

I.B.E.W. Local 1615
556 Topsail Road
St. John's, Newfoundland
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January 29, 2002

Public Utilities Board
St. John's, Newfoundland

Re: Hydro's Rate Hearing

On behalf of unionized workers with Newfoundland & Labrador Hydro, I would like to raise several points of interest.

Firstly:

THE ISSUE OF DUPLICATION OF SERVICES

Both The Consumer Advocate and Representatives for Industrial Customers suggest there is a great cost saving by reducing the duplication of services between Nfld. Hydro and Nfld. Power.

As you are well aware, in the July 29, 1996 P.U.B. report, Hydro and Nfld. Power were directed to establish a joint task force to identify measures whereby cost savings could be achieved both in rural and interconnected rural Newfoundland and Labrador. This committee comprising of Nfld. Power, Nfld. Hydro, in co-operation with respective Local's of the I.B.E.W., was established in 1997 with a review being done on some fifteen areas of possible joint collaboration. This review was conducted over two and one-half years with many sub-committees' involved. Some of the areas reviewed were:

- 1. Sharing of Specialized Equipment**
- 2. PCB Facilities**
- 3. Customer Enquiries (1-800 number)**
- 4. Printing Services**
- 5. Storage Space**
- 6. Emergency Spill Response**
- 7. Protective Equipment Testing**
- 8. Distribution Maintenance**
- 9. Switching**
- 10. VHF Mobile Radio Systems**
- 11. Inventories and Common Spares**

- 12. 138 kV Transmission Line Maintenance for Central**
- 13. Common Equipment and Engineering Standards**
- 14. Meter Shop Operation**
- 15. Technical Training**

The majority of these issues had substantial recommendations, which have already been implemented. The cost of this lengthy study, which required many man hours of resources, were picked up by the two utilities. Areas of duplication are somewhat limited beyond the areas pursued, as pointed out in Nfld. & Labrador Hydro's presentation.

Hydro is mainly a Generation and Transmission Utility, which also has Distribution systems in Labrador, Northern Peninsula, and the Connaigre Peninsula, where Nfld. Power has no facilities, (although it did attempt to move into those Hydro areas on the failed joint pole purchase with Newtel a few months back)

Nfld. Power is mainly a Distribution Utility, which distributes power to the mainly larger customer base in St. John's, Avalon Region, Clarenville, Central, Western, where Hydro has no, or little, distribution facilities.

Recommendations on cost of duplication by both the Consumer Advocate and Industrial Customers are very general and in this writer's view, without substantiation. In fact, to repeat a review that was done in 1997 – 2000, would place further costs on both utilities, which would be passed on to the utilities customers.

Now, if duplication of services is meant, by the Intervenor's, that the overall administration and running of the system should be done by one administration, in other words a Privatization of Nfld. Hydro, which I do hope is not their intentions, is another story.

This would open another debate on that sensitive and larger issue on both ownership and cost savings. The Privatization of Nova Scotia Power has driven rates well beyond what was expected and the reports and studies on the Privatization of New Brunswick Power has shown the costs savings would not happen by such a move.

It is with the latter in mind that the Board needs to place into perspective Nfld. Power's recommendations to the Board. The private Utility would love to get their fingers into Hydro's assets, either partially or totally, and will use whatever forum to accomplish this.

CONTROLLABLE COSTS

Intervenor's have talked about controllable costs. Most companies usually identify labour and benefits to be the largest piece of the controllable cost pie. The two I.B.E.W. bargaining units of Operations and Clerical have been reduced by some one hundred and seven permanent employees, in total, over the past ten years, while the out-of-scope did have some job loss, it was nowhere compared to the loss taken by unionized employees.

What was the actual cost savings by this reduction in Hydro workforce? This is very difficult to calculate because one has to take into account the cost of contracting out.

Contracting out has been on the increase, in a very significant way, over the past ten years and these costs are quite high. I refer, for example, to the multi-year major agreements at the Holyrood Thermal Plant where since 1995 A.B.B. & G.E. have long term contracts to do major overhaulsHydro's own employees did this work, over the years. How many millions of dollars are involved in Contracting Out?

If there is one duplication of work that has not been looked at, it is the duplication of administration at the Holyrood Plant. Both of the major contractors have their own offices and administrations (Engineers, Technical advisors etc.) at the Plant for a significant part of the year. Yet the Newfoundland Hydro administration (out of scope) has actually increased, even though the major contractors have taken on the responsibilities of the major work.

Contracting out has even further escalated in the past year after layoffs during the winter and spring of 2001, with line work being contracted out in many parts of Newfoundland & Labrador.

The Board has to ask itself, is Hydro saving dollars by laying off employees who can do the work and have done the work, while at the same time spending huge dollars on contracting out? The Board also has to ask if these layoffs are a smoke screen, with Hydro saying, "look Mr. P.U.B., we reduced cost by laying off some one hundred plus employees.

One would have thought Intervenors would have suggested that the costs of Contracting Out be reduced. One such way would be to bring more Contracted Out work back in-house. It is puzzling why Hydro has not done this, since it has the expertise in the areas of work being contracted out.

In fact, I am surprised that Intervenors did not take Hydro to task by their (Hydro) not raising extra capital by bidding on jobs in its area of expertise. Hydro just recently bid off on doing Nfld. Power's Meter Calibration. This is an example of the direction Nfld. Hydro should be headed.

CONSULTANT FEES

Other controllable costs, from this viewpoint, are that of consultant fees. Every number of months there are consultants being hired for one reason or another. To do survey's on low morale in the workplace, Technical advise, Training. Hydro should look internally at it's own expertise. There is enough brainpower within Hydro to dramatically reduce consulting fees.

VEHICLE ASSIGNMENT

The other large controllable cost besides the cost of Contracting Out and the cost of Consultants is that of the cost of Assigned Vehicles. Hydro can reduce, quite significantly, the cost of vehicles assigned to out-of-scope personnel. In Port Saunders, for instance, almost all Supervisors and out-of-scope are assigned Hydro vehicles for their own use. A number of these individuals actually use their vehicles to travel home, on Company time, every weekend. Such as from Port Saunders to St. Anthony, or Port Saunders to Rocky Harbour. Others travel back and forth from Port Saunders to Cow Head on a daily basis. Hydro can reduce costs by reviewing the number of vehicles assigned to individuals and curb the abuse of vehicle use.

On behalf of the members of I.B.E.W. Local 1615, I thank-you for the opportunity to put forward the above concerns & viewpoint.

Respectfully Submitted,

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