

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

Filed
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Data Center
Missouri Public
Service Commission

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Electric) Case No. ER-2011-0028
Service Provided to Customers in the)
Company's Missouri Service Area.)

AFFIDAVIT OF MICHAEL WALTER

STATE OF MISSOURI)

) ss

COUNTY OF ST. LOUIS)

Michael Walter, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 5 pages of Direct Testimony and attached exhibits to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Michael D. Walter

Michael Walter
1

Union S Exhibit No. 650
Date 5/10/11 Reporter SM
File No. GR2011 0028



Subscribed and sworn to before me this 4th day of February, 2011.



Notary Public



MELANIE E. WILHELM
My Commission Expires
February 28, 2011
St. Louis County
Commission #07017667

My commission expires _____

Direct Testimony of Michael Walter
Submitted on Behalf of IBEW Local 1439
Ameren
Case No. ER-2011-0028

1 **Please identify yourself and your job title.**

2
3 My name is Michael Walter. I am the Business Manager of the International Brotherhood of
4 Electrical Workers Local 1439, AFL-CIO (IBEW Local 1439.) My union represents 968
5 members, all of whom work in Missouri or Arkansas for Ameren.
6

7 **Please describe your history with Ameren and IBEW 1439.**

8
9 I worked for Ameren for almost 17 years, most of the time as a fleet service mechanic. I became
10 a Business Representative for IBEW 1439 in December 1995 and served continuously in that
11 capacity until I became Business Manager in August 2007.
12

13 **On whose behalf are you presenting this testimony?**

14
15 I am testifying on behalf of IBEW Local 1439. The other unions at Ameren/MO consist of
16 International Brotherhood of Electrical Workers Locals 2, 702 and 1455, AFL-CIO and
17 International Union of Operating Engineers Local 148, AFL-CIO.
18

19 **What is the purpose of this testimony?**

20
21 I support Ameren's petition for a rate increase given the anticipated increase in the demand for
22 power, the present crucial need to maintain, repair, replace and increase the capacity of the
23 infrastructure of the transmission and distribution systems.
24

25 My purpose is to bring to light two main factors related to the safety and reliability of the
26 Ameren/MO electric system. The main factors are an aged infrastructure and an aged workforce.
27

28 The age of Ameren's infrastructure makes it necessary to replace equipment, wires and cable
29 which has out lived its anticipated life. The system is, in many cases, carrying loads which
30 exceed 100% capacity. The facts of an aged infrastructure, coupled with the ever growing
31 responsibility to improve the electric grid with new "smart grid" technology overloads the
32 system and makes brown-outs more likely (although fortunately this has not yet occurred. The
33 generation of electricity carries with it the need to replace present out dated generation power
34 plants, as well as meet the strict environmental mandates for the present and future generation
35 plants, whether this is to include fossil fuel, hydro, nuclear or alternative sources of generation.
36

1 As to the aging workforce, it should be undisputed that Ameren's workforce is typical of
2 electrical utilities across this nation. (See Union Ex. 1¹ at pp. 13 and 61, Union Ex. 2² and Union
3 Ex. 3. The Missouri Workforce Investment Board is one of the organizations reflected in U. Ex.
4 1 at p. 61; it has received \$6 million under the American Recovery and Reinvestment Act for
5 energy sector programs.) The electric utility business one of the most capital-intensive
6 businesses, because it requires a huge initial capital investment and constant expensive upgrades.
7 Correspondingly, its workforce, in most cases, requires lengthy, intense training followed by on-
8 the-job training, continuing advanced training on new technologies and methods, and experience
9 to become safe, proficient and professional in these jobs. The aging of the industry's workforce
10 and of the Ameren workforce is supported by the Local 1439 Exhibits 1-4.

11
12 The electric utility industry is one which requires well-trained workers. Training programs have
13 proven to be beneficial. Ameren and its internal workforce have provided a safe and reliable
14 system with some of the lowest rates in the country for over 100 years. The need to consider the
15 training necessary to meet the needs of the new technology was touched upon in the last rate
16 case and must continue to be addressed by the Commission in this and future rate cases. The
17 'baby boomer' crisis is a reality and must also be considered. The method of waiting for an
18 employee of the utility to retire before hiring an untrained replacement is irresponsible and
19 lacking in foresight. We must take advantage of the opportunity to transfer knowledge and
20 experience from senior personnel to junior personnel.

