

**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.	)	

**UNIONS' POST-HEARING BRIEF**

COME NOW International Brotherhood of Electrical Workers Locals 2, 309, 649, 702, 1439, 1455, AFL-CIO and International Union of Operating Engineers Local 148, AFL-CIO ("Unions"), by counsel, and respectfully submit their Post-Hearing Brief in the above referenced case.

**ISSUES**

The Unions are in support of AmerenUE's proposed rate increase but raise the following issues:

- a. Should AmerenUE be required to expend a substantial portion of the rate increase investing in its employee infrastructure, in general, including recruitment and training, if the Commission has the authority to require Ameren to do so;
- b. Should AmerenUE be required to fully and permanently staff itself for its normal and sustained workload, thereby reducing the need for subcontracting and overtime, if the Commission has the authority to require Ameren to do so;
- c. Should AmerenUE be required to repair and rebuild components and equipment internally where prudent, if the Commission has the authority to require Ameren to do so; and
- d. Should AmerenUE be required to make good faith efforts to hire locally, then regionally and then nationally, both its internal and external workforces, if the Commission has the authority to require Ameren to do so?

## DISCUSSION

The Commission has the authority and responsibility to evaluate whether AmerenUE is likely to provide safe and adequate service and whether it can do so while charging the customer a lesser rate than requested.

As discussed at the hearing on March 23, 2010, the Unions support granting Ameren the requested rate increase, subject to restrictions and reporting requirements to insure that Ameren uses the additional revenue productively to insure long-term efficiency and quality of service. The Unions specifically support, as a starting point, the proposal set forth in Exhibit 179, which was supported by testimony of David Wakeman on March 25, 2010, for the spending of additional revenue on training and hiring. Contrary to concerns expressed by the Office of Public Counsel at the hearing on March 23, 2010, the evidence supports this investment.

### 1. Smart Grid Initiatives and Other Technological Advances.

As addressed through the written testimony of Michael Walter and his questioning at the hearing, increasing funds is necessary to improve Ameren's employee infrastructure in general, including recruitment of new employees and advanced training to support cutting edge and future technological advances, such as the "smart grid." The need for smart grid technology is nationally acknowledged. *See* attached admissions of Ameren contained on its website fact sheet about the import of smart grid technology, which reflects that smart grid technology will increase reliability and safety, increase operating efficiency and reduce the community's carbon footprint. These objectives correspond with the jurisdiction and objectives of Missouri's Public Service Commission. Similarly, the PSC counterpart, the Illinois Commerce Commission, has recognized the

need to advance smart grid technology by mandating a two-year Statewide Smart Grid Collaborative.

Also in this regard, the Unions ask the Commission to take judicial notice of the National Commission on Energy Policy report that Mr. Walter discussed at the hearing. This report was created by a task force established by the National Commission on Energy Policy and its advisors, identified as “stakeholders with expertise in workforce of the U.S. electric power industry.” *See* NCEP report at pp. ii, 2. The task force and advisors represent a diversity of interests including the Electric Power Research Institute, various electrical industry representatives, labor union representatives, representatives of various colleges and universities, various non-profit agencies and various governmental agencies. The report identifies the anticipated future of the industry, the workforce requirements to realize that future, and the training and hiring that will be required. The task force report concluded that, based on an aging workforce that is not being adequately replaced on an ongoing basis, as well as new demands on the industry due to the smart grid initiative, alternative energy sources and other new technologies and generating assets, the “United States is facing a critical shortage of trained professionals to maintain the existing electric power system and design, build and operate the future electric power system.” *Id.* at p. 2. It further found that reliability and economic affordability of electricity were in jeopardy due to the near- and long-term workforce challenges. *Id.* at pp. 2, 5.

