



A pipe explodes in Midtown Manhattan, July 2007.

# UNION POWER IN PUBLIC UTILITIES

# Defending Worker and Consumer Health and Safety

Unions whose members work for utility companies regulated by state public utility commissions have an underutilized opportunity to confront their employers. Where employee objectives and public utility commission (PUC) statutory responsibilities overlap, unions can raise member concerns at both the bargaining table and the regulatory table. Workforce participation in PUC pro-

ceedings concerning proposed utility mergers—many of which are accompanied by layoffs—is already routine. However, as utilities need regulatory approval to achieve virtually all significant financial goals, unions must be cognizant of potential opportunities afforded through the PUC process. Unions should view PUC proceedings as a forum in which to advance vital interests, whether through intervention in cases initiated by their employers or through matters commenced by unions themselves.

This article briefly reviews the broad scope of state PUC authority, describes the typical players in a regulatory proceeding, and offers

real-world examples of how utility unions are successfully using the PUC process to advance workforce objectives. These opportunities can and should be considered throughout the country, but especially by unions operating in regions in which concerns have been raised about the quality and reliability of the services provided by their utility employers. In seeking to improve service delivery, union and consumer objectives should often coincide. However, implementing service quality improvements may require rate increases, which can make it more difficult to forge union-consumer group alliances.

\*The authors served as counsel for the unions in several of the proceedings discussed herein.

## THE SCOPE OF PUC JURISDICTION

OMPANIES OPERATING UNDER PUC jurisdiction—which typically include gas and electric utilities, water service providers, and telecommunications companies—require commission approval to

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take actions ranging from raising rates, to issuing stock, to acquiring other utility companies. While the scope of each PUC's jurisdiction depends on its governing statutes, commissions are generally given broad supervisory authority over the utilities within their jurisdiction. They are typically charged with ensuring that utility operations are conducted in a "safe," "adequate," and "reasonable" manner, consistent with the "public interest," and that utility rates are "just and reasonable."2 Some PUC statutes refer expressly to employee interests; Pennsylvania even requires its PUC to consider union interests in limited circumstances.<sup>3</sup> However, such formulations are by far the exception, and a reference in a PUC statute to employees should not by itself determine whether a union participates in a regulatory proceeding. Even the most "generic" PUC statutes leave ample room to raise employee concerns. For example, a regulated employer that is chronically understaffed can be attacked on the ground that failing to hire sufficient staff adversely impacts service quality, thereby implicating PUC oversight.

In most states, courts or legislatures have enumerated wide-ranging powers for utility commissions. For example, in Tennessee the state Supreme Court has described the power of its PUC (the Tennessee Regulatory Authority) as "practically plenary." In Alaska, the PUC is authorized by statute to "investigate the management of a public utility, including but not limited to staffing patterns . . . for the purpose of determining inefficient or unreasonable practices that adversely affect the cost or quality of service of the public utility." And Nevada law requires its PUC to ensure that providers of electric service "engage in prudent business management, effective long-term planning, responsible decision making, sound fiscal strategies and efficient operations." 6

Many traditional labor union concerns—including ensuring adequate staffing levels and safe working conditions—are intimately intertwined with a utility's ability to provide adequate service. This means that there are often solid grounds for asserting that PUCs have authority in the context of utility regulation to address matters of central concern to employees and their labor representatives. As the Pennsylvania PUC observed in construing its statutory authority, "unless the quality or value of service rendered by a utility is taken into consideration, a judgment on the lawfulness, justness, and reasonableness of the rates sought cannot be made."

# Many traditional labor union concerns are integral to a utility's ability to provide adequate service.

Nonetheless, a PUC's jurisdiction to regulate traditional "labor matters" is not unlimited, 8 and unions seeking to participate in rate proceedings should anticipate employer opposition on the ground that "union issues" fall outside the PUC's jurisdiction. For instance,

in a proceeding concerning a natural gas company's proposed rate increase, the Illinois Commerce Commission (ICC) was asked by Local 18007 of the Utility Workers Union of America (UWUA) to condition any approval of rate relief on the implementation of changes to the company's apprenticeship programs and on the company conducting an audit of its staffing practices. The ICC expressly rejected the company's claim that consideration of these issues was an inappropriate intrusion into collective bargaining matters and therefore outside the scope of the Commission's jurisdiction. Instead, the ICC reasoned that "[e] very act of a public utility is performed by someone, and in countless instances that person is managed by another someone." As such, the ICC held that its statutory authorization must be interpreted as "touch[ing] upon matters that might also be reasonably characterized as labor-management relations matters," writing that "[t]o hold otherwise would be to end the regulation of public utilities."9

