


**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) Case No. ER-2010-0036
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 Walter

Subscribed and sworn to before me this 11 day of Feb., 2010.



Notary Public

My commission expires _____



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-2010-0036, 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 855 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 Local 1439. The other unions at Ameren
12 consist of International Brotherhood of Electrical Workers Locals 2, 309, 649,
13 702 and 1455, AFL-CIO and International Union of Operating Engineers Local
14 148, 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 safest, most reliable service for the customer. This objective includes
4 continuation of the lowest rates in the country. I have substantial reason for
5 concern because of their past and present need for increased staffing levels in
6 several areas of their service territory. The electric utility industry is one which
7 requires well-trained workers. Automation, which will improve the reliability,
8 must be installed and maintained by qualified workers. The electric utility system
9 will require an increase in training to continue to keep up with technological
10 advancements. This responsibility falls on an industry which is already suffering
11 from a lack of trained employees. The prediction from the IBEW International
12 office as to the demand for trained workers needed in the utility industry in the
13 next five years is alarming. Ameren/UE is not insulated from these needs.

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

16 **A.** Ameren has a permanent direct workforce of union and non-union labor and
17 supervisory staff that I am calling its "internal workforce." Until approximately
18 1992, at which time IBEW 1439 represented approximately 1600 members¹, the
19 internal workforce was historically responsible for performing the normal and
20 sustained workload of the company, i.e., the usual, expected work involved with
21 the generation and distribution of power. I use the term "linemen" in this
22 testimony generically to refer to the job classifications related to the transmission

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

1 and distribution system, including linemen, technicians, meter installers,
2 substation mechanics and all support groups and underground workers, just to
3 name a few.

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

12 Second, Ameren has been replacing its internal workforce for many years
13 with permanent outside contractors who are assuming permanent responsibility
14 for performing the normal and sustained workload of the company. This includes
15 inspections of the overhead and underground systems. As a result of its
16 understaffing of its internal workforce, Ameren has to turn to outside contractors
17 for help for even typical storms, which are a routine part of life in the Mid-West
18 region of the United States. This use of outside contractors in many cases is
19 viewed by the unions as inefficient and destined to lead to even greater
20 inefficiencies. One reason the use of outside contractors for normal work is
21 inefficient is because both the supervisory staff and the labor are less familiar
22 with the equipment and processes of Ameren's system than Ameren's internal
23 workforce, who have trained at length on Ameren's system, undergone testing

1 tailored to the system and work on the system on a daily basis. There are no
2 qualifying standards for most contractor employees. In addition, when Ameren
3 has to call in outside contractors for normal storm maintenance, it is paying a
4 premium for calling them in on short notice, and it may also incur travel and
5 housing expenses for their help. Moreover, the contractors are building *their* own
6 profit margin into the rates they charge Ameren. This therefore reduces Ameren's
7 profit margin and creates additional costs to the rate payers.

8 The use of outside contractors — by Ameren and other power companies
9 — to perform the normal and sustained workload of a power company will lead to
10 greater inefficiencies because it is increasingly causing a nationwide shortage of
11 skilled labor in the field. Like other power companies, Ameren is currently
12 drawing on contractors from throughout the country to satisfy its demand for
13 additional workers. This has caused Ameren and other power companies for
14 several years to spend fewer resources recruiting and training employees and has
15 even led to a shortage throughout the industry as recognized by employment
16 recruiters, state and federal agencies. The result is that there is a documented
17 decrease in the number of qualified employees in the field. It appears that
18 Ameren has recently recognized its shortages and needs, as indicated by the
19 enhanced overhead apprentice program. There has also been some indication of
20 this through recent initiatives to increase hiring. However, there must be
21 increased efforts in these areas for many years to come. I believe hiring,
22 recruiting and filling of vacancies is generally forbidden at this time, or in an
23 informal freeze.

