

KC

KODA CONSULTING, Inc.  
409 Main Street • Ridgefield, Connecticut 06877-4511

February 8, 2013

Via e-mail

Honorable Jeffrey C. Cohen, Acting Secretary  
State of New York Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

Re: CASE 12-M-0192 – Joint Petition of Fortis Inc., FortisUS Inc, Cascade Acquisition Sub Inc., CH Energy Group, Inc., and Central Hudson Gas & Electric Corporation for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions

**Initial Comments of International Brotherhood of Electrical Workers, Local 320**  
**Regarding the Joint Proposal in the Above Proceeding**

Dear Acting Secretary Cohen:

Pursuant to the Ruling on Schedule and Content of Comments on Joint Proposal , issued January 29, 2013, enclosed please find an electronic file in .pdf format containing the Initial Comments Regarding the Joint Proposal of International Brotherhood of Electrical Workers, Local 320.

Respectfully submitted,

*/s/ Richard J. Koda*

Richard J. Koda, Principal  
on behalf of  
International Brotherhood of Electrical  
Workers, Local 320

cc: w/encl: Hon. David L. Prestemon, Administrative Law Judge  
Hon. Rafael A. Epstein, Administrative Law Judge  
John P. Kaiser, President/Business Manager, International Brotherhood of Electrical  
Workers, Local 320  
Active Party List

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

---

Joint Petition of Fortis Inc., FortisUS Inc, Cascade  
Acquisition Sub Inc., CH Energy Group, Inc., and  
Central Hudson Gas & Electric Corporation for  
Approval of the Acquisition of CH Energy Group,  
Inc. by Fortis, Inc. and Related Transactions

---

CASE 12-M-0192

**INITIAL COMMENTS OF LOCAL UNION 320, INTERNATIONAL  
BROTHERHOOD OF ELECTRICAL WORKERS REGARDING THE  
JOINT PROPOSAL IN THE ABOVE PROCEEDING**

Richard J. Koda  
KODA CONSULTING, Inc.  
409 Main Street, Suite 12  
Ridgefield, CT 06877-4511  
Tel. (203) 438-9045

Dated: February 8, 2013  
Ridgefield, Connecticut

## **Introduction**

International Brotherhood of Electrical Workers, Local Union 320 (“Local 320”) is extremely concerned with the proposed transaction, as delineated by the Joint Proposal (“JP”) in this proceeding. Issues of the loss of knowledge base and excessive costs were raised in Local 320’s Initial Comments in this proceeding<sup>1</sup> and the JP does not address either concern. There has been no demonstration by the Petitioners or Department of Public Service Staff (“Staff”) that the use of third party contractors is not excessive, will not eviscerate the knowledge base of Central Hudson Gas & Electric Corporation’s (“Central Hudson’s”) gas and electric operations, will not result in longer restoration periods for gas and electric emergencies and will not result in higher costs to ratepayers than would exist by the use of Central Hudson’s highly trained and knowledgeable internal employees. Local 320 believes that the transaction as proposed is not in the interest of customers and ratepayers, as well as utility workers of Central Hudson Gas and Electric Corporation or the overall public interest of the State of New York.

### **Point 1: Loss of Knowledge Base**

The JP illustrates the apparent lack of concern that Fortis, Inc. (“Fortis”) appears to have in giving Central Hudson Gas & Electric Corporation (“Central Hudson”) free rein in its gas and electric utility operations,<sup>2</sup> to escalate and excessively use third party contractors when internal workforce members retire or leave the Company’s employ in supplying gas and electric utility services to the detriment of its gas and electric ratepayers. While the JP purports to ensure that the necessary human resources are maintained to continue the delivery of safe, reliable service to customers, with the current employees of Central Hudson (union and management) to be retained for a period of two years following the closing under their

---

<sup>1</sup> Case 12-M-0192, Initial Comments of International Brotherhood of Electrical Workers, Local 320, dated October 12, 2012 at 2-3

respective current conditions of employment<sup>3</sup>, the fact remains that for the past at least 1½ years the Company has been excessively and inappropriately using third party contractors in providing questionable service to customers. The JP does nothing to correct this situation.