### **INTERVENING IN RATE CASES**

T FIRST GLANCE, PROCEEDINGS in which utilities seek approval to raise rates seem an unlikely venue for union intervention. The cases are numbingly technical, with the company and its stable of experts presenting inches (or feet) of documents in support of higher rates and the ratepayer advocate offering equivalent amounts of data in opposition. Both the parties and the arguments tend to recur from year to year, as do ongoing disputes over accounting treatments, rates of return, depreciation rates, and capital structures, among other things. Nonetheless, there are several reasons why a rate proceeding can be an important venue for union participation.

First, the union can intervene to defend those aspects of the employer's rate filing that are beneficial to the workforce. For example, even though a union and employer have agreed on a wage contract, the dollars to fund pay increases—including those resulting from multi-year collective bargaining agreements—are not automatically included in rates and require PUC approval. A union that fails to defend its bargain runs the risk that the wage increase will be excluded from rates. While a PUC rejection will not overturn the contract, it may well complicate future salary bargaining. This is not a theoretical concern. In 2010, the Hawaii PUC rejected the inclusion in rates of bargained-for wage increases because the Commission was "not persuaded that [the utility had] sufficiently considered and implemented aggressive cost-cutting measures." 10

Second, rate proceedings may have direct impacts on staffing levels. The salaries and benefits that are included in rates are calculated based on an assumed number of employees. While setting rates based on specific staffing numbers is no guarantee that a company will, in fact, staff its operations consistent with approved levels, there is little chance that a company will hire employees whose salary and benefits cannot be recovered in rates. If the union is able to demonstrate a link between service quality issues and inadequate staffing, then in ruling on a requested rate hike, the Commission must consider whether the company is sufficiently staffed. Where particularly egregious showings are made, the Commission may go so far as to refuse to consider the requested increase.<sup>11</sup> In raising such concerns, unions are in a unique and potentially powerful position because employees may be among the only people in the company who know what is actually going on in the field. A company will have a hard time refuting the "facts on the ground"; even more importantly, a PUC will have a hard time ignoring them.

In pushing for adequate staffing levels, the interests of the union are, on one level, naturally aligned with those of the ratepayer advocate. Consumers are presumably as vitally interested in ensuring that the lights stay on as they are

about the rates staying low. Utilities that fail to provide consistently acceptable service can face intense public outcry. For instance, after massive power outages following a (relatively minor) snow storm, the Potomac Electric Power Company (Pepco), which provides service to the District of Columbia and the Maryland portion of the Washington, D.C. metro area, was the target of enormous negative publicity. The Maryland Public Service Commission (PSC) opened an investigation into the quality of service provided by the utility, ultimately fining Pepco \$1 million and requiring it to ramp up its tree-trimming activities. 12 That state's consumer advocate took the position that Pepco's reliability had degraded significantly in recent years, and that the utility should be required to more aggressively trim trees as a result—an action that, if implemented, may ultimately raise electric rates down the line.

However, at the same time, the consumer advocate's core objective—the pursuit of the lowest reasonable rates—may limit its ability or willingness to support staffing increases that result in higher rates. The pressure to keep rates down may be particularly intense in low-income communities, where consumer groups and advocates may perceive that higher rates are more burdensome than less reliable utility services. Even where consumer advocates do not make a conscious decision to that effect, institutional culture (or bureaucratic ossification) may lead them to view their mission in a rate case as lowering the rates and nothing else. In other words, for unions participating in regulatory proceedings, alliances that may be critical to the ultimate outcome can be both shifting and hard to come by.

### HOW INTERVENTION PLAYS OUT—TWO CASE STUDIES

WO RECENT PUC RATE CASES brought by subsidiaries of the American Water Works Company, one in Tennessee and the other in West Virginia, illustrate the benefits, as well as some of the twists and turns, that can accompany union involvement in rate proceedings.

