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AZ CORP COMMISSION
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8 Attorneys for Intervenor IBEW Local 1116

9
10 **BEFORE THE ARIZONA
CORPORATION COMMISSION**

11 IN THE MATTER OF THE
 12 APPLICATION OF TUCSON
 13 ELECTRIC POWER COMPANY FOR
 THE ESTABLISHMENT OF JUST
 14 AND REASONABLE RATES AND
 CHARGES DESIGNED TO REALIZE
 15 A REASONABLE RATE OF RETURN
 ON THE FAIR VALUE OF THE
 16 PROPERTIES OF TUCSON
 ELECTRIC POWER COMPANY
 17 DEVOTED TO ITS OPERATIONS
 THROUGHOUT THE STATE OF
 18 ARIZONA AND FOR RELATED
 APPROVALS.

Docket No. E-01933A-15-0322
E-01933A-15-0239

**INTERVENOR IBEW LOCAL
1116'S NOTICE OF FILING
DIRECT TESTIMONY OF SCOTT
NORTHRUP**

19 Pursuant to the Administrative Law Judge's Rate Case
 20 Procedural Order and Notification of Intervention dated
 21 December 14, 2015 (p. 2), Intervenor Local Union 1116 of the
 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 Scott Northrup in this docket.

26 ///
27 ///
28 ///

Arizona Corporation Commission

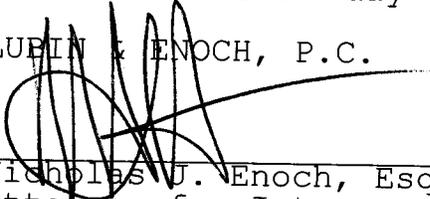
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DOCKETED BY	<i>[Signature]</i>
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1 RESPECTFULLY SUBMITTED this 3rd day of June, 2016.

2 LUBIN & ENOCH, P.C.

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

6 **CERTIFICATE OF SERVICE**

7 I hereby certify that I have this day filed an original
8 and thirteen (13) copies of Intervenor IBEW Local 1116's
9 Notice of Filing Direct Testimony with:

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

14 Copies of the foregoing e-mailed or mailed this same
15 date to all parties included on the attached service list
16 dated June 3, 2016.
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25
26
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1 Q1. Please state your name and business address.

2 A1. Scott Northrup. My business address is 4601 South
3 Butterfield Drive, Tucson, Arizona 85714.

4 Q2. Please describe your present position, background, and
5 experience.

6 A2. I am the Business Manager/Financial Secretary for
7 Intervenor, Local Union 1116 of the International
8 Brotherhood of Electrical Workers, AFL-CIO, CLC ("IBEW
9 Local 1116"). The position of Business
10 Manager/Financial Secretary is an elected union
11 position, but due to the recent retirement of my
12 predecessor, Frank Grijalva, I was appointed by our
13 Executive Board to my present position on February 1,
14 2016.

15
16 Because all IBEW Local Unions also have a President,
17 persons outside of our organization commonly believe
18 that the President is the principal officer of the
19 Local. This is not the case. Article 17, §§ 4 and 8
20 of the Constitution of the IBEW, AFL-CIO, provides that
21 the Business Manager/Financial Secretary is the
22 "principal officer" of any IBEW Local Union.

23
24 Prior to becoming Business Manager/Financial Secretary,
25 I was employed by the Applicant, Tucson Electric Power
26 Company ("TEP") for sixteen years in various positions,
27 most recently as a Training Specialist. While employed

1 at TEP, I was an active member of IBEW Local 1116, and
2 previously served as the Local's President for eight
3 (8) years.

4 Q3. Have you testified in other matters before the Arizona
5 Corporation Commission?

6 A3. Yes. I recently testified *In the Matter of the*
7 *Commission's Investigation of Value and Costs of*
8 *Distributed Generation*, ACC Docket No. E-00000J-14-
9 0023.

10 Q4. What is IBEW Local 1116?

11 A4. IBEW Local 1116 is a labor organization that serves as
12 the exclusive representative for approximately seven-
13 hundred (700) non-managerial TEP employees, including,
14 by way of example, linemen/cablemen, substation
15 electricians, electronics technicians, equipment
16 servicemen, field technicians, designers, heavy
17 equipment and transport operators, maintenance
18 electricians, maintenance mechanics, meter repairmen
19 and customer care representatives. Even a cursory
20 review of this illustrative list reveals that such
21 represented employees are among those who contribute
22 daily, directly, and significantly to TEP's efforts to
23 provide safe and reliable electric service to its
24 customers.

