


**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.)

AFFIDAVIT OF MICHAEL WALTER

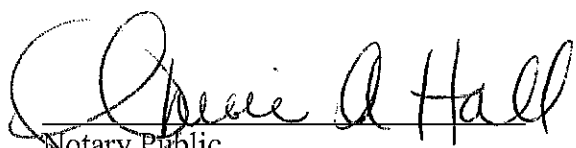
STATE OF MISSOURI)
) **ss**
COUNTY OF ST. LOUIS)

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 10 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 2nd day of December, 2014.



Notary Public

My commission expires _____



SHERRIE A. HALL
My Commission Expires-
February 27, 2016
St. Louis County
Commission #12308211

Direct Testimony of Michael Walter
Submitted on Behalf of IBEW Local 1439
Ameren
Case No. ER-2014-0258

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 703
5 members, all of whom work in Missouri 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 present crucial need to hire and train
22 replacements for the aging workforce and to maintain, repair, replace and increase the capacity
23 of the infrastructure of the transmission and distribution systems.

24

1 My purpose is to once again bring to light two main factors related to the safety and reliability of
2 the Ameren/MO electric system and obtain financing to address them. The main factors are
3 interrelated: an aged workforce and an aged infrastructure.

4
5 **Why do you believe your testimony matters?**

6
7 We are privileged in Missouri to have a regulated system under the guidance of our Public
8 Service Commission. Local 1439 recognizes this Commission's historic stewardship in serving
9 as monitors of Missouri utility companies and consumers. In past cases, the Commission has
10 open-mindedly considered evidence from both traditional sources and from non-traditional
11 sources like the unions that represent employees at Ameren. With the help of such non-
12 traditional evidence, the Commission has shown the foresight to recognize inevitable and
13 obvious needs for the future. For example, I believe the Commission is largely responsible for
14 recent improvements in Ameren's already strong reliability reflected in Moehn testimony, p. 7,
15 lines 7-10, by mandating tree trimming and inspections. I also commend the Commission for its
16 far-seeing special allocations for workforce training. I hope and believe the Commission will
17 open-mindedly consider such evidence again.

18
19 **Why do you believe Ameren needs specific financing to address the aging workforce?**

20
21 Electrical utilities are one of the most capital-intensive businesses, because they require a huge
22 initial capital investment and constant expensive upgrades. Correspondingly, in most cases the
23 workforce requires lengthy, intensive classroom training followed by on-the-job training, and
24 experience to become safe, proficient and professional in these jobs. Continuing advanced
25 training on new technologies and methods is especially true where, as here, new laws result in
26 the introduction of new, environmentally efficient equipment and corresponding increased
27 recordkeeping requirements.

28
29 I am proud to say that Ameren and its workforce have teamed up to provide Missouri customers
30 with consistently reliable and inexpensive power for decades. Currently, Ameren's rates are
31 20% below the national average and the lowest investor-owned rates in the State. *See* Moehn

1 testimony, p. 11, lines 8-12. Moreover, Ameren is well within the top 10% of power companies
2 in reliability. *See* Moehn testimony, p. 7, lines 8-10.

3
4 However, the age of Ameren's infrastructure makes it necessary to replace equipment, wires and
5 cable which have out-lived their anticipated life. The Ameren system has 40-50 year old
6 substations. Much of Ameren's underground system is more than 100 years old. The strains on
7 the system have been accentuated by the ever growing responsibility to improve the electric grid
8 with new "smart grid" technology that is capable of handling more environmentally responsible
9 sources of energy. Recently the PSC mandated inspections of Ameren's physical system. Those
10 inspections have resulted in finding that much of this aging infrastructure needs replacement. In
11 the meantime, the strain on an aging system being used at, near or over capacity requires
12 replacement and that additional maintenance be performed.

