

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company)
 d/b/a AmerenUE for Authority to File)
 Tariffs Increasing Rates for Electric)
 Service Provided to Customers in the)
 Company's Missouri Service Area.)

Case No. ER-2008-0318, et al.

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 6 pages of Direct Testimony 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 Walter

 Michael Walter

Subscribed and sworn to before me this 28th day of AUGUST, 2008.

Melanie E. Wilhelm

 Notary Public

My commission expires 2/28/2011 _____



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

DIRECT TESTIMONY

OF

MICHAEL WALTER

SUBMITTED ON BEHALF OF IBEW LOCAL 1439 and ALL AMEREN UNIONS

AMEREN

CASE NO. ER-2008-0318, et al.

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

2 **A.** My name is Michael Walter. I am the Business Manager of International
3 Brotherhood of Electrical Workers Local 1439, AFL-CIO ("IBEW 1439"). My
4 union represents 833 workers at Ameren.

5 **Q. Please describe your history with Ameren and IBEW 1439.**

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

10 **Q. On whose behalf are you presenting this testimony?**

11 **A.** I am testifying on behalf of IBEW 1439 and all Ameren local unions. The other
12 unions at Ameren consist of International Brotherhood of Electrical Workers
13 Locals 2, 309, 649, 702 and 1455, AFL-CIO and International Union of Operating
14 Engineers Local 148, AFL-CIO.

15 **Q. What is the purpose of this testimony?**

16 **A.** I generally support Ameren's petition for a rate increase given the increasing
17 demands for power and the investment in infrastructure that will be necessary to

1 meet that demand. However, I am testifying due to my concerns that Ameren be
2 required to use the rate payer's money in the most cost-efficient manner and
3 obtain the greatest quality possible for the money. I have substantial reason to
4 believe that neither of these goals are currently being met because of Ameren's
5 recent heavy reliance on an outside contractor workforce to perform its normal
6 and sustained work.

7 **Q. How does Ameren's reliance on an outside contractor workforce lead to**
8 **inefficiency?**

9 **A.** Ameren has a permanent direct workforce of union and non-union labor and
10 supervisory staff that I am calling its "internal workforce." Until approximately
11 1992, at which time IBEW 1439 represented approximately 1600 members¹, the
12 internal workforce was historically responsible for performing the normal and
13 sustained workload of the company, i.e., the usual, expected work involved with
14 the generation and distribution of power. I use the term "linemen" in this
15 testimony generically to refer to the job classifications related to the transmission
16 and distribution system, including linemen and underground workers.

17 Ameren also hires "outside contractors," companies that provide their own labor
18 and supervisory staff. Outside contractors are used by Ameren in two distinct
19 situations. First, Ameren has historically used outside contractors for seasonal
20 work, during extreme power outages and weather conditions that present time-
21 sensitive emergency conditions, when its internal workforce is otherwise
22 overloaded, or when the work requires specialized training or equipment beyond

¹ This includes a small percentage of members who are employed outside of Ameren.

1 what is available with the internal workforce. My testimony today does not
2 pertain to this use of outside contractors.

3 Second, Ameren has been replacing its internal workforce with permanent outside
4 contractors who are assuming permanent responsibility for performing the normal
5 and sustained workload of the company. As a result of its understaffing of its
6 internal workforce, Ameren is having to turn to outside contractors for help for
7 even normal storms, which are a routine part of life in the Mid-West region of the
8 United States. This use of outside contractors in many cases is viewed by the
9 unions as inefficient and destined to lead to even greater inefficiencies. One
10 reason the use of outside contractors for normal work is inefficient is because
11 both the supervisory staff and the labor are less familiar with the equipment and
12 processes of Ameren's system than Ameren's internal workforce, who have
13 trained at length on Ameren's system, undergone testing tailored to the system
14 and work on the system on a daily basis. In addition, when Ameren has to call in
15 outside contractors for normal storm maintenance, it is paying a premium for
16 calling them in on short notice, and it may also incur travel and housing expenses
17 for their help. Moreover, the contractors are building *their* own profit margin
18 into the rates they charge Ameren. This therefore reduces Ameren's profit
19 margin.

