

PRIDDY,
ISENBERG,
MILLER &
MEADE PLLC

ALTON D. PRIDDY *
MARK L. MILLER
SCOTT M. MILLER **
DON C. MEADE
PETER J. NAAKE
MARY W. SHARP
MARSHALL B. HARDY, JR., OF COUNSEL

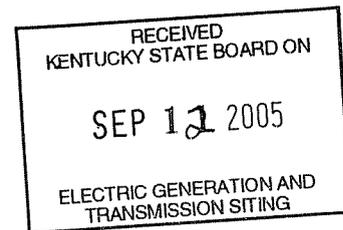
* ALSO ADMITTED IN INDIANA

** ALSO ADMITTED IN COLORADO & PENNSYLVANIA

RALPH H. LOGAN
1910 - 1999
CHARLES R. ISENBERG
1921 - 2002

September 9, 2005

Siting Board
P. O. Box 615
211 Sower Blvd.
Frankfort, KY 40602-0615



Re: Case No. 2005-00152

Dear Siting Board:

Enclosed find an original and ten copies of Direct Testimony of Larry L. Roberts, State Director, Kentucky State Buildings and Construction Trades Council.

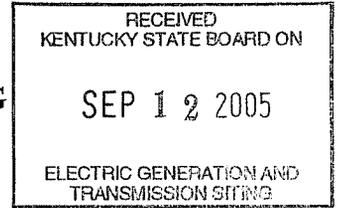
Respectfully,

A handwritten signature in cursive script that reads "Don Meade".

Don Meade

DM/sks
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY STATE BOARD ON
ELECTRIC GENERATION AND TRANSMISSION SITING



In the Matter of:

JOINT APPLICATION OF THE ILLINOIS)
MUNICIPAL ELECTRIC AGENCY AND THE)
INDIANA MUNICIPAL POWER AGENCY FOR)
APPROVAL TO BE A 25% PARTNER IN THE)
CONSTRUCTION OF A 750 MEGAWATT)
ADDITION TO THE EXISTING TRIMBLE)
COUNTY GENERATING FACILITY IN)
TRIMBLE COUNTY, KENTUCKY)

CASE NO.: 2005-00152

DIRECT TESTIMONY OF LARRY L. ROBERTS
STATE DIRECTOR
KENTUCKY STATE BUILDINGS
AND CONSTRUCTION TRADES COUNCIL

FILED: SEPTEMBER 9, 2005

Q. Please state your name, position and business address.

A. My name is Larry L. Roberts. I am State Director of the Kentucky State Building and Construction Trades Council. My business address is 5247 U.S. 127 N., Frankfort, KY 40601.

Q. What is the State Building and Construction Trades Council?

A. We are an organization of six area councils, representing a total of 72 local craft unions. The Trades Council represents various building and construction trade affiliates that include the following: Boilermakers; Bricklayers; Carpenters; Electrical Workers; Elevator Constructors; Glaziers; Insulators; Asbestos Workers; Iron Workers; Laborers; Operating Engineers; Pipefitters; Plumbers; Plasterers and Cement Masons; Sprinkler Fitters; Roofers; Sheet Metal Workers and Teamsters. The Trades Council collectively represents approximately 35,000 Kentucky workers. It is this group of workers that is the repository of collective skill, trade and technical knowledge that is utilized for major construction projects. The Trades Council has historically performed the major utility construction work in the area under the auspices of project labor agreements with Cinergy, Eastern Kentucky Power, TVA and utilities in Western Kentucky. The Trades Council affiliates are currently involved in the installation of a scrubber at Clifty Creek in Indiana, and have been involved in the construction of Spurlock Station for Eastern Kentucky Power, TVA work at Kentucky Dam, the Cash Creek