The Task Force acknowledged as a given that the electrical industry “workforce is aging and will need to be replaced. Facing a wave of retirements over the next decade, the electric power industry will need to expand hiring and training programs just to

maintain the level of qualified workers required to operate existing facilities.” NCEP report at p. 5; *see also*, p. 6 (“Rapid attrition due to retirements from an aging pool of workers is the primary concern.”). Most significantly from the Unions’ perspective, the report cited the industry expectation that 58,200 skilled craft workers “will be eligible for retirement or leave the industry for other reasons by 2013.” *Id.* at p. 6. These findings are consistent with those presented to the Public Service Commission by the Missouri Energy Development Association (“MEDA”) on November 6, 2009 and sent to the parties through a Notice Regarding External Communication (“MEDA materials”). *See* p. 6 of MEDA materials.

The Task Force report further predicted an almost 15% increase in the number of additional workers needed in the industry by 2030 to operate and maintain the electric system. NCEP report at p. 7. It further found that “near-term deployment of smart grid technologies will require over 90,000 workers,” and will result in about 25,000 workers transitioning into new positions. *Id.* MEDA also forecasted an increase in demand for electric energy. *See* p. 5 of MEDA materials.

Finally, the Task Force report surveyed a number of industry experts, including the North American Electric Reliability Corporation and American Electric Power, and concluded that the industry needs to add 3,000 miles of high-voltage transmission lines by 2012 and additional 2,000 miles each year thereafter through 2019. NCEP report at p. 28-29.

*See also*, attached St. Louis Business Journal article reflecting almost \$100 million in funding of 54 smart grid work force training programs through the American Recovery and Reinvestment Act (“ARRA”), announced by the U.S. Secretary of Energy

on April 8, 2010. The article notes that the federal stimulus funds are being dispensed in support of smart grid technology in two ways: to develop new training programs, strategies and curricula; and to implement work force training and retraining. Ameren, and St. Louis Community College (“SLCC”) partnering with Ameren, were granted \$3.5 million dollars and \$82,026, respectively for these purposes. The money directed to Ameren is to train more than 4,000 workers in Missouri **and** Illinois; the money directed to SLCC is directed to 300 St. Louis-area residents. As reflected by the NCEP report, this training, while helpful, will not address all the needs of replacing the retiring workforce, retraining existing employees for smart grid job transitions, and training the additional employees needed to keep up with future demands.

Walter and Wakeman testified that Ameren is operating a seriously aging system which needs to be replaced. In addition, they agreed that portions of the physical lines and substations need to be replaced, updated or added to enable Ameren to support greater voltage demands and alternate sources of energy. Upgrades to the transmission and distribution systems are necessary to permit Ameren to realize technological improvements that improve reliability, security and efficiency, while reducing carbon emissions. These advances would make it easier for Ameren to interface with non-traditional energy sources such as solar, nuclear and wind power. *See also*, attached article from the Council on Competitiveness, “Clearing Obstacles to a National Transmission Superhighway and Smart Grid,” which notes that the nation’s electrical transmission system “has suffered from underinvestment for decades . . . causing severe economic losses to the economy,” including losses associated with power blackouts. The

article further discusses the need for new transmission lines to carry renewable energy sources such as wind power.

One means of addressing this issue is to re-examine the current system of financing physical infrastructure change to reduce the lag time on investment costs, e.g., through an Infrastructure System Replacement Surcharge (“ISRS”) like that utilized by other Missouri utilities. MEDA also addressed the benefits of such surcharges, which provide utilities with incentive to repair and replace failing equipment in an economic and efficient manner. *See* MEDA materials at White Paper, “Innovative Solutions within the Water Industry: Infrastructure Surcharges,” p. 2.

2. Internal Staffing to Support Ameren’s Normal and Sustained Workload.

The Unions advocate requiring Ameren to fully and permanently staff itself to support its normal and sustained workload. Walter presented evidence that Ameren’s internal workforce is understaffed, with the result that Ameren currently relies excessively on subcontractors, who are often less skilled and safe than Ameren employees and, as even Ameren’s Wakeman eventually conceded, are certainly less familiar with Ameren equipment and processes. (Walter pre-filed testimony, p. 3, l. 20-p. 4, l. 1) In addition, there are no qualifying standards for many of the positions, and some contractors simply are not trained. (Walter, p. 4., ll. 1-2, p. 6, ll. 11-16) This is especially problematic given that Walter and Wakeman both testified at the hearing about pending Federal Energy Regulatory Commission regulations that will require a significant increase in preventive maintenance checks from the power plant to the distribution stations. Walter presented undisputed testimony concerning the lengthy

process to bring new hires up to the requisite skill and experience level to satisfy these needs.