Regarding gas operations, there have been third party contractors used by Central Hudson to perform work at Central Hudson's gas regulator stations with problematic results. Important components at the Stewart Terrace Regulator Station were not properly installed and led to the over-pressurization of the gas system supplying a development at Stewart Terrace by more than twice the standard operating pressure which resulted in damaging gas regulators on approximately 75 individual customer's homes. In another instance, lines were under-pressurized in Kingston resulting in loss of service to customers. At a North Cornwall regulator station, even though the station had been tagged out by Central Hudson's internal workforce, a third party contractor crew had started working at the station causing a serious safety violation. And in Cohecton a third party contractor that had been instructed to remove pressure gauges, instead painted over the gauge faces causing costly damage to Central Hudson's pressure gauges and as a consequence, the internal workforce could not view those gauges to judge whether or not a problem existed on the line controlled by the regulator.

Regarding electric operations, in 2012 the Company used its third party gas contractors to install AMR electric meters for the Company's pilot program. During these installations, and on several occasions, electrical contractors had to be called in, at the Company's expense, to repair damages at customers' homes.

In the responses to Local 320's information requests the Petitioners indicate that they do not have a corporate or other policy regarding the outsourcing of work.<sup>4</sup> Fortis indicates

---

<sup>2</sup> Joint Proposal at 22-24.

that each of its owned regulated utilities is operated and managed on an individual, stand-alone basis with its own management team and board of directors, and that it has no plans pertaining to encouraging or discouraging reduction of non-management employees.<sup>5</sup> In fact, over the last decade, there has been a steady reduction of Central Hudson's internal employees which has escalated from May 2011 to present.

On December 31, 2001, it was known that Central Hudson had 902 employees, 604 of that number were operational "boots on the ground" employees represented by the Union while 298 employees were management and staff employees. A little more than a decade later, (as of December 31, 2012), there are now 869 employees, (a 3.7% decline or 33 fewer total employees), yet the management and staff employees increased to 344, (a greater than 15% increase), but only 525 are now operational "boots on the ground" jobs, (more than a 13% decline or 79 fewer workers). Stated another way, whereas at December 31, 2001 there were two operational employees for every management/staff employee, there were only 1.5 operational employees for every management/staff employee, a 25% variance over that period. This continued loss of internal workers without adequate replacements to learn and acquire the working knowledge of Central Hudson's system will inevitably lead to ratepayers receiving sub-par services and longer restoration times when emergency conditions occur. In addition, the safety of both the general public and utility workers is put at risk from lack of in-house expertise to deal with every day job complexities, as well as sudden emergencies. Under the JP as proposed, this situation will continue unabated.

Therefore, Local 320 believes that there must be a change in direction from the JP's treatment of Central Hudson by Fortis' management regarding the employment of an internal

---

<sup>3</sup> *ibid.* at 23.

<sup>4</sup> Petitioners' response to IBEW-1

<sup>5</sup> Petitioners' response to IBEW-2

operational “boots on the ground“ workforce compared to its use of third party contractors. This change must occur prior to any approval by the State of New York Public Service Commission (“Commission”) of the proposed transaction and before the point is reached where the internal knowledge base is lost forever.