13
14 Ameren is fortunate to have highly skilled and experienced electrical utility workers who are
15 able to meet these increasing demands. In its ongoing attempt to keep its rates among the lowest
16 in the country, Ameren has cut the maintenance staff in order to fund capital improvements to
17 the infrastructure. In this regard, of the \$147,000,000 in savings identified by Michael Moehn at
18 p. 6, lines 16-17, \$67,000,000, a significant proportion, resulted from reductions in distribution
19 personnel (employees represented by IBEW 1439) and reductions in power station personnel
20 (employees represented by Operating Engineers 148). *See* Moehn testimony, p. 6, lines 20-23.
21 So the utility workers are meeting the needs of the aging infrastructure despite being short-
22 handed, but only by triaging and addressing issues on a most-needed basis. This process has
23 caused a pile-up of work which will only get worse if attrition issues are not better addressed.
24 Ameren can no longer engage in addition (capital improvements) by subtraction (cutting
25 personnel). Ameren acknowledges continued reductions in operations and maintenance costs are
26 not sustainable. *See* Moehn testimony, p. 15, lines 17-22.

27
28 Moreover, there is every indication that 35% of Ameren's experienced utility workers will be
29 retiring in the next five years. In this regard, IBEW 1439 has conducted an internal review and
30 survey of members, the results of which are attached here as Walters Schedules 1-3. The results
31 reflect that, based on stated retirement plans, several employee categories will lose a majority of

1 their current workforce in the next five years. For example, Distribution Services¹ will lose
2 91.67% of the current workforce; Franklin District² will lose 64.52%; Substations³ will lose
3 60%; Telecommunications⁴ will lose 58.82%; and Underground⁵ will lose 50%. Schedule 1.
4 The average age of the Distribution employees is 46. Schedule 2. I am also attaching a
5 historical snapshot of the job changes that have occurred over the last five years, and one of the
6 job changes over the last ten years. Schedules 3(a) and 3(b), respectively. This document
7 reflects that no job group has increased, and overall the personnel numbers have decreased by
8 more than 200 workers. Ameren is not even keeping up with attrition. Unless Ameren can start
9 hiring and training their replacements in large numbers now, Ameren's vaunted reliability will
10 not survive. The need for such substantial hiring provides an unprecedented opportunity to
11 increase diversity within the workforce.

12
13 As a result of Ameren's penultimate rate case, Case ER-2011-0028, Ameren trained 9 new
14 underground employees. Those employees are now productive members of the Ameren
15 workforce, gaining valuable experience on a daily basis. However, their entrance into the
16 workforce has just stayed even with attrition since that time, and the underground department
17 was already understaffed because Ameren is having to systematically replace its 100-year old
18 underground network, not just maintain it. And as the replacement occurs, the new underground
19 is "smart," requiring a new set of skills from the maintenance employees. Thus, the apprentice
20 class that resulted from Case ER-2011-0028, while necessary, was only a band-aid on the
21 problem. Ameren needs funding for *ongoing* training for all distribution operations personnel.
22

¹ This personnel test and repair a variety of technical devices to support the system.

² These utility workers largely perform overhead repairman work.

³ These utility workers repair, maintain, and construct transmission and distribution substations.

⁴ These workers repair, maintain and install the Company's internal communications and automatic transmission systems in their entirety. This is highly technical work.

⁵ These utility workers repair, maintain and install the entire underground system, which is the mainstay of the electrical service in downtown St. Louis.

1 In this regard, Ameren and IBEW 1439 have recently entered into discussion about a new class
2 of trainees. But under the current rate structure, Ameren cannot justify the large-scale hiring and
3 training costs because it will be years before it will recover those costs in revenue generated by
4 the new employees. In addition, there must be consideration for the existing regulatory lag. This
5 fact tends to promote a disincentive for investment.

