(101)
Net	2	5	3	4	4	18

[\*132]

Source: Response to Interrogatory EL-269

The Department believes that the Company should proceed with the hiring of new Electric System workers as it has proposed, to avoid a future adverse impact on customer service by a shortage of Electric System workers. The Department views its approval of expense for this Initiative as a compact between the Department and the Company to carry out the forecasted level of hiring, and will order the Company to report to the Department annually on the actual level of hiring.

**b. Incentive Compensation**

UI has three incentive compensation plans, Management Compensation Program (MCP), Executive Incentive Compensation Program (EICP) and Executive Long-Term Incentive Program (LTIP). At year end (or end of the period for long-term goals), awards are determined by the results of the goals. The MCP consists of corporate, division, and team/individual goal results, while the EICP consists of financial goals and the UI and division scorecards. The LTIP is a performance share program and consists of the average of the earned return achieved each year of the three year program. Incentive Compensation costs are budgeted assuming achievement at the target [\*133] level on a Company-wide basis each year. Response to Interrogatory EL-165. The MCP applies to 484 non-union employees in UI's leadership, professional, administrative and technical positions. The EICP and LTIP apply to 12 executives and managers. Tr. 10/07/05, pp. 480-482.

UI testified that the Company pays close attention to the development of specific incentive compensation goals to be sure that the goals are appropriate for the Company and employee. The objective is to motivate employees to achieve specific outcomes that support successful outcomes for the Company. UI believes that the "pay at risk" incentive compensation plans compensate the Company's employees at market level. Response to Interrogatory OCC-97; OCC Brief, p. 47.

For the 2004 test year, UI's Incentive Compensation totaled \$ 5,429,000. The Incentive Compensation currently allowed in rates is \$ 3,539,000. Attachment EL-164-3; 01-10-10 Decision, p. 61.