West Virginia. In December 2010, the West Virginia PSC conducted an evidentiary hearing concerning a rate increase sought by West Virginia-American Water Company (WVAWC).13 The UWUA National and UWUA Local 537, which represents the company's field operations personnel, successfully sought intervention in the proceeding. 14 At that time, the company had 310 full-time employees and was seeking approval to collect in rates the salaries and benefits associated with 316 employees. The state consumer advocate and the PSC staff (which participates in West Virginia proceedings as a separate entity) opposed the company's request, arguing that the company's practice was to hire additional employees immediately prior to filing for a rate increase, but to lay off staff once new rates were approved.

The UWUA supported the company's 316-employee request, but also argued that approval of the number should be accompanied by a PSC directive that the company must staff its operations at the requested level. The union supported this position by presenting testimony that the company had been perilously understaffing its operations in recent years, and had been neglecting necessary maintenance work as a consequence of having too few employees. The Commission ruled in favor of the company's staffing proposal, finding that "without further evidence, [it would] not second guess the current staffing levels." <sup>15</sup> The PSC also noted that its action was, in part, to address the UWUA's staffing concerns.<sup>16</sup> Thus,

the UWUA preserved the higher number of positions, but did not obtain an order requiring the company to keep those positions filled.

By participating in the rate case, the UWUA was able to develop an evidentiary record that would prove useful in the near future. For instance, the company's president testified during the rate hearings that he had "carefully evaluated the needs of the company and firmly believe[d] we need the 316 employees requested to maintain adequate service to our customers." <sup>17</sup>

While victorious on staffing issues, the company fared poorly in the rate case from an overall perspective—the Commission approved only about one-third of WVAWC's requested increase.<sup>18</sup> A few days after the PSC's rate case order became final, the company—which, based on statements made by its executives, was clearly furious about the result—announced a layoff of 10 percent of its workforce.<sup>19</sup> In response, the union filed a complaint with the PSC, citing the company president's statements in the rate case that WVAWC required 316 employees to provide adequate service. Shortly after the complaint was filed, the Commission issued an order enjoining the company from proceeding with the layoffs pending an evidentiary investigation. The Commission expressed concern that the company's precipitous and inconsistent action could "implicate the statutory obligation of WVAWC to render safe and reasonable service and the Commission's statutory obligations." 20

This order demonstrates the essential nature of union participation. But for the union, no party would have challenged the layoffs. And had the union not been a party to the earlier rate case, it would not have developed a record on WVAWC's minimum staffing needs. The consumer advocate and the Commission staff were both consistent proponents of a leanly-staffed (and therefore less costly) utility, and during the ensuing investigation they

supported allowing the layoffs to proceed, though they recommended that it be coupled with after-the-fact service quality monitoring. The consumer advocate's position may have, in part, been spurred by public opposition to WVAWC's frequent requests for rate relief and by the socioeconomic make-up of WVAWC's service territory. The record of the company's 2010 rate case was rich with letters from customers complaining that rising water bills were a source of financial hardship.

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Following the Commission's investigation of the layoffs, including a hearing at which two UWUA members testified about the potential impacts of staffing reductions, the PSC issued an order prohibiting the company from going forward with ten of its thirty proposed cuts. The protected positions were those deemed critical to quality of service, and all were union positions (though not all of the affected employees were UWUA members).<sup>21</sup> When the company subsequently implemented additional limited layoffs, no UWUA members were affected.<sup>22</sup>

To be sure, this was not business as usual. The PSC acknowledged that its actions "in this proceeding are not routine; instead, the Commission takes these steps only because this situation requires an extraordinary remedy." However, by rejecting the "wait

and see" approach supported by the staff and the consumer advocate, and concluding that it was not required to wait for a catastrophe before acting to protect the public,<sup>24</sup> the Commission set the stage for proactive union intervention to protect serious impacts to service quality.