21
22 The confirmed position of the National Commission on Energy Policy's Task Force on America's
23 Future Energy Jobs clearly identifies the obvious need and demand for training now for the utility
24 workforce of tomorrow. See Union Exhibit 1, supra. See also U. Exs. 2-3.

25
26 As supported by the union's exhibits, as well as by our International Office, the demand for
27 trained utility workers in the next five years is alarming. For example, a Relay Technician
28 requires a 2-year Associate's Degree prior to entering the utility training program, which lasts for
29 three years, followed by approximately five years of on-the-job experience before reaching the
30 level of proficiency and confidence. This is a 10-year commitment. The shortest time
31 commitment for IBEW-represented electrical employees is the 5-8 year commitment for
32 Lineman: the Lineman Apprentice program is thirty months and then requires three to five
33 years of on-the-job training and experience. A utility Fleet Mechanic requires prior vocational
34 school, prior experience to qualify for the training program and then a four year company-
35 sponsored training program to reach the top level of the craft. There are numerous classifications
36 required to provide a safe and reliable electric service to the customers.

¹ U. Ex. 1 is the Fall 2009 report of the National Commission on Energy Policy's Task Force on America's Future Energy Jobs. The Task Force consists of industry leaders, including but not limited to, representatives of John Hopkins University School of Engineering, Edison Mission Group, IBEW Utility Department, and American Electric Power.

² U. Ex. 2 is the 2008 CEWD Survey Results, entitled the "Gaps in the Energy Workforce Pipeline." CEWD is the acronym for the well-respected Center for Energy Workforce Development, which members include the Edison Electric Institute and the National Rural Electric Cooperative Association.

1
2 To summarize, the purpose of my testimony is to provide a view of the electric utility's business
3 from the perspective of the union and its workforce. We cannot overemphasize the need for the
4 Missouri Public Service Commission to continue to set mandates or policy which will address
5 the need for the utility company to invest in the system and the workforce.
6

7 **Why is a properly staffed internal workforce efficient?**
8

9 Ameren has a permanent direct workforce of union and non-union labor and supervisory staff
10 that I am calling its "internal workforce." I use the term "internal workforce" in this testimony
11 generically to refer to the job classifications related to the transmission and distribution system,
12 including Linemen, Technicians, Meter Installers, Substation Mechanics, all support groups and
13 Underground Workers, just to name a few. (See Union Exhibit 5) Until approximately 1992, at
14 which time IBEW Local 1439 represented approximately 1600 members, the internal workforce
15 was historically responsible for performing the normal and sustained workload of the company,
16 i.e.: the usual, expected work involved with the generation and distribution of power.
17

18 Ameren also hires "outside contractors" that provide their own labor and supervisory staff.
19 Outside contractors are used by Ameren in two distinct situations. First, Ameren has historically
20 used outside contractors for major power plant projects, seasonal work, during extreme power
21 outages and weather conditions that present time-sensitive emergency conditions, when its
22 internal workforce is otherwise overloaded, or when the work requires specialized training or
23 equipment beyond what is available with the internal workforce. My testimony today does not
24 pertain to this use of outside contractors.
25

26 Today's understaffing of the internal workforce is a result of Ameren's senior management's
27 decision in the late 1990's to refrain from training an internal workforce in most areas of the
28 business. This decision was concurrent with the direction to down-size the workforce. As a
29 result, the internal workforce is approximately 45 % less than it was in the early 1990's, despite
30 increased demand for electricity. We acknowledge that the performance of the normal and
31 sustained workload of Ameren now requires fewer employees than it did twenty years ago.
32 Nevertheless, the internal workforce is currently inadequate in numbers to keep up with the
33 current normal and sustained workload of Ameren and with anticipated attrition.
34

35 To some extent, management's philosophy about downsizing has been modified since
36 approximately 2006, with an interest in increasing staffing levels in certain areas of the utility,
37 such as new high-tech jobs. In addition, in past testimony we have used the example of overhead
38 linemen training. Ameren temporarily boosted its overhead linemen apprenticeship program, but
39 then reduced it again in the last year with no new class in 2010. It remains the union's position
40 that the staffing levels of the internal workforce in general are significantly deficient. By this I
41 mean that the internal workforce numbers are approximately 20% less than necessary in most
42 areas. The standards set out by Ameren to its internal workforce far exceeds that of any other
43 entity or workforce. (See Union Ex. 6 (a)-(c), Ameren's data request responses to union requests
44 9, 13 and 14) The internal workforce is one which takes great pride in their work performed for
45 the employer, Ameren/MO. This is a workforce, which in many cases, is also a stockholder.

