

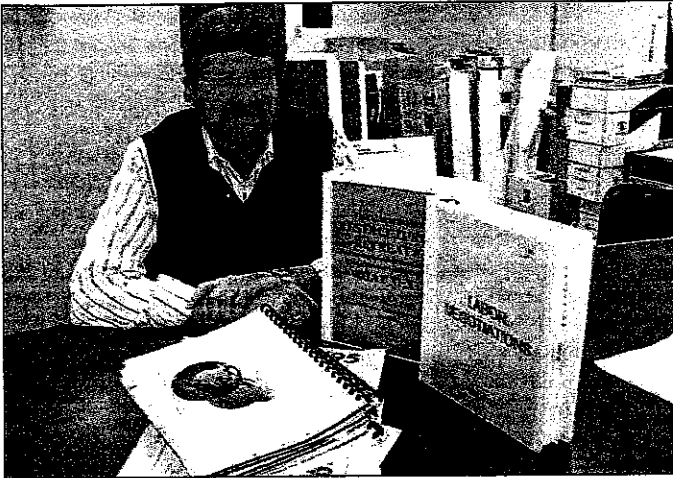
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Chugach Electric critic pushes for negotiations



PHOTO/Claire Chandler/AJOC

Former Chugach Electric board chairman Ray Kreig, citing confidential documents seen above, believes the utility could reduce its rates if it were to renegotiate its labor contracts. Chugach disputes the claim.

By Claire Chandler
Alaska Journal of Commerce

Chugach Electric Association's management and board of directors have discussed the possibility of extending the utility cooperative's labor contracts with the International Brotherhood of Electrical Workers Local 1547, alarming former board member and consumer advocate Ray Kreig.

Officials from Chugach Electric say that while an extension has been discussed, there has been no action on the matter yet.

"What the board authorized me to do is to feel the union out and see what they thought about an extension. Nothing has happened on it,"

said Joe Griffith, chief executive officer of Chugach Electric.

Instead of extending the contract, Kreig said Chugach Electric should begin negotiations with the IBEW. Kreig is the chairman of the advocacy organization Chugach Consumers and served on the Chugach Electric board from May 1994 to April 2000, including two years as the board's chairman.

Griffith said labor negotiations take time and cost a lot of money.

The last negotiations between the association and IBEW spanned 2 1/2 years, from about early 1998 to 2000, when the agreements were reached.

In April 2002, Chugach Electric's

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Chugach: Negotiations would be costly

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board voted to extend the association's labor contracts with the IBEW through June 30, 2006.

"What you are trying to do with an extension is extend (the labor contracts) with the simplest changes — you wouldn't try any negotiations that would be lengthy," Griffith said.

Kreig argues that carrying out labor negotiations is worth the time and money because the utility has to make changes in its IBEW labor contracts before it can become a well-run, cost-effective operation.

Chugach Consumers estimates that Chugach Electric's costumers are paying 20 percent more than they would be if the utility were run according to the national norms of efficiency.

A 20 percent rate reduction in a household using 750 kilowatt-hours a month is more than \$200 a year, and that's just the direct savings for consumers, Kreig said. A reduction in Chugach Electric's rates would save consumers hundreds of dollars more in taxes that pay for the operation of streetlights, schools and other public facilities, as well as reduce the price of products sold in Alaska.

Chugach Consumers' estimate of potential rate reductions is based on information about Chugach Electric's operations over the last 10 years.

Much of the information is not available to the public because it is included in about a dozen confidential studies prepared when Kreig was a member of Chugach Electric's board, he said. "I think

all of them should be released either in their entirety or the summary of the salient points."

Kreig said the changes he advocates will not take place "unless there is pressure and public knowledge of why these rates are higher than they should be."

Kreig cited a 1995 study by UMS Group Inc. and analysts of the National Rural Electric Cooperative Association that compared 23 large electric cooperatives nationwide.

The study determined that the cost of operating Chugach Electric's distribution network was higher than all of other 22 cooperatives, and Chugach Electric's quality of service — such as its responsiveness to customers and the amount of time it took the utility to install new connections — was below the average quality of service provided by the other 22 utilities.

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"It's as relevant today as it was then because Chugach hasn't begun to address the findings: They are not negotiating the work rules and restrictions that drive up costs," Kreig said.

Critics says more efficient models exist and should be looked to

Kreig referred to Matanuska Electric Association's labor negotiations with the IBEW three years ago and other cost-cutting measures since general manager Wayne Carmony joined the utility in 1994 as examples of how Chugach Electric can lower operating costs to reduce its rates.