25 IBEW Local 1116 and TEP's series of collective
26 bargaining agreements ("CBA") date back to November 16,
27 1937, and its two current CBAs - one covering the

1 Springerville Generation Power Plant and the other
2 covering the rest of the company – extends to December
3 31, 2018. IBEW Local 1116 was a party to the 2008 TEP
4 Rate Case Settlement Agreement, approved in Decision
5 No. 70628, and to the 2012 TEP Rate Case Settlement
6 Agreement, approved in Decision No. 73912. IBEW Local
7 1116 was also a party to the May 16, 2014 Settlement
8 Agreement *In the Matter of the Reorganization of UNS*
9 *Energy Corporation*, later approved in Decision No.
10 74689.

11 Q5. Do you believe that TEP is a responsible corporate
12 citizen?

13 A5. For the most part, yes. While the relationship between
14 IBEW Local 1116 and TEP is by no means perfect, it is
15 mature and stable. It is clear that this stability has
16 inured to the benefit of TEP, its employees, and its
17 customers. In my opinion, the importance of the
18 relationship between a public service corporation and
19 its employees cannot be overstated. I believe that
20 others share my opinion in this regard. In fact,
21 Article I, § 1.3 of our CBA states:

22 The Company and the Union have a common
23 and sympathetic interest in the utility
24 industry and harmonious relations are
25 necessary to improve the relationship
26 between the Company, the Union and the
27 public. Progress in industry demands a

1 mutuality of confidence between the
2 Company and the Union. All will benefit
3 by continuous peace and adjusting any
4 difference by rational, commonsense
5 methods. To these ends this Agreement is
6 made.

7 Q6. What is the purpose of your testimony?

8 A6. As you know, Article XV, § 3 of the Arizona
9 Constitution expressly states that the interests of
10 public service employees are on par with those of
11 patrons. It reads as follows:

12 The corporation commission shall have
13 full power to, and shall... make
14 reasonable rules, regulations, and
15 orders, by which such [public service]
16 corporations shall be governed in the
17 transaction of business within the State,
18 and... make and enforce reasonable rules,
19 regulations, and orders for the
20 convenience, comfort, and safety, and the
21 preservation of the health, of the
22 **employees** and patrons of such
23 corporations[.]

24 In its 1984 decision in *Cogent Pub. Serv. v. Arizona*
25 *Corp. Comm'n*, 142 Ariz. 52, 56-57, 688 P.2d 698, 702-03
26 (Ariz. Ct. App. 1984), Division One expressly, and in
27 my opinion, correctly, held that "the jurisprudence of

1 our State made it plain long ago that the interests of
2 public-service corporation stockholders must not be
3 permitted to overshadow those of the public served."
4 In support of this quite unremarkable proposition, our
5 Court of Appeals relied upon a series of U.S. and
6 Arizona Supreme Court decisions dating back to 1896.
7 Beyond that, I would also point out that while Article
8 XV, § 3 of the Arizona Constitution mentions "employees
9 and patrons" as key stakeholders, it does not mention
10 shareholders as such. Further, it certainly does not
11 mention the shareholders and/or owners of rooftop solar
12 companies.

13
14 On behalf of its own members as well as several hundred
15 thousand patrons of TEP, IBEW Local 1116 believes this
16 proceeding provides a unique and timely opportunity for
17 it to express to this Commission its growing concern
18 regarding what it believes to be a marked deterioration
19 in the reliability and safety of TEP's operations and
20 the primary causes of said deterioration, *to wit*, TEP's
21 shaky financial situation.

22 Q7. You assert that there has been a marked deterioration
23 in the reliability and safety of TEP's operations. Can
24 you provide the Commission with some specific examples?

25 A7. Certainly. The following are just some illustrations
26 of the problems we have recently encountered and the
27 concerns that we have moving forward:

- 1 3. Due to apparent budget constraints, TEP is not
2 currently maintaining records for non-CIP
3 (Critical Infrastructure Protection) breakers.
- 4 4. TEP has hired two (2) (so-called) designers to be
5 trained in design work. Since April, they have
6 said that they were going to endure designer
7 apprentices, but that has not been the case. TEP
8 desperately needs more designers because there is
9 a disruption in the Company's workflow inasmuch as
10 some crews do not actually have sufficient work to
11 stay busy. This very real problem is alluded to
12 on page 17 of Susan M. Gray's prefiled direct
13 testimony dated November 5, 2015.
- 14 5. TEP also continues to spend more money on out of
15 state contractors to do work that TEP employees
16 can do for a lot less. For example, TEP has four
17 Sturgeon crews on site working fifty hours per
18 week on busy work instead of using bargaining unit
19 employees to do the same work. TEP also just bid
20 two (2) transmission jobs out that could have been
21 performed by TEP employees. TEP should be
22 required to show the Commission invoices for work
23 that TEP Substation Journeyman had to fix due to
24 the contractors' substandard and unsatisfactory
25 work. An example of this would be at the North
26 Loop Substation.
- 27 6. IBEW Local 1116 has significant concerns related
28

