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March 12, 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-G-0297 – Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service

Initial Comments of Utility Workers Union of America, AFL-CIO, Local 1-2 Regarding Issues of Concern in the Above Proceeding

Dear Acting Secretary Cohen:

Pursuant to the Notice of Technical Conference and Notice of Soliciting Comments , issued November 30, 2012; Notice Revising Deadline for the Submission of Comments issued December 12, 2012 and the letter from Acting Secretary Jeffrey C. Cohen dated February 7, 2013, enclosed please find an electronic file in .pdf format containing the Initial Comments Regarding the issues of concern to Utility Workers Union of America AFL-CIO, Local 1-2 relative to this proceeding including certain of the 21 issues noticed in the Notice of Technical Conference and Notice of Soliciting Comments.

Respectfully submitted,

/s/ *Richard J. Koda*

Richard J. Koda, Principal
on behalf of
Utility Workers Union of America,
AFL-CIO, Local 1-2.

cc: w/encl: Active Party List
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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service	CASE 12-M-0192

INITIAL COMMENTS OF UTILITY WORKERS UNION OF AMERICA, AFL-CIO, LOCAL 1-2 REGARDING ISSUES OF CONCERN IN THE ABOVE PROCEEDING

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Dated: March 12, 2013
Ridgefield, Connecticut

Introduction

Utility Workers Union of America , AFL-CIO ("Local 1-2") commends the New York State Public Service Commission ("Commission") on this timely potentially very beneficial case that seeks to dramatically grow natural gas infrastructure and positively impact the New York State ("NYS") economy and ecology, as well as deliver enormous savings to New York customers. Local 1-2 would specifically like to comment on the Commission regulations alignment of stakeholder interests and issues that should be considered prior to expansion of the natural gas delivery system in New York including: outreach planning, use of third party outside contractors, the 100 foot rule, as well as suggestions for securing funding and/or incentives to achieve the objectives of this proceeding.

Notice Item No. 2 - Commission regulation alignment of stakeholder interests

Notice Item No. 2 references utility shareholders, rate payers and the State as a whole but fails to reference utility workers. Local 1-2 believes that its represented utility workers are an integral and necessary component of the stakeholder interest equation in that they are key to the provision of safe, adequate and reliable gas service to New York gas service customers in New York City. Any alignment of stakeholder interests must include the consideration of utility workers.

Notice Item No. 7 - Issues that should be considered prior to expansion of the natural gas delivery system

Local 1-2 believes that the following issues should be considered prior to the expansion of the natural gas delivery system:

1. Outreach Planning

With regard to outreach efforts presently being undertaken, the following job specifications are enumerated for gas operations positions at Consolidated Edison Company of New York, Inc.:

Consumer Service Representative:

- *Con Edison has many titled jobs which Local 1-2 represents that interact with gas consumers such as Commercial Service Representatives, Call Center Rep, Customer Service Reps and clerical titles such as Administrative Assistants, Administrative Clerks and Office Assistants;*

Design Representative:

- *Job Classifications in gas engineering include Junior Designer, Senior Designer, Electrical Technician, Senior Electrical Tech, Senior Meter Tech and Meter Tester.*

Local 1-2 submits that Con Edison's represented workers have job classifications specific to the task to successfully implement and achieve positive results regarding this proceeding. Local 1-2 wishes to point out that these positions have declined significantly over the past decade as illustrated by the following: Local 1-2 represented approximately 730 members in Con Edison's Gas Operations in 2002. The total now is only 569 or a decrease of over 22%. This area of the Company's operations that has experienced a significant decrease in the number of utility workers is ripe for gas expansion. The fact is that staffing reductions have resulted in customers being underserved.

Investor Owned Utilities ("IOUs") have generally maintained that having representatives to service individual customers who desire to convert to natural gas, or have other service requests, does not pay an adequate return adequate compared to the efforts involved. This situation should receive focused consideration by the Commission. A protected franchise area brings with it an obligation to serve every customer class; therefore, while we believe that a return to traditional staffing levels is an appropriate item for

Commission support, the more immediate objective of this proceeding is to establish staffing levels commensurate with the goals and objectives of Case 12-G-0297 – more specifically – a fully staffed compliment of job classifications such as 900 trained employees is necessary for realistic outreach planning and implementation to support the expansion of natural gas service in New York.