20 The use of outside contractors — by Ameren and other power companies
21 — to perform the normal and sustained workload of a power company will lead to
22 greater inefficiencies because it is increasingly causing a nationwide shortage of
23 skilled labor in the field. Like other power companies, Ameren is currently

1 drawing on contractors from throughout the country to satisfy its demand for
2 additional workers. This has caused Ameren and other power companies for
3 several years to spend fewer resources recruiting and training employees and has
4 even led to a shortage throughout the industry as recognized by employment
5 recruiters, state and federal agencies. The result is that there is a documented
6 decrease in the number of qualified employees in the field. It appears that
7 Ameren has recently recognized its shortages and needs. There has been some
8 indication of this through recent initiatives to increase hiring and training.
9 However, there must be increased efforts in these areas for many years to come.

10 At the same time, the demands for power have indisputably never been
11 higher and are expected to climb in the next decades. The increasing demand is
12 the result of the power needs of the customers created by technology that has
13 become indispensable, both in the home and in the workforce, such as desktop
14 computers, the internet, cell phones and cable television. This shortage in the
15 number of trained employees throughout the industry at a time of increasing
16 demand for their services will increase the charges contractors can demand to
17 perform this work, thereby making it more and more inefficient for power
18 companies to service the customer.

19 **Q. How does Ameren's reliance on an outside contractor workforce create a**
20 **quality issue?**

21 **A.** Ameren's work involves volatile and sensitive power generation and distribution
22 of electricity. It is therefore critical that the personnel involved in the work be
23 highly skilled. For example, Ameren directly and indirectly employs a large

1 number of linemen, men and women who string, repair and replace the overhead
2 power lines that connect the power plants to the end user and maintain highly
3 technical equipment to avert massive power outages, like those that occurred in
4 the Northeast of the United States. This is sustained, year-long work — part of
5 the normal and sustained workload of Ameren. Ameren's internal workforce of
6 Missouri linemen who are members of IBEW 1439, including apprentices,
7 currently consists of 270 persons. In 1995, Ameren employed 214 members of
8 IBEW 1439 as journeyman linemen, 15 members of IBEW 1439 as apprentice
9 linemen and 20 members of IBEW 1439 as underground mechanics, a
10 classification which Ameren merged into the lineman classification, to perform a
11 less demanding workload than is in existence now. There is substantially more
12 power line strung by Ameren in Missouri now than sixteen years ago.

13 Ameren has created this deficiency in linemen and related classifications
14 through lack of training for many years, thereby requiring it to replace its internal
15 workers with outside contractors. Fortunately, most of these outside overhead
16 linemen contractors are IBEW-trained members of IBEW Local 2. That is not the
17 case in all areas. Some of the outside contractor linemen and underground
18 workers are not trained by IBEW or Ameren. Some are not certified by any type
19 of organization related to any skill level or training, or by the Occupational Safety
20 and Health Administration. This lack of training and certification has a serious
21 effect on the integrity of the service to the customer. Moreover, even highly-
22 trained linemen who are not directly employed by Ameren are going to take less

1 care and concern with aging equipment and customer idiosyncrasies than a direct
2 employee of Ameren.

3 The decrease in available skilled utility workers has also required both
4 contractor employees and, in some cases, the internal workforce, to work
5 abnormal and, at times, unreasonable amounts of overtime. Of course, overtime
6 receives premium pay, so it is not an efficient way to accomplish the work.

7 **Q. Do you have any recommendations to this Commission?**

8 **A.** Yes. As I stated at the onset, we believe that a rate increase for Ameren is
9 necessary and appropriate. We believe that Ameren's preparation to address the
10 present and future work force dilemma should be considered in this rate case. We
11 also feel, however, that Ameren should be required to expend that rate increase in
12 a manner that will insure long-term efficiency and quality of service. To
13 accomplish that end, we ask the Commission to require Ameren to expend a
14 substantial portion of the rate increase on investing in its employee infrastructure:
15 hiring, training and utilizing its internal workforce to maintain its normal and
16 sustained workload. A philosophy of investment in its internal workforce is the
17 historical underpinning that has allowed Ameren to offer the lowest rates in the
18 nation to this point. Future attainment of this goal and of long-term quality
19 require a return to that philosophy. As an additional benefit, a renewed
20 commitment to the internal workforce will insure that the portion of the rate
21 payers' monies that is attributable to employment will largely remain in Missouri
22 and within the Ameren service territories (and, for the Ameren operations in other
23 states, in those states).

1 | **Q. Does that conclude your testimony?**

2 | **A. Yes.**