1 This gives the workforce a unique incentive to provide proficient, efficient and safe service.
2 When the internal workforce touches the customers in the field, everyone wins.

3
4 At no time, to the union's knowledge, has the company been required by the PSC to support any
5 claim that a direction to simply outsource is most beneficial to the customers. In some cases,
6 outsourcing may simply be the easiest way to get the job done regardless of quality or cost,
7 because Ameren management has failed to adequately project changing workforce needs and
8 hire and train the necessary personnel.

9
10 However, if subcontracting is to be done effectively and with quality, it requires oversight by
11 Ameren's management. Effective subcontracting requires a separate entity from Ameren to not
12 only monitor, but evaluate, contracts and the like, creating additional layers of management. The
13 most basic of all comparisons is the profit margin included in all work performed by an outside
14 entity of the company. Based on these concerns and many other reasons, the internal workforce
15 is the best value for the rate payer's money.

16
17 The internal workforce is specifically trained and tailored to work on the Ameren system. It is
18 continually evaluated, trained and tested to meet the high standards required by Ameren and is
19 expected to also meet the expectations as set out by the IBEW and the Local Union Office.
20 Moreover, the internal workforce is the most readily available workforce to respond to
21 emergencies and immediate customer needs.

22
23 Unfortunately, Local 1439 does not have exhibits to fully support this claim that an internal
24 workforce is most efficient and the best value for the rate payers and customers. The Unions
25 have made numerous requests for expenditures and comparisons related to outsourcing, which
26 have been continuously denied. Again, the Union can only provide the views, opinions and
27 perspectives from our vantage point, as we have been partners with Ameren by virtue of
28 collective bargaining since 1945.

29
30 **Do you have any recommendations for the Commission?**

31
32 In the last year, Ameren has decreased its training program for Overhead Linemen. There is no
33 guarantee that Ameren will return to the training program, although that is certainly necessary.
34 As can be seen through comparing U. Ex. 4 and U. Ex. 8 (Ameren response to Union Data
35 Request 3), the average age for Overhead Repairmen (the lead position within the Overhead
36 Linemen classification) is 52, and the average age of retirement for the position is 59 ½.
37 Fortunately, the outside Overhead Linemen who work for contractors are IBEW-trained and
38 qualified members of IBEW Local 2. We recommend that the Commission invest revenue in the
39 immediate restarting of the Overhead Linemen training program, requiring Ameren to induct a
40 class of at least 14 apprentices in 2011.

41
42 Moreover, outside contractors are not well-trained and qualified in other areas where they are
43 being used extensively by Ameren. Some of the outside contractors (such as inspectors and
44 underground workers) are not trained by IBEW or Ameren. Many are not certified by any type
45 of organization related to skill level, training requirements, the US Department of Labor or by
46 the Occupational Safety and Health Administration. This lack of training and certification has a

1 serious effect on the integrity of the service to the customer. Loyal, well-trained Ameren
2 employees are a benefit to the customers, as well as to the company. Accordingly, we
3 recommend that the Commission invest revenue in the establishment of an internal workforce to
4 perform inspections and underground employees. Ameren could then continuously monitor the
5 effectiveness and efficiency of the Commission-mandated inspections in a way that they cannot
6 do when inspections are performed by contractors. This would simultaneously provide effective
7 entry-level training for employees interested in careers in the utility industry.

8
9 The decrease in available skilled utility workers has also required both contractor employees and,
10 in some cases, the internal workforce, to work abnormal and, at times, unreasonable amounts of
11 overtime. Of course, overtime receives premium pay, so it is not an efficient way to accomplish
12 the work. I recognize that in a storm restoration mode there is no alternative. A reasonable
13 amount of overtime is understood and inherent in the utility business. However, we must look at
14 how the customer is affected when a utility is understaffed in critical areas, causing employees to
15 work excessive hours of overtime, performing hazardous work on an aging infrastructure. As we
16 experience increasing attrition, this issue will become more serious. We therefore recommend
17 that the amount of non-seasonal overtime be reviewed and the internal workforce increased by an
18 amount commensurate with the employment needs it reflects. For example, Ameren should hire
19 a permanent employee for every 2080 hours of non-seasonal overtime worked by a contractor or
20 employee in a classification.