Even though existing job classifications presently have inherent skill-sets to approach the community at every level to coordinate and act on interest for natural gas conversion, we would be available to discuss collaborative efforts with qualified performance contractors to provide cost effective heating system conversion options to customers, options that include rational approaches to financing conversions.

2. <u>Erosion and Loss of Knowledge Base</u>

As was touched upon above, for the past few years gas LDCs have been excessively and inappropriately using third party contractors in providing questionable service to customers. As of January 2003, it was known that Con Edison had approximately 12,778 employees, 8,604 of that number were operational "boots on the ground" employees represented by the Union while 4,174 employees were management and staff employees. A decade later, (as of December 31, 2012), there are now 13,443 employees, (a 5.2% or 665 more total employees), yet the management and staff employees increased to 4,956, (a greater than 18% increase), but 8,487 are now operational "boots on the ground" jobs, (more than a 1% decline or 117 fewer workers). Stated another way, whereas at January 2003 there were two plus operational employees for every management/staff employee, there are only 1.7 operational employees for every management/staff employee, a 17% variance over that period. This continued loss of internal workers without adequate replacements to learn and acquire the working knowledge of the LDCs' systems 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.

Also, there have been third party contractors used by Con Edison to perform work on its gas system with problematic results.

The Local 1-2 believes that there must be a baseline standard regarding the employment of an internal operational "boots on the ground" workforce compared to its use of third party contractors. It is the Local 1-2's belief that this standard must be established before the point is reached where the internal gas utility knowledge base is lost forever.

3. LDC Operating Costs

Local 1-2 believes that its members provide the Con Edison and its ratepayers with better and more cost effective work product than that provided by third party outside contactors. Local 1-2 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…"[1] 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.[2]

[1] 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.
[2] ibid. at 9.

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"[3], it should be noted that the finding of 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. As referenced in the section above, Local 1-2 believes that the Commission should establish a baseline standard regarding the employment of an internal operational "boots on the ground" workforce compared to its use of third party contractors. Local 1-2 also believes that ratepayers and workers safety interests are best protected, along with the ratepayers rights to adequate and cost effective utility service, by having such a baseline standard.

Understanding the Local Distribution Companies' observations that the labor intensive nature of the gas distribution business creates a challenge to a successful outcome of docket 12-G-0297 has revenue challenges, Local 1-2 offers suggestions which may secure funding to assist in accomplishing this critical initiative. These suggestions are in addition to other funding comments and tariff considerations.

Local 1-2 understands that there are efforts within New York State to dramatically reduce greenhouse gas emissions – spearheaded by State Authorities such as NYSERDA and NYPA, as well as securing funding specifically dedicated to this outcome through the Regional Greenhouse Gas Initiative ("RGGI"). With respect to docket 12-G-0297 and dramatic reductions in greenhouse gas emissions, Local 1-2 respectfully requests the Commission to take notice of the following facts:

- Conversion from propane and home heating oil to natural gas results in reductions of 22% and 27% respectively in pounds of CO2 emitted per million BTU *(US Energy Information Administration, Independent Statistics and Analysis).*

- Natural gas appliances can result in 60 percent fewer carbon dioxide emissions compared to electric appliances in some regions. Of the 113 million primary residences in the United States in 2009, 99.5 percent of them had electricity access, while only 61 percent had natural gas access. *(Center for Climate and Energy Solutions).*

Regarding areas where reasonable rates of return could be secured for LDCs to staff up and aggressively accomplish the objectives for 12-G-0297, we offer the following potential sources of funding:

- At least for a commensurate period of time, an appropriate amount of RGGI funding should be committed to the goals and objectives of 12-G-0297. Customers directly support the noble renewable objectives at NYSERDA through the System Benefit Charges (SBC) on everyone's electric bill. A portion of RGGI funds administered through NYSERDA should be committed to stated intent – reduction in GHG and not be redundant to SBC renewable objectives.