1 At the same time, the demands for power have indisputably never been
2 higher and are expected to climb in the next decade. This should include the need
3 for alternative sources of generation. The increasing demand is the result of the
4 power needs of the customers created by technology that has become
5 indispensable, both in the home and in the workforce, such as desktop computers,
6 the internet, cell phones, cable television and soon to be electric automobiles.
7 This shortage in the number of trained employees throughout the industry at a
8 time of increasing demand for their services will increase the charges contractors
9 can demand to perform this work, thereby making it more and more inefficient for
10 power companies to service the customer. Utility companies can find themselves
11 held hostage by contractors. This is not good for rate payers.

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

14 **A.** Ameren's work involves volatile and sensitive power generation and distribution
15 of electricity. It is therefore critical that the personnel involved in the work be
16 highly skilled. This has become more critical with the smart grid initiatives. For
17 example, Ameren directly and indirectly employs a large number of linemen, men
18 and women, who string, repair and replace the overhead power lines that connect
19 the power plants to the end user and maintain highly technical equipment to avert
20 massive power outages, like those that occurred in the Northeast of the United
21 States. This is sustained, year-long work — part of the normal and sustained
22 workload of Ameren. We must also consider the fact that Ameren/UE has a

1 seriously aging system which needs to be replaced. This must be considered if we
2 are to provide reliable service to the customer.

3 Ameren has created this deficiency in linemen and related classifications
4 through lack of training for many years, thereby requiring it to replace its internal
5 workers with outside contractors. It could be said by the company that it is easier
6 to simply call a contractor and put the responsibility off to a third party, but easy
7 is not the right thing for the consumer rates. In the last two years, Ameren has
8 increased its training program for overhead linemen. However, there is no
9 guarantee that it will continue the training program as is certainly necessary.
10 Fortunately, most of the outside overhead linemen contractors are IBEW-trained
11 and qualified members of IBEW Local 2. That is not the case in all areas. Some
12 of the outside contractor linemen, inspectors and underground workers are not
13 trained by IBEW or Ameren. Some are not certified by any type of organization
14 related to any skill level or training, the U.S. Department of Labor or by the
15 Occupational Safety and Health Administration. This lack of training and
16 certification has a serious effect on the integrity of the service to the customer.
17 Moreover, even highly-trained linemen who are not directly employed by Ameren
18 are going to take less care and concern with aging equipment and customer
19 idiosyncrasies than a direct employee of Ameren. Loyal Ameren employees are a
20 benefit to the customers, as well as to the company.

21 The decrease in available skilled utility workers has also required both
22 contractor employees and, in some cases, the internal workforce, to work
23 abnormal and, at times, unreasonable amounts of overtime. Of course, overtime

1 receives premium pay, so it is not always an efficient way to accomplish the
2 work. A reasonable amount of overtime is understood and inherent in the utility
3 business. However, we must look at how the customer is affected when a utility
4 is understaffed in critical areas, causing employees to work excessive hours of
5 overtime, performing hazardous work on an aging infrastructure.

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

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

1 I ask that the Commission take a good look at the age and life expectancy
2 of the present infrastructure, as well as the average age of the present workforce.
3 Consider the technological improvements that are inevitable regarding the "smart
4 grid." I ask that the Commission realize that the addition of a third or fourth party
5 to the baseload of normal and routine work and expenses only increases costs in
6 most cases, which gets passed on to the rate payers. I suggest that the
7 Commission consider rewarding good, prudent decisions to repair and rebuild
8 components and equipment internally, as well as recognize the importance of all
9 support groups (warehousing, fleet repair, etc), because the overall savings of
10 these functions can be reflected as savings to the business and in the overall rates
11 that the customer will pay.

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

20 Last, I request that the Commission assist Ameren/UE and all the local
21 unions on their property to become the industry leaders. We need a utility who
22 can work with the State of Missouri to attract business to our state because we
23 will have the lowest rates, safe, reliable service, alternative sources of energy, and

1 sound efficiency programs with proactive advancements toward a highly technical
2 “smart grid” system. This concept and objective may become the basis of our
3 state attracting other industries to Missouri, creating jobs and economic growth.

4 **Q. Does that conclude your testimony?**

5 **A. Yes.**