

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

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariff to Increase) Case No. ER-2014-0258
its Revenues for Electric Service.)

IBEW 1439's POST-HEARING BRIEF

Comes now International Brotherhood of Electrical Workers Local Union 1439 (IBEW 1439), through counsel, and respectfully submits its Post-Hearing Brief in the above referenced case.

ISSUES

IBEW 1439 is in support of Ameren Missouri's proposed rate increase but raises the following issues:

- A. *Can the Commission mandate or require that the Company address its workforce needs and physical infrastructure needs in a particular manner and, if so, should it do so?*

- B. *Should the Commission require the additional reporting requested by Mr. Walter, specifically quarterly reports on expenditures to replace physical infrastructure, reflecting the loads on equipment and wires and the optimal replacement of aged cable, wires, poles and equipment?*

DISCUSSION

As observed by Staff attorney Kevin Thompson at the hearing on February 26, 2015, the Commission has the authority and responsibility to evaluate whether Ameren Missouri is likely to provide safe and adequate service and to impose conditions that will insure safe and adequate service.

As discussed at the hearing on February 26, 2015, IBEW 1439 supports granting Ameren Missouri the requested rate increase, but has concerns that certain revenue additions,

restrictions and reporting requirements are necessary to insure that Ameren Missouri uses the additional revenue productively to insure long-term efficiency and quality of service.

A. The Authority of the Commission.

1. The Authority of the Commission to Allocate Resources to Specific Workforce and Physical Infrastructure Needs.

The Commission has broad authority to direct money for hiring, training and general re-investment in the internal workforce under its statutory mandate to oversee and require safe and adequate service of the utility. As indicated by the testimony of Mr. Walter, failure to substantially reinvest in the internal workforce will adversely impact the safety and quality of service to the consumers. Currently, the Company has a shortage of the highly trained and skilled workforce necessary to maintain the aging infrastructure, and because the workforce is aging, that shortage is highly likely to get worse if the Commission does not take comprehensive action now. While immediate customer issues are being dealt with admirably, this workforce shortage may result in maintenance projects that cannot be ignored. *See* Ex. 28, p. 15, ll. 17-22; Ex. 800, p. 4, ll. 14-17, 21-23; *see also*, Ex. 800, p. 5, ll. 6-10. The operation of a power company requires not one, but numerous classifications of employees which must have many years of classroom and on-the-job training. *See* Ex. 800 at p. 3, ll. 22-27, p. 6, ll. 15-24. These needs can best be met by an internal workforce that is specifically trained and tailored for Ameren Missouri's equipment, consumers and needs, and that is closely and continually evaluated directly by the Company. *See* Ex. 800 at p. 7, l. 25-p. 8, l. 10.

This is not the first time that IBEW 1439 and/or all of the unions representing employees at Ameren Missouri (the Ameren Unions) jointly have requested the Commission allocate additional funds in a rate case to address a specific workforce need. IBEW 1439 has requested a *special* allocation to address the aging workforce needs referred to above. As in the

past, since this is a special allocation rather than a standard aspect of the rate request, the Commission is entitled to place on it any restrictions it deems prudent or necessary.

The Commission has specially allocated such funds in the past, earmarked for a specific workforce need. There is nothing extraordinary about IBEW 1439's request this time, except that its scope is more comprehensive because the issue of the aging workforce has become so critical.

The issue of whether to require the Company to invest in its physical infrastructure is also directly linked to the Commission's authority to require safe and adequate service by a utility.¹ "Electrical utilities are one of the most capital-intensive businesses, because they require a huge initial capital investment and constant expensive upgrades." Walter Testimony at p. 3, ll. 21-22. The current system has 40-50 year old substations and much of the underground is more than 100 years old. *See* Walter testimony at p. 4, ll. 5-6. Continued failure to replace aging equipment both in power generation and in power distribution systems will result in Ameren Missouri being unable to meet the power needs of the consumer in an efficient and cost-prudent manner, and possibly failure to meet mandated environmental regulations, which constitutes inadequate service. *See* Ex. 28 testimony, p. 16, ll. 8-10; Ex. 800 at p. 8, ll. 15-24.

2. The Authority of the Commission to Require Additional Reporting

Ameren Missouri questions the authority of the Commission to require quarterly reporting requested by IBEW 1439. Ameren Missouri's position in this regard seems particularly disingenuous given the fact that the PSC has repeatedly required Ameren Missouri

¹ The related issue of whether the Commission can authorize money to pay for it can be addressed in two manners: either by issuing a pool of money that can be tapped as a reimbursement immediately after Ameren Missouri makes a capital expenditure or through an Infrastructure System Replacement Surcharge (ISRS), such as the Commission authorizes for other Missouri public utilities.

and other utilities to submit to trackers for a variety of different reasons, such as vegetation management and infrastructure inspections. The history of this practice indicates that the PSC has inherent authority to require reporting whenever such reporting has the possibility of gathering information that reflects on any aspect of safe and adequate service. In the instant case, each report proposed by IBEW 1439 directly provides information that would be useful to determining the safety and adequacy of Ameren Missouri's service.