- The exception to those that pay into NYSERDA's SBC are the 47 Municipal Electric Companies in NYS that enjoy among the lowest electric rates in the country through contracts with NYPA. While the ***price*** of the power is provided primarily by the NYPA hydropower project in Niagara County, the delivery is through the IOU's transmission systems which does not differentiate whether power is fossil or otherwise produced. The result is that Muni customers in almost total ratio utilize electricity for heat and appliances – a major contributor to the above referenced GHG emissions. It is therefore, reasonable that these Muni's be a source of minor rate adjustment dedicated to docket 12-G-0297, or that NYPA be a direct source through potential bonding that may assist infrastructure and/or staffing to accomplish objectives. It is most unfortunate that Muni customers do not have the same price motivation for moving from electric to natural gas that all other NY ratepayers have as a result of the super – subsidies they receive from NYPA.

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[3] ibid. at 18.

4. **Potential Problems with Increased Use of Contractors**

The more that third party contractors are utilized, Local 1-2 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[4] the Commission is having to deal with the aftermath of the arrest of 10 of its supervisors and one retired supervisor. Based on the US Attorney's investigation, these 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 1-2 maintains that requiring limited use of third party contractors in emergency and normal operating situations would significantly reduce the potential threat of graft in utility operations.

5. **Interpretation of the 100 foot Rule**

As referenced in the Order instituting this proceeding, if utilities install more than 100 feet of main and service line extensions to hook-up a customer or customers, they are authorized to assess surcharges on the new customer or customers to recover the costs associated with the equipment beyond 100 feet over a period of up to 10 years from the commencement of service.[5] As the Order continues, both the main and service extension rules and the Policy Statement provide some flexibility concerning measures used to demonstrate the feasibility of a particular expansion project. Only rarely, however, have

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[4] 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).

utilities sought to employ such flexibility.[6] The Local 1-2 believes that this lack of initiative by the utilities inappropriately constrains the expansion of natural gas and related economic growth.

At a minimum, the Local 1-2 recommends that the Commission mandate a liberal interpretation of the 100 foot rule as referenced by its Staff in the Technical Conference which took place on January 9, 2013 at the New York State Department of Public Service's Albany Offices, 19th floor, 3 Empire State Plaza. As the Local 1-2 understands the interpretation by Staff, if the aggregate customers installing up to 100 feet of main and service line extensions per customer on average to hook-up the aggregated group, no surcharges would apply to any in the group, even though one or more may be installing over 100 feet of main and service line extension(s). To the degree that the Commission desires to further expand natural gas opportunities for customers, Local 1-2 recommends that the Commission increase the distance beyond 100 feet at which point the utilities are authorized to assess surcharges on the new customer or customers to recover the costs associated with the related equipment.

<u>Conclusion</u>

Local 1-2 thanks the Commission for establishing Case 12-G-0297 and its potential to dramatically reduce GHG emissions, dramatically reduce home heating and appliance costs for all customer classes that will have a commensurate positive impact on the economy through an increase in disposable incomes for other purchases and even hiring additional employees through savings at the commercial level.

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[5] CASE 12-G-0297 – Proceeding on Motion of the Commission To Examine Policies Regarding the Expansion of Natural Gas Service. ORDER INSTITUTING PROCEEDING AND ESTABLISHING FURTHER PROCEDURES (Issued November 30, 2012) at 6.
[6] ibid. at 7.

In the opinion of Local 1-2, the ability to deliver successful outcomes in this proceeding will be directly proportionate to the extent that outreach planning and appropriate LDC staffing is undertaken by an outreach team fully qualified to accomplish the exciting goals detailed in the Notice establishing this proceeding, as well as establishing internal workforce baseline standards and expanding the limits of the 100 foot rule. We look forward to providing continuing input regarding this important initiative.

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

Dated: March 12, 2013
Ridgefield, Connecticut

Respectfully Submitted,

/s/ *Richard J. Koda*

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KODA CONSULTING, Inc.
On behalf of
Utility Workers Union of America,
AFL-CIO, Local 1-2