Permanent staffing will reduce the need for costly subcontracting and for Ameren's permanent employees to work excessive overtime. When Ameren hires a subcontractor, it has to pay the subcontractor's profit margin on top of the cost of the subcontracted labor; the customer therefore is paying profit margins to both Ameren and the subcontractor. (Walter, p. 4, ll. 5-7) In addition, Ameren is having to pay both its internal workforce and its subcontractors excessive amounts of overtime, at premium pay. (Walter, p. 6, l. 21 – p. 7, l. 6)

Ameren's reliance on subcontractors has reduced Ameren's ability to maintain its normal and sustained workload. As noted in the prior section, this understaffing is a national problem. However, it cannot be addressed without creating full-time positions that employees can train for and rely upon. (Walter, p. 4, ll. 11-17)

Ameren has not presented — nor been required to present — any data to the PSC indicating the reasons for or cost of its extensive subcontracting. Nor has it been required to produce evidence that it factors into its subcontracting decision the training of its subcontractor workforces, or that it verifies that the training is actually done. Clearly, this should be done, as training has a direct impact on employee and customer safety and on quality of service.

The evidence reflects serious disadvantages to using a permanent outside contractor workforce for daily operations, including lesser training and certification standards and controls, less familiarity with AmerenUE's system, less commitment to the community, and premium pay costs. Thus, the use of a permanent outside contractor

workforce reduces efficiency, quality, reliability and safety of power generation, transmission and distribution.

Ameren, through Wakeman, admits that it has turned to outside contractors to handle not only unusual or seasonal surges in workforce requirements, but also day to day operations of the utility. The overuse of outside contractors by utility companies nationwide has created a dangerous shortage in trained personnel who can fill the labor needs. As the existing workforce ages without adequate replacements being trained, the net loss of skilled workers is increasing exponentially. We are just beginning to see the impact of a nationwide shortfall of skilled utility workers through the poor maintenance of equipment and external facilities (such as trees and dams) that have led to power blackouts and the longer response times in alleviating those blackouts.

## **CONCLUSION**

The Unions support Ameren's requested rate increase, because Ameren needs additional revenue to maintain existing services in light of rising costs generally, with the following additions and caveats:

1. The Unions specifically support, as a starting point, the proposal set forth in Exhibit 179, for the spending of \$1.71 million/year in additional revenue on capital improvements to the training center, purchase of training equipment, a training trailer and hiring of a training supervisor and thirteen additional staff.

2. The Unions recommend that Ameren be required to report quarterly to the PSC Staff and the other parties about all internal and external recruitment, hiring, training, qualifying standards and certification. Furthermore, given the current and anticipated shortages in skilled utility workers, Ameren should be required to submit for



PSC review a development plan for addressing these needs. That development plan should reflect that a substantial portion of the ultimate rate increase be invested in workforce development. The Unions suggest that the PSC develop guidelines and expectations for Ameren to follow in creating this development plan. This report should include the rationale for and cost of anticipated and actual subcontracting and the training of subcontractor workforces.

3. Ameren should also be required to make good faith efforts to hire its workforces locally, and if that is not possible, regionally. Ameren should not be permitted to spend rate payer money to fund jobs overseas. This will improve the quality of work and further the State interest of employing Missouri residents.

4. Ameren should be required to invest in its physical infrastructure. Infrastructure improvements and development planning are necessary if Ameren is to efficiently implement technological advances like the smart grid, and attract future industry in Missouri. Thus, Ameren should be required to submit for PSC review a development plan for addressing these needs. Furthermore, Ameren should be required to report quarterly to the PSC Staff and the other parties about its planning and spending on physical infrastructure improvements, including policies concerning repairing and rebuilding components and equipment internally.

Respectfully submitted,

/s/ Sherrie A. Schroder

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**Certificate of Service**

The undersigned certifies that a true and correct copy of the foregoing was served on April 22, 2010, 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 A. Schroder \_\_\_\_\_