1 to TEP's workforce planning moving forward and, in
2 particular, the "aging workforce" problem that so
3 many utilities, including TEP, face and will
4 continue to face in the coming years. Paragraph
5 18.2 of the January 6, 2012 Proposed Settlement
6 Agreement in Arizona Public Service Company's
7 ("APS") last general rate case, adopted in
8 relevant part in Decision No. 73183, highlights
9 these concerns and serves to focus the parties'
10 and the Commission's attention on these important
11 matters - both now and going forward. While
12 Conditions 27, 30 and 41(ii) of ACC Decision No.
13 74689 touch on these same sorts of concerns, IBEW
14 Local 1116 believes that something along the lines
15 of what APS has agreed to should be required in
16 this case to ensure that TEP makes an effort to
17 actually maintain a staff capable of doing safe
18 and reliable work instead of subcontracting the
19 work to out of state contractors. An annual
20 review and assessment of its workforce planning
21 for critical positions would shed light on these
22 challenges and would force consideration of what
23 sorts of recruitment and hiring efforts TEP must
24 undertake to meet these challenges ahead of
25 anticipated retirements. I can say, without
26 exaggeration or hyperbole, that I firmly believe
27 TEP's ability to provide safe and reliable

1 electric power in southern Arizona in the years to
2 come largely depends on the steps the Company
3 takes to meet these impending challenges to hire,
4 train, and maintain a highly skilled work force.

5 Q8. Can you identify any specific measures that ought to be
6 taken in order to bolster TEP's financial situation?

7 A8. Yes, I can. First, IBEW Local 1116 strongly supports
8 the proposed *pro forma* adjustments to the payroll and
9 payroll tax expense associated with TEP's unionized
10 workforce. In as much as those contractually agreed to
11 expenses are certain and easily calculated, they should
12 be considered in conjunction with the instant rate
13 case. This proposal is set forth on page 31 of Frank
14 P. Marino's prefiled direct testimony dated November 5,
15 2015. IBEW Local 1116 does not support, however, the
16 proposed *pro forma* adjustments to the payroll and
17 payroll tax expense associated with TEP's non-unionized
18 workforce. By definition, those workers are employed
19 at-will and, as such, the terms and conditions of their
20 employment are subject to change at any time and in any
21 direction. That being the case, it would not be sound
22 rate making to include that particular adjustment on a
23 prospective basis.

24
25 Second, on behalf of its own members as well as several
26 hundred thousand patrons of TEP, IBEW Local 1116
27 believes this proceeding provides it with a unique and
28

1 timely opportunity to express to this Commission its
2 growing concern regarding what it believes to be a
3 marked deterioration in the reliability and safety of
4 TEP's operations and a primary cause of that
5 deterioration, to wit, TEP's cross-subsidization of UNS
6 Energy Corporation.

7
8 To be clear, IBEW Local 1116 fully believes that TEP
9 should and must receive a fair rate of return on the
10 fair value of **its** property and we fully support its
11 efforts to achieve that goal. In calculating what that
12 is, however, IBEW Local 1116 strongly urges this
13 Commission to truly focus its attention on the issue of
14 TEP's cross-subsidization of UNS. Only by doing so
15 with much more detail than has been explored in
16 previous proceedings can this Commission ever really
17 come to terms with what a fair rate of return for TEP
18 actually is.

19
20 IBEW Local 1116 recognizes that any public service
21 corporation is entitled to a fair rate of return on the
22 fair value of its property, no more and no less. It
23 goes without saying that it costs a substantial amount
24 of money for a public service corporation to hire,
25 train, and maintain a highly skilled workforce.
26 Similarly, it costs a great deal of money for any
27 public service corporation to preserve the safety and
28

1 health of its employees and patrons. IBEW Local 1116
2 believes that the Commission should provide TEP with
3 whatever rate relief and structure that is necessary to
4 ensure that TEP will be able to meet its commitments to
5 its employees and customers to hire, train, and
6 maintain a highly skilled workforce in the years to
7 come. In so doing, however, the Commission should pay
8 special attention to whether UNS is being
9 inappropriately enriched at the expense of TEP and, in
10 turn, its patrons.