Tennessee. In Tennessee, the UWUA and its Local 121 likewise sought intervention in a Tennessee American Water Company rate case, and were permitted to participate over the company's strenuous objection. <sup>25</sup> Tennessee American staffed its operations well below the authorized employee level, and at trial the union presented evidence demonstrating that work was being left undone due to lean staffing. In particular, one witness testified about the company's chronic failure to maintain system valves, which control water flows and are critical to restoration efforts after main breaks and leaks. <sup>26</sup>

As in West Virginia, the Tennessee Regulatory Authority authorized the company to include in rates the number of employees advocated by both the company and the union. However, the PUC also required the company to submit semi-annual reports, including: actual staffing levels; an explanation for any differences between authorized and actual staffing; the date by which vacancies would be filled; and detailed information regarding the status of the company's valve maintenance program. The reporting requirements provide a basis for the union to monitor the company's compliance with the staffing conditions and to seek enforcement when necessary.<sup>27</sup>

While variables in the litigation context are difficult to isolate, two factors illustrate the importance of external events in these proceedings. Unlike in West Virginia, the Tennessee Attorney General's office—which plays the role of the consumer advocate—supported the union's presentation and requests. The union's case was also aided by an unexpected turn of events—the week

before the hearing, a large water main broke in downtown Chattanooga, flooding streets and businesses.<sup>28</sup> Unions that are intervenors in regulatory proceedings are positioned to take advantage of circumstances on the ground as they present themselves.

#### **EXPANDING THE SCOPE**

HILE RESPONDING TO EMPLOYer-initiated proceedings before a
PUC can be an effective way to
advance employee objectives, unions should
not consider themselves bound to taking only
reactive actions. The PUC can also be a forum
in which a union can initiate consideration of
an issue, so long as it falls within the scope of
the Commission's jurisdiction. For example, a
well-documented concern facing the nation's
utilities is the prospect of baby-boom era utility
workers retiring with inadequate replacements
in the pipeline.<sup>29</sup>

The International Brotherhood of Electrical Workers Local 1245, which represents workers at the Sierra Pacific Power Company in Nevada, sought to address this concern by petitioning the state's PUC for an investigation into whether there were "graying" issues at the company and, if so, whether they were being addressed adequately.  $^{30}$  The union argued (and supported through an extensive affidavit from a local member) that a significant percentage of the company's workforce was approaching retirement age, particularly those workers in skilled, reliability-critical positions (e.g., linemen), and that the company's employees were already working an unsustainable amount of overtime. In addition, it was noted that Sierra Pacific had seriously limited its apprenticeship programs and entry-level hiring in recent years. Perhaps out of concern for its autonomy and management prerogatives, Sierra Pacific vigorously opposed the requested investigation.

Recognizing the potential severity of the issue, the Commission opened an

investigation.<sup>31</sup> The company has since been required to produce various data on its staffing demographics, as well as the details of its workforce planning. The significance of the proceeding, which is ongoing, is that the union has been able to address a direct threat to its long-term viability.

#### THE WAY FORWARD

HESE EXAMPLES SHOW THAT unions have much to gain from participation in PUC proceedings, and that it is important to be on the lookout for opportunities to do so. When considering intervention, unions should be careful to pick their spots strategically—there is no need to wage a full litigation battle in every proceeding (nor do most unions have the unlimited resources necessary to do so). Moreover, when considering participation, unions should take a long-term view. As seen in West Virginia, participation in one proceeding can yield information that can be useful in future cases. And, as shown in Tennessee, knowledge can be power.

Moreover, becoming a consistent and reliable participant in PUC proceedings legitimizes the union's presence in that forum, and gets commissioners in the habit of incorporating the viewpoints of employees

Notes

1. Utility commissions may also be called "public service commissions," "corporation commissions," "regulatory authorities," or another nomenclature entirely, and the precise scope of an agency's jurisdiction likewise varies from state to state. For the purposes of this article, however, we are largely concerned with legal and regulatory structures common to most states and will refer generally to utility commissions as "PUCs" or simply "Commissions."

2. See, e.g., Or. Rev. Stat. §757.210(1)(a): ("[T]he utility shall bear the burden of showing that the rate or schedule of rates proposed to be established or increased or changed is fair, just and reasonable.");

into their decision-making processes. Absent those perspectives, a PUC will all too often be left with a clash between a profit-maximizing corporation and a penny-conscious consumer advocate. Whichever perspective prevails is

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unlikely to be wholly responsive to workforce concerns (and, by extension, customer needs for reliable utility services). Through strategic participation at the PUC, labor can shift this imbalance and begin to achieve some of its traditional goals in a new forum.