Specifically, IBEW 1439 has requested quarterly reporting on expenditures to replace infrastructure, the loads on the energy delivery distribution system, and the optimal replacement for the aging distribution system. This information is requested for the Commission's use to determine a special annual allocation to Ameren Missouri to cover those costs, so that Ameren Missouri has the capital to make the necessary investments now, rather than having to put off necessary or desirable purchases until just prior to the next rate case. The reporting also may reveal safety glitches in the delivery system, resulting in a recommendation by the Commission for specific infrastructure replacements.

B. Whether the Commission Should Order the Relief Requested by IBEW 1439.

Staff attorney Kevin Thompson conceded at the hearing on February 26, 2015 that Staff is concerned with Ameren Missouri's reduced expenditures on maintenance and how that will impact its ability to continue to provide safe and reliable service. The comprehensive workforce and physical infrastructure relief IBEW 1439 is requesting is a reasonable means of addressing Staff's valid concerns. This relief is in the ultimate best interests of the rate payers, because it will ensure uninterrupted, high quality power service for decades to come.

1. Internal Staffing to Support Ameren Missouri's Normal and Sustained Workload.

As conceded by Ameren Missouri's CEO Michael Moehn, as well as by Ameren Sr. Vice President of Operations and Technical Services David Wakeman in his live testimony at the hearing, Ameren Missouri's internal workforce is a critical element to its ability to provide safe and reliable service. *See* Ex. 28 pp. 9, line 22- p. 10, line 1.

There is also a prudent place for outside contractors in a utility company, such as for seasonal storm work that requires a short-term influx of a large volume of personnel. Ex. 800, p. 7, n. 6. However, those principles do not apply to the predictable normal and sustained workload of a utility company, which is the area of focus by IBEW 1439. As previously noted, this workforce spends 100% of its time training on and maintaining the unique Ameren Missouri energy distribution system, so its members are the experts on the normal and sustained workload relating to this equipment. Mr. Walter testified at the hearing that Ameren's own studies show the internal workforce is substantially more efficient than the subcontractor workforce on similar projects. In addition, as Mr. Walter pointed out several times at the hearing, the members of the internal workforce are figuratively and literally stakeholders in Ameren Missouri.

Mr. Walter directed his testimony primarily to the anticipated substantial loss of highly experienced members of the internal workforce to retirement and their replacement by extremely junior personnel who have not had the opportunity to benefit from a transfer of experience by working alongside such senior personnel. Mr. Walter's concern is supported by the IBEW 1439 internal review and survey of its members at Ameren Missouri, which were attached as Schedules 1-3 of his testimony (Ex. 800). These documents show that 35% of the internal workforce represented by IBEW 1439 will be retiring from Ameren Missouri within the next five years. Indeed, several classifications will lose the majority of their current workforce from these retirements, including Distribution Services, Franklin District, Substations, Telecommunications

and Underground. Ex. 800, p. 4, l. 28-p. 5, l. 3; Schedule 1. Mr. Walter testified at the hearing that this number may now be up to 37% retiring within five years.

Mr. Walter's concern is further supported by the Center for Energy Workforce Development (CEWD) report, "Gaps in the Energy Workforce Pipeline 2013 Survey Results" that was Schedule 4 to his written testimony. CEWD is a non-profit consortium of utilities and associations formed to develop solutions for an anticipated workforce shortage. See Schedule 4, p. 4; Ex. 800, p. 6, ll. 28-30. CEWD predicts national workforce retirements *now* in the range of 9.9%, as well as 15% over five years and almost 55% over ten years. Ex. 800, p. 6, l. 31-p. 7, l. 5; Schedule 4 at 2-3. Clearly, the self-reporting of Ameren workers indicates much higher predicted retirements than nationwide. Ex. 800 p. 7 at ll. 5-7.

Finally, Mr. Walter's concern that the current and future workforce can no longer complete the normal sustained workload without substantial hiring and training is supported by Ex. 801, a summary of the subcontracted hours from 2012-2014 in a subsection of distribution and transmission that employs the IBEW 1439-represented internal workforce. The summary is based on semi-annual reports on subcontracting that the Union receives from Ameren's Labor Relations department. That summary shows subcontracting in six major categories of work. In two of those categories, directional boring and soft dig, Ameren only employs subcontractors.

Mr. Walter's testimony concerning Ex. 801 was undisputed. During his testimony, Mr. Walters supplemented Ex. 801 by adding that in 2014 there were 58,777 hours worked by subcontractors in the transmission category. This further means that the total subcontracted hours for the three years increased to 1,018,911, and the average for those years increased to 339,639 hours. 339,637 manhours per year equates to 163 full time employees (FTE). Moreover, Ameren worked subcontractors 483,278 hours in 2014, which equates to 225 FTE.