Using an estimate Chugach Electric gave MEA when offering to buy the utility in 1994, Tuckerman

Babcock, manager of government and strategic affairs for MEA, said that just more than 10 years ago MEA's rates were 17 percent greater than the rates of Chugach Electric.

In the last decade, MEA has reduced its rates 16 times and increased the rates twice, according to Babcock.

Chugach Electric's Griffith said the utility has not increased its rates - except for increasing its fuel adjustment - during the same 10-year period.

A household's average monthly 750 kwh-bill from MEA was \$81.01 last year, while a similar Chugach Electric consumer paid \$89.07, according to the Regulatory Commission of Alaska's data of 2004 electric rates statewide.

Babcock said MEA has lower rates than Chugach Electric even though MEA's network is larger and more expensive to operate.

Chugach Electric has 2.7 times the number of consumers per mile of line than MEA and 5.7 times the income.

"All of that points to we should not be less expensive," Babcock said.

Kreig agrees. "Based on that, Chugach Electric should have whacked 15 percent off its rates, if they were doing the same things MEA was doing to improve its economic efficiency."

Kreig said that before Chugach Electric can make significant changes in the way it operates, it has to negotiate its labor contracts with the IBEW.

"This is not about slashing people's basic hourly wages. That is not the top priority. The top priority is competitive bidding, modernizing work rules and addressing overtime abuses," Kreig said. "No. 1, they need to implement the 1996 competitive bidding bylaw, passed by 80 percent of the utility's voters, to allow for full competition for maintenance and new construction contracting."

Kreig said Chugach Electric has not implemented the full and open competitive bidding bylaw because its labor contracts with the IBEW restrict the type of contractors who can bid on some of Chugach Electric's projects to contractors that employ members of the IBEW.

If the utility complied with the bylaw by ensuring responsible bidders were not excluded, its

costs would decrease, he said. "If you expand the number of people bidding, more competition will drive down the cost. The IBEW contractors will still get much of the work, but they will be doing it at a more competitive price."

As the largest electric utility in Alaska, Chugach Electric would create a market for nonunion contractors if it were to negotiate full and open competitive bidding into its contracts with the IBEW, Kreig said. He added that this would lower costs for other utilities in the state, including MEA.

"That seems like commonsense to me," MEA's Babcock said.

MEA's costs dropped by 25 percent to 35 percent when nonunion contractors bid on its

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IBEW: Utility, IBEW dismiss claims and Kreig as 'disgruntled'

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project from 1997 to 1999. MEA has not had any large nonunion bidders since then, Babcock said.

Griffith said Chugach Electric is complying with its full and open competitive bidding bylaw.

"We operate under full and competitive bidding today and Ray (Kreig) doesn't like the fact that there are no nonunion electric contractors in Alaska," he said.

Griffith added that Chugach Electric is not in violation of its IBEW contracts by operating under the bylaw.

Critics target overtime pay, Chugach says gas shortage the bigger problem

Another change in the utility's labor contracts that Kreig is advocating for has to do with the overtime pay of IBEW members.

Kreig said that while overtime pay is typically one and a half times a person's standard pay, IBEW members at minimum earn double their standard pay when working overtime and on certain occasions, such as birthdays and holidays, earn triple their standard pay.

Chugach Electric spokeswoman Patti Bogan declined to comment on changes Kreig proposes the utility should negotiate into its contracts with the IBEW.

"Chugach cannot comment on contract negotiations or proposals," she said. "We do not negotiate in public, which is typical of any company negotiating a contract. And in our opinion there is no story and we can't comment on how Mr. Kreig reaches his opinions."

Melinda Taylor, communication director of the IBEW, also said there is no story concerning discussions between the union and Chugach Electric.

"We negotiate with utilities around the state and we don't encounter the type of situation that we do with Ray (Kreig) and Chugach," she said. "We see him as a disgruntled ex-board member. He is drumming up news where there is no news. There's no story here."

Red Boucher, the chairman of Chugach Electric's board, declined to comment on what the utility is negotiating with the IBEW.

"There is no sense publishing what our problems areas are. We have some and we are working on it," Boucher said.

The most important issue facing Chugach Electric is not the utility's labor costs; it's the potential natural gas shortage in Southcentral Alaska as early as 2009, he said.

"Let's take a look at the big picture," Boucher said. "The labor costs are a very small part of the overall Chugach budget.

"You can bang away at whatever a lineman gets but there are far bigger issues than what they (Chugach Consumers) are talking about."

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