6
7 The electric utility industry is one which requires well-trained workers. Training programs have
8 proven to be beneficial. Ameren and its internal workforce have provided a safe and reliable
9 system with some of the lowest rates in the country for over 100 years. The ‘baby boomer’
10 crisis is a reality and must also be considered. The method of waiting for an employee of the
11 utility to retire before hiring an untrained replacement is irresponsible and lacking in foresight.
12 We must take advantage of the opportunity to transfer knowledge and experience from senior
13 personnel to junior personnel.

14
15 The training process is a long-term commitment. A Relay Technician requires a 2-year
16 Associate’s Degree prior to entering the utility training program, which lasts for three years,
17 followed by approximately five years of on-the-job experience before reaching the level of
18 proficiency and confidence. This is a 10-year commitment. The shortest time commitment for
19 IBEW-represented electrical employees is the 5-8 year commitment for Lineman: the Lineman
20 Apprentice program is thirty months and then requires three to five years of on-the-job training
21 and experience. A utility Fleet Mechanic requires prior vocational school, prior experience to
22 qualify for the training program and then a four year company-sponsored training program to
23 reach the top level of the craft. There are numerous classifications required to provide a safe and
24 reliable electric service to the customers.

25
26 Ameren’s aging workforce is typical of electrical utilities across this nation. See Walters
27 Schedule 4, the 2008 CEWD Survey Results, entitled the “Gaps in the Energy Workforce
28 Pipeline.” CEWD is the acronym for the well-respected Center for Energy Workforce
29 Development, which is a multi-partisan group with members including the Edison Electric
30 Institute, the National Rural Electric Cooperative Association and various labor organizations.
31 CEWD predicts that the number of industry employees ready to retire now is 9.9%, up a

1 percentage point from 2010, and those ready to retire within five years is 15%. (Compare this to
2 the Ameren electrical utility workforce, 35% of which have self-identified as retiring within five
3 years!) It believes “more [employees] are in that critical age and years of service range, which
4 means they could leave at any time.” Schedule 4 at 2. It further predicts that “almost 55% of the
5 workforce may need to be replaced in the next 10 years. . . .” Schedule 4 at 3. Based on the
6 self-reporting of Ameren workers, Ameren will experience a much higher rate of retirements in
7 the next 10 years than the 55% predicted nationwide.

8
9 To summarize, the purpose of this portion of my testimony is to provide a view of the electric
10 utility’s business from the perspective of the union and its workforce. I cannot overemphasize
11 the need for the Missouri Public Service Commission to continue to set mandates or policy
12 which will address the need for the utility company to invest in the workforce and the
13 infrastructure, and to fund these initiatives on an ongoing basis until the goals have been
14 achieved. The current hiring needs also gives the Commission a unique opportunity to
15 encourage additional diversity.

16
17 **Why is a properly staffed internal workforce efficient?**

18
19 Ameren has a permanent direct workforce of union and non-union labor and supervisory staff
20 that I am calling its “internal workforce.” I use the term “internal workforce” in this testimony
21 generically to refer to the job classifications related to the transmission and distribution system,
22 including Linemen, Technicians, Meter Installers, Substation Mechanics, all support groups and
23 Underground Workers, just to name a few.⁶

24
25 The internal workforce takes great pride in the work performed for the employer, Ameren/MO.
26 In many cases, the internal workforce is also a stockholder. This gives the workforce a unique

⁶ Ameren also hires “outside contractors” that provide their own labor and supervisory staff. Outside contractors are appropriately used by Ameren for major power plant projects, seasonal work, during extreme power outages and weather conditions that present time-sensitive emergency conditions, when its internal workforce is otherwise overloaded, or when the work requires specialized training or equipment beyond what is available with the internal workforce.

1 incentive to provide proficient, efficient and safe service. As an Ameren survey shows, when the
2 internal workforce touches the customers in the field, everyone wins. *See* Moehn testimony pp.
3 9, line 22- p. 10, line 1.