## **Point 2: Higher Operating Costs**

Local 320 believes that its members provide Central Hudson and it’s ratepayers with better and more cost effective work product than that provided by third party outside contractors. Local 320 would like to bring to the Commission’s attention a finding made as a result of a management audit of other gas and electric companies operating in New York. The auditors found that “there is no strong plan for replacing the Companies’ aging work force...”<sup>6</sup> and that :

Liberty believes the New York Companies operate with very low internal resources while overusing contractors, indicating there are opportunities for increasing the efficiency and effectiveness of capital program spending, which will ultimately benefit New York State ratepayers. Liberty finds that the overuse of contractors threatens cost performance in both the short- and long-term.<sup>7</sup>

While the companies which were the subject of that audit claim that “Liberty’s asserted linkage between its workforce reductions and use of IEP is unsupported and claims that they use an optimal mix of internal and external resources”<sup>8</sup>, it should be noted that the finding of

---

<sup>6</sup> Case Numbers 10-M-0551, Comprehensive Management Audit of Iberdrola, S.A., Iberdrola USA, Inc., New York State Electric and Gas Corporation, and Rochester Gas and Electric Corporation, and 12-M-0066, Petition of New York State Electric and Gas Corporation, Rochester Gas and Electric Corporation, RGS Energy Group, Inc., Iberdrola, USA Networks, Inc., Iberdrola USA, Inc., and Iberdrola Finance UK Limited for Approval of an Internal Reorganization Pursuant to Section 70 of the Public Service Law, Order Directing the Submission of a Management Audit Implementation Plan and Establishing Further Procedures on Corporate Structure and Governance Issues, (Issued and Effective August 28, 2012) at 8.

<sup>7</sup> *ibid.* at 9.

<sup>8</sup> *ibid.* at 18.

Liberty was one of an independent auditor with no axe to grind, as opposed to the self-serving claims of the companies that were subject to the audit.

Based on the above, Local 320 believes that the Commission should not grant the Petitioners' Request until the Commission requires that ratepayers and workers safety interests are adequately protected, along with the ratepayers rights to adequate and cost effective utility service.

### **Point 3: Potential for Graft**

The more that third party contractors are utilized, Local 320 believes that there is a corresponding increase in the potential for graft to occur. It is certainly not unknown for such potential to be realized. In the current proceedings involving Consolidated Edison Company of New York, Inc.<sup>9</sup> the Commission is having to deal with the aftermath of the arrest of 10 Consolidated Edison Company of New York, Inc. supervisors and one retired supervisor. Based on the US Attorney's investigation, the Con Edison employees were charged with arranging for Con Edison to pay inflated claims by a contractor and with receiving from the contractor over \$1 million in bribes or kickbacks. In addition to the inflated costs resulting from this example of graft, valuable Commission time is being spent to deal with this incident. Local 320 maintains that requiring only limited use of third party contractors in emergency situations would significantly reduce the potential threat of graft in utility operations. Presently, it is the internal workforce that is being relegated to emergency work, while third party contractors do more and more routine operational work.

---

<sup>9</sup> Case 09-M-0114 – Proceeding on Motion of the Commission to Examine the Prudence of Certain Capital Program and Operation and Maintenance Expenditures by Consolidated Edison Company of New York, Inc. and Case 09-M-0243 – Comprehensive Investigative Accounting Examination of Consolidated Edison of New York, Inc. (CECONY).

## Conclusion

Based on the reasons cited above, the Petitioners' Requested transaction is not in the public interest. Approving it would provide foreign ownership of a New York State gas and electric corporation without adequate safeguards. The continued escalating use of third party contractors and diminishing internal company labor will be inimical to both Central Hudson's ratepayers and its internal workforce.

Local 320 believes that the Commission should reject the proposed acquisition without a commitment from both Fortis and Central Hudson to affirmatively and effectively address the issues noted above through a requirement to change the focus of the operations of Central Hudson from the use of outside third party contractors to the use of its internal workforce supported by increased education and training to maintain and improve its knowledge base.

Thank you for the opportunity to provide our comments and for the Commission's consideration of them.

Dated: February 8, 2013  
Ridgefield, Connecticut

Respectfully Submitted,

*/s/ Richard J. Koda*

Richard J. Koda  
KODA CONSULTING, Inc.  
Consultant to  
International Brotherhood of  
Electrical Workers, Local 320