Md. Pub. Utils. Code Ann. §5-101(a): ("[T]he Commission may adopt regulations that prescribe standards for safe, adequate, reasonable, and proper service."); Wash. Rev. Code §80.01.040(3): ("[The Washington Utilities and Transport Commission shall] [r]egulate in the public interest, as provided by the public service laws, the rates, services, facilities, and practices of all persons engaging within this state in the business of supplying any utility service or commodity to the public for compensation."). See also Eric Filipink, "Serving the 'Public Interest'—Traditional vs. Expansive Utility Regulation," National Regulatory Research Institute Report 10-02 (December 30, 2009) (discussing

legislatively delegated authority to state commissions, and court review of that delegated authority).

- 3. 66 Pa. Code § 2210(a)(2).
- 4. Consumer Advocate Div. v. Greer, 967 S.W.2d 759, 761-62 (Tenn. 1998) (citing Tenn. Cable Television Ass'n v. Tenn. Pub. Serv. Comm'n, 844 S.W.2d 151, 159 (Tenn. Ct. App. 1992)) (internal quotation marks omitted).
  - 5. Alaska Stat. § 42.05.511(a).
  - 6. Nev. Rev. Stat. § 703.151.
- 7. Pa. Gas & Water Co., 74 PUR 4th 238, 251, 61 PUC 409, 421-22 (Pa. PUC 1986).
- 8. Under federal law, the National Labor Relations Board has primary jurisdiction over disputes arising out of allegations of unfair labor practices. 29 U.S.C. § 160(k). See *San Diego Bldg. Trades Council v. Garmon*, 359 U.S. 236, 245 (1959).
- 9. *In re* N. Shore Gas Co., Nos. 07-0241-2, 2008 WL 631214, at \*290 (III. Commerce Comm'n Feb. 5, 2008).
- 10. Slip op. at 19-20, Haw. Elec. Light Co., Docket No. 2009-0164 (Nov. 2010), available at http://dms.puc.hawaii.gov/dms/OpenDocServlet?RT=&document\_id=91+3+ICM4+LSDB15+PC\_DocketReport59+26+A1001001A10K03B60346E3621418+A10K03B60346E362141+14+1960.
- 11. Pa. Gas & Water Co., 74 PUR 4th 238, 251, 61 Pa. PUC 409, 452 (Pa. PUC 1986). The Pennsylvania Public Utilities Commission reviewed "precedents from other jurisdictions which have been faced with a utility which had significantly failed to provide safe and adequate service" and had refused requested rate increases. Ibid. (discussing cases from Missouri, Idaho, and Washington, as well as the D.C. Circuit's decision in D.C. Transit Sys., Inc. v. Wash. Metro. Area Transit Comm'n, 466 F.2d 394 (D.C. Cir. 1972), cert. denied, 409 U.S. 1086 (1972)).
- 12. *In re* an Investigation into the Reliability and Quality of the Electric Distribution Service of Pepco, Case No. 9240, Order No. 84564 (Md. PSC Dec. 21, 2011), available at http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3\_VOpenFile.cfm?ServerFilePath=C:\Casenum\9200-9299\9240\\107.pdf.
- 13. W. Va.-Am. Water Co., Case No. 10-0920-W-42T (W. Va. PSC).
- 14. While the company did not oppose the union's intervention request in that particular case, in granting it the PSC itself expressed skepticism about the union's

intentions, noting that it "takes this opportunity to remind the Union that granting a request to intervene does not expand the scope of this proceeding." Commission Order at 2, W.Va.-Am. Water Co., Case No. 10-0920-W-42T (W. Va. PSC Aug. 16, 2010), available at www.psc.state.wv.us/scripts/ WebDocket/ViewDocument.cfm?CaseActi vityID=302703&NotType=%27WebDock et%27.

15. Commission Order on the Request for Increased Rates and Charges at 10, W. Va. Am. Water Co., Case No. 10-0920-W-42T (W. Va. PSC Apr. 18, 2011), available at www.psc.state.wv.us/scripts/WebDocket/ViewDocument.cfm?CaseActivityID=3193 47&NotType=%27WebDocket%27.