21
22 As I stated at the onset, we believe that a rate increase for Ameren is necessary and appropriate.
23 We believe that Ameren's preparation to address the present and future work dilemma should be
24 considered in this rate case. We also feel, however, that Ameren should be required to expend a
25 portion of the anticipated rate increase in a manner that will insure long-term efficiency and
26 quality of service.

27
28 In addition, we ask the Commission to require Ameren to expend a substantial portion of the rate
29 increase on investing and re-investing in its regular employee base: hiring, training and utilizing
30 its internal workforce to maintain its normal and sustained workload. A philosophy of
31 investment in its internal workforce and infrastructure is the historical underpinning that has
32 allowed Ameren to offer safe, reliable service at one of the lowest rates in the nation to this
33 point. Future attainment of this goal and of long-term quality requires a continuation to that
34 philosophy. As an additional benefit, a renewed commitment to the internal workforce will
35 insure, as set out in previous rate cases, that the rate payers' monies that is attributed to
36 employment will largely remain in Missouri and within the Ameren service territories. Any
37 revenue investment in recruiting, hiring or training the workforce should come with a
38 requirement that Ameren expend the money within a specific amount of time and report to the
39 PSC quarterly on the expenditure of the money. This report should reflect the number of
40 supervisory and non-supervisory person affected, as well as the statehood of all new hires. I
41 further recommend a separate "tracker" to monitor continued recruiting and training of a
42 workforce for the future. This utility, Ameren/MO, has the opportunity to fill good jobs and
43 create more permanent positions for the State of Missouri.

44
45 I ask that the Commission take a good look at the increased loads on equipment and wires, age
46 and life expectancy of the present infrastructure, as well as the average age of the present

1 workforce. Consider the technological improvements that are inevitable regarding the “smart
2 grid.” Consider the challenges we face in generating electricity. I ask that the Commission
3 realize that the addition of a third or fourth party to the base-load of normal and routine work and
4 expenses only increases costs in most cases, which gets passed on to the rate payers. There
5 should be a mechanism to guarantee that the customers’ investment goes back into the system as
6 allocated. Thus, I recommend that Ameren be mandated to provide the PSC with quarterly
7 reports on the expenditures allowed and considered in this rate case to replace the current
8 infrastructure. I further recommend that Ameren be mandated to provide the PSC with quarterly
9 reports or trackers reflecting the loads on equipment and wires and the optimal replacement of
10 aged cable, wires, poles and equipment.

11
12 I request that the Commission open a Rulemaking proceeding in order to continue to set out
13 guidelines and expectations, such as for the Overhead and Underground inspections and proper
14 tree trimming, as well as require that Ameren/MO re-invest in the rebuilding and improving their
15 present infrastructure. I request a special rate allocation as in previous cases, with consideration
16 for advanced technical training with expectations and firm guidelines as to the allocation of
17 money to train in specific areas. I ask that the Commission demand that all jobs, internal or
18 outsourced, be filled first within the Ameren/UE service territory, second in the State of
19 Missouri, and third, never be offshore.

20
21 Lastly, I request that the Commission assist Ameren/MO and all the local unions on their
22 property in our efforts to continue to be industry leaders. We need a utility that can work with
23 the State of Missouri to attract business to our State because we will have the lowest rates, safest,
24 most reliable service, alternative sources of energy, and sound efficient programs with pro-active
25 advancements toward a highly technical “smart grid” system.

26
27 Local 1439 recognizes this Commission’s historic stewardship in serving as monitors of the
28 utility companies and the consumers, including the open-minded process of recognizing the
29 inevitable and obvious needs for the future. In this regard, I am attaching Union Ex. 7, a May
30 10, 2010 economic development plan commissioned by Ameren from an independent group,
31 Development Strategies. This plan concludes that an investment of \$.02 per customer per month
32 directed to Ameren’s infrastructure would generate 990 jobs in the State of Missouri.

33
34 In conclusion, it is the opinion of IBEW, Local 1439 that we are privileged in Missouri to have a
35 regulated system under the guidance of our Public Service Commission. We have and should
36 continue to have one of the safest, most reliable and affordable electric service systems in our
37 Nation. All of this good fortune can be continued and still assist in what could prove to be one
38 of the most significant factors in the economic recovery of our State of Missouri.

39
40 Prior to the hearing in this matter, I intend to prepare a specific proposal that fleshes out these
41 recommendations and share that proposal with all the parties and the Commission.

42
43 **Does that conclude your testimony?**

44
45 Yes.