11
12 Third, I would like to point out that TEP compensates
13 solar customers for their surplus electricity at full
14 retail value. Thus, solar customers are excused from
15 paying their fair share of the costs derived from their
16 use of the grid, including its maintenance and the
17 transmission and distribution it facilitates. Solar
18 customers are compensated for the energy that they
19 generate, but that compensation does not account for
20 the fact that less than half of the cost of providing
21 energy comes from generating it. In fact, thirty-seven
22 cents of every dollar charged by utilities goes toward
23 building and maintaining the grid. Regardless of much
24 solar grows, TEP will still need workers to build and
25 maintain the grid. The fact that TEP will not receive
26 a fair price for its services jeopardizes job stability
27 for its workers, and reduces TEP's ability to provide a

1 safe and efficient workplace for these workers. This
2 is obviously an unfavorable outcome for the members of
3 IBEW Local 1116. The IBEW Locals also posit that this
4 outcome should concern the Arizona Corporation
5 Commission, which is bound by Article XV, § 3 of the
6 Arizona Constitution to protect the employees of public
7 service corporations, as notably opposed to the
8 interests of distributed-solar companies, many of which
9 are actually from out-of-state.

10
11 Distributed generation solar power promises to
12 dramatically change the grid in the near future. How
13 that change occurs will impact the jobs and futures of
14 our workers at TEP. IBEW Local 1116's principal
15 concern is that solar customers use and rely on the
16 grid without contributing a fair share to the cost of
17 its maintenance, thereby requiring utilities to either
18 absorb or shift the cost to other users, and
19 fundamentally destabilizing the environment in which
20 utility workers do their jobs. At best, this is
21 grossly unfair and imprudent and, at worst, it is
22 patently unconstitutional. As explained by Division
23 Two in its 1987 decision in *Marco Crane & Rigging v.*
24 *Ariz. Corp. Comm'n*, 155 Ariz. 292, 297, 746 P.2d 33, 38
25 (Ariz. Ct. App. 1987):

26 A public service corporation must treat
27 all similarly situated customers alike[.]

1 A public service corporation is impressed
2 with the obligation of furnishing its
3 service to each patron at the same price
4 it makes to every other patron for the
5 same or substantially the same or similar
6 service. It must be equal in its
7 dealings with all. It must treat the
8 members of the general public alike.
9 There must be equality of rights to all
10 and special privileges to none.
11

12 Under this line of reasoning, why, and upon what sound
13 constitutional basis, should residential solar
14 customers be afforded the special privilege of using
15 TEP's infrastructure without having to pay their fair
16 share for its use?
17

18 As I previously stated in response to question 3, I
19 recently testified at length about this subject *In the*
20 *Matter of the Commission's Investigation of Value and*
21 *Costs of Distributed Generation*, ACC Docket No. E-
22 00000J-14-0023. My direct testimony in that matter was
23 filed on January 29, 2016 and my rebuttal testimony was
24 filed on February 25, 2016. I also testified in person
25 at the hearing on April 19, 2016 and my verbal
26 testimony starts on page 221 of the hearing transcript.
27 In lieu of repeating all of my previous testimony again
28

1 herein, I would invite the ALJ to take official notice
2 of it pursuant to A.A.C. R14-3-103(T)(4) and/or (U).

3 Q9. Is IBEW Local 1116 concerned about the regressive
4 social costs currently imposed by net-metering?

5 A9. Yes. In many cases, the costs that solar customers are
6 excused from paying are reallocated to non-solar
7 customers. Solar customers typically must be able to
8 pay many thousands of dollars for a solar unit, have a
9 single-family home, and possess a good credit score.
10 Those without these abilities, including those living
11 in apartments or multi-unit low-income housing, cannot
12 access rooftop solar power for their home. Thus, the
13 cost shift from solar users to non-solar users is
14 actually a cost shift from affluent families to low-
15 income families. As the bargaining representative for
16 utilities workers supporting working class families in
17 non-managerial jobs, this strikes IBEW Local 1116 as
18 especially unjustifiable.

19 Q10. Does this conclude your testimony?

20 A10. Yes.

21 F:\Law Offices\client directory\IBEW L. 1116\044\Pleadings\2016-6-3 (1575-044) Northrup direct testimony.wpd