16. Ibid., 36.

17. Rebuttal Testimony of Wayne D. Morgan, P.E. at 5:12-13, W.Va.-Am. Water Co., Case No. 10-0920-W-42T (W. Va. PSC Nov. 22, 2010), available at www.psc.state. wv.us/scripts/WebDocket/ViewDocument. cfm?CaseActivityID=309752&NotType=% 27WebDocket%27.

18. Commission Order on the Request for Increased Rates and Charges at 1, W.Va. Am. Water Co., Case No. 10-0920-W-42T (W. Va. PSC Apr. 18, 2011).

- 19. Eric Eyre, "W. Va. American Water to Cut 10% of Workforce," *Charleston Gazette*, May 19, 2011, available at http://wvgazette.com/News/201105191317.
- 20. Commission Order at 2-3, W. Va.-Am. Water Co., Case No. 11-0740-W-GI (W. Va. PSC May 31, 2011), available at www. psc.state.wv.us/scripts/WebDocket/View-Document.cfm?CaseActivityID=322176&N otType=%27WebDocket%27.
- 21. Commission Order, W. Va.-Am. Water Co., Case No. 11-0740-W-GI (W. Va. PSC Oct. 13, 2011), available at www.psc. state.wv.us/scripts/WebDocket/ViewDocument.cfm?CaseActivityID=330867&NotTy pe=%27WebDocket%27.
- 22. Following this order, the company requested a partial rehearing of the Commission's decision. The Commission modified its decision slightly, allowing the company to maintain temporary vacancies in its workforce but heightening its obligations to explain how those job duties were being performed during the pendency of the vacancy.
  - 23. Ibid., 3.
  - 24. Ibid., 15.

25. *In re* Petition of Tenn. Am. Water Co. for a Gen. Rate Increase, Docket No. 1000189 (Tenn. Reg. Auth.).

26. The union's testimony highlighted some of the hidden costs of staffing shortages. If the company infrastructure is not properly maintained—and, as a result, there are either additional outages or outages that are longer than would otherwise be necessary—the costs can be enormous. Unions can assert and demonstrate that adequate staffing is truly an instance of pay me now, or pay me a lot more later.

27. In fact, the company's first semiannual report, filed on October 21, 2011, stated that only 100 of 110 authorized positions were filled. The union filed a request, still pending, for enforcement of the Authority's order, asking that the company be required to state when those positions would be filled and then actually fill those positions.

28. When workers went to turn valves to shut the water off, the valves malfunctioned, causing the water to continue to flow. Kate Harrison, "Water Main Repair Could Take Weeks," Chattanooga Times Free Press, February 25, 2011, available at http://timesfreepress.com/news/2011/feb/25/repair-could-take-weeks; John Pless, "Burst 24' Water Main Still Leaking,"

February 24, 2011, available at www. newschannel9.com/news/water-998901-main-burst.html.

29. See N. Am. Elec. Reliability Corp. (NERC), "2007 Long-Term Reliability Assessment: 2007-2016" (2007): 20, available at www.nerc.com/files/LTRA2007.pdf; NERC, "2008 Long-Term Reliability Assessment: 2008-2017" (2008): 5, available at www.nerc.com/files/LTRA2008.pdf; U.S. Dep't of Labor, Employment & Training Admin., "Identifying and Addressing Workforce Challenges in America's Energy Industry" (2007): 4, available at www.doleta.gov/BRG/pdf/Energy%20Report\_final. pdf; Scott H. Strauss, Jeffrey A. Schwarz, and Elaine C. Lippmann, "Are Utility Workforces Prepared for New Demands?: Recommendations for State Commission Inquiries," NRRI Report 10-01 (January 2010).

30. Investigation Regarding Whether the Workforce of Sierra Pacific Power Company d/b/a/ NV Energy (SPPC) Is, or in the Future Will Be, Experiencing a Significant Amount of Aging, and the Potential Impact, If Any, That Such Aging May Have On the Reliability of SPPC's Service, Docket No. 11-02015 (Nev. PUC).

31. Ibid.