4
5 The internal workforce is specifically trained and tailored to work on the Ameren system. They
6 work on the Ameren system 100% of the time, making them true experts on this particular
7 system. The internal workforce is continually evaluated, trained and tested to meet the high
8 standards required by Ameren and is expected to also meet additional expectations set out by the
9 IBEW and the Local Union Office. Moreover, the internal workforce is readily available to
10 respond to emergencies and immediate customer needs.

11
12 **You mentioned Ameren’s aging infrastructure in your discussion of the aging workforce.**
13 **Do you have anything more to add about the aging infrastructure?**

14
15 The increased emphasis on environmentally responsible energy sources overstrains Ameren’s
16 aging infrastructure. *See* Moehn testimony, p. 12, lines 6-10, p. 13, lines 10-16. The issue is not
17 whether the energy load will increase, but that it is transferring from one area to another because
18 of new users, and that the demands of those users requires more sophisticated equipment.

19
20 Based on the increase in FERC-mandated testing, maintenance and reporting, PSC-mandated
21 inspections, in addition to large-scale testing recently mandated by the PSC, extensive capital
22 improvements seem necessary to keep Ameren’s overall system at the current level of safe,
23 reliable, efficient service. Ameren does not have the fat in its budget to independently fund these
24 improvements within a reasonable time frame. *See* Moehn testimony, p. 13, lines 17-18
25 (“Ameren Missouri faces a bow wave of capital investment needs over the next 15-20 years that
26 will be unprecedented. . .”).

27
28 **Do you have any recommendations for the Commission?**

29
30 I have two recommendations.

1 First, as I stated at the onset, I believe that a rate increase for Ameren is necessary and
2 appropriate. Ameren's preparation to address the present and future work dilemma should be
3 considered in this rate case. As Ameren CEO Michael Moehn testified regarding the reason to
4 replace the aging infrastructure, if Ameren "does not get ahead of this problem . . . it will
5 ultimately affect [its] ability to provide consistently reliable service to [its] customers." Moehn
6 testimony, p. 16, lines 8-10. Ameren should be required to expend a portion of the anticipated
7 rate increase in a manner that will insure long-term efficiency and quality of service by
8 investment and re-investment in its regular employee base: hiring, training and utilizing its
9 internal workforce to maintain its normal and sustained workload. A philosophy of investment
10 in Ameren's internal workforce and infrastructure is the historical underpinning that has allowed
11 Ameren to offer safe, reliable service at one of the lowest rates in the nation to this point. Future
12 attainment of this goal and of long-term quality requires continuation to that philosophy.
13 Ameren has the opportunity to fill good jobs and create more permanent positions for the
14 residents of the State of Missouri.

15
16 I request a special rate allocation as in previous cases, with consideration for advanced technical
17 training with expectations and firm guidelines as to the allocation of money to train in specific
18 areas. I ask that the Commission demand that all jobs, internal or outsourced, be filled first
19 within the Ameren/UE service territory, second in the State of Missouri, and third, never be
20 offshore. I recommend that the Commission invest revenue in ongoing training programs,
21 requiring Ameren to induct a class of at least 37 apprentices in various job categories in 2015
22 and for the next two successive years. This training will cost approximately \$11,100,000 per
23 year.

24
25 Second, I also ask that the Commission take a good look at the increased loads on equipment and
26 wires from required technological improvements, and at the age and life expectancy of the
27 present infrastructure. I recommend that Ameren be mandated to provide the PSC with quarterly
28 reports on the expenditures allowed and considered in this rate case to replace the current
29 infrastructure. I further recommend that Ameren be mandated to provide the PSC with quarterly
30 reports reflecting the loads on equipment and wires and the optimal replacement of aged cable,
31 wires, poles and equipment. In this regard, I recommend that the Commission issue an

1 additional special annual rate allocation, in an amount deemed adequate in the discretion of the
2 Commission, which is specifically designated for the purpose of addressing capital improvement
3 needs.

4

5 **Does that conclude your testimony?**

6

7 Yes.