This compares to 128,921 subcontractor hours in 2012, or 62 FTE. In other words, if 2012 is the baseline for subcontractor hours, Ameren added the equivalent of 163 FTE in subcontractor time in 2014 over 2012. Mr. Walter testified that the portion of the internal workforce currently performing the same categories of distribution and transmission work is 243 FTE. In other words, Ameren is utilizing virtually the same amount of subcontractor time on distribution and transmission as it employs through its internal workforce. This amount of subcontractor time clearly reflects that the normal sustained workload in distribution and transmission is now requiring significant employment of subcontractors. As previously noted, Ameren's own reporting has shown that the internal workforce is more efficient than subcontractors, which is not surprising since the internal workforce has trained and worked entirely on the Ameren system.

Analysis of Ex. 801 also shows the reasonableness of IBEW 1439's proposal that the Commission support the hiring and training of 37 FTE/year for three years. This proposal would result in an increase of 111 FTE, which will then be offset by expected retirements. It is a drop in the bucket to the 225 FTE-equivalent subcontractor hours Ameren purchased in 2014 and the 195.5 FTE-equivalent subcontractor hours Ameren purchased in 2013.

2 The Company's Physical Infrastructure.

As addressed through the written testimony of Mr. Walter through his questioning at the hearing, increasing funds is necessary to improve Ameren's physical infrastructure in general, especially replacing old and overloaded equipment.

Mr. Walter testified that Ameren is operating a seriously aging system which needs to be replaced. This is reflected by recent testing and inspection mandated by the PSC, FERC and other agencies, as well as by the backlog of regular maintenance work. It is accentuated by the

strain placed on outdated equipment by the demands of smart grid technology. In many cases, the system is also being used at, near or over capacity, placing additional strain and maintenance needs on it. Ex. 800, p. 4, ll. 6-12, p. 8, ll. 15-23. CEO Moehn agrees that Ameren Missouri has an unprecedented need for capital investment. *See* Ex. 28, p. 13, ll. 17-18.

CONCLUSION

IBEW 1439 supports Ameren Missouri's requested rate increase, because Ameren Missouri needs additional revenue to maintain existing services in light of rising costs generally. Mr. Walter noted Ameren Missouri is currently in a dilemma of needing to make large capital investments in equipment that will not be reimbursed for years and making large long-term investments in hiring and training necessary staff. Ex. 800, p. 4, ll. 15-17, p. 8, ll. 23-24. This dilemma can be answered by the Commission in a manner that will ensure Ameren Missouri no longer has to choose between two necessary components with the result that neither get the attention they deserve, as follows:

1. Requiring Ameren Missouri to hire into Distribution and Transmission and train 37 non-management FTE per year for three years, and supplementing the rate findings with a special allocation equivalent to the additional revenue necessary to accomplish this goal, which the Union believes is a total of \$11,100,000.00². Mr. Wakeman's in-hearing estimate of the cost per year was approximately the same. Ameren Missouri should be required to report to the Commission and the parties how it spends this special allocation.

² Some confusion was caused by a typographic error in Mr. Walter's pre-filed testimony, Ex. 800, which erroneously indicated the \$11,100,000 figure would be necessary each year, rather than in total.

2. Requiring Ameren Missouri to report quarterly to the Commission on expenditures for repairs and purchases of infrastructures, loads on equipment and wires, optimal replacement of aged cable, wire, poles and equipment.

3. Based on the above reporting, issuing an additional annual special allocation reimbursing Ameren Missouri for these infrastructure improvements. Also based on the above reporting, the Commission may deem it necessary or desirable to require Ameren Missouri to make further infrastructure improvements, and the Commission could set up a funding source to assist in more quickly reimbursing Ameren Missouri for these expenditures.

Based on Ameren Missouri's positions about union suggestions in past rate cases, IBEW 1439 anticipates that Ameren Missouri will attempt to discredit IBEW 1439 in the instant case by asserting that Mr. Walter's testimony is solely in the self-interest of the union. Mr. Walter was candid in testifying that he is not attempting to regain the membership numbers he had ten years ago, and that those numbers of employees are no longer needed. Mr. Walter also spent considerable time and resources advocating for improvements to physical infrastructure. Not only would those improvements gain nothing for his members, they would actually *decrease* the number of employees necessary to keep up with the normal and sustained workload. As Mr. Walter testified at Ex. 800, p. 4, ll. 10-15, more employee time is needed to maintain and repair old, dilapidated equipment than new equipment. It is clear, then, that Mr. Walter's testimony cannot be discredited on these grounds.

Respectfully submitted,

/s/ Sherrie A. Hall

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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing was served on March 31, 2015, by United States mail, hand-deliver, email, or facsimile upon all parties by their attorneys of record as disclosed by the pleadings and orders herein.

/s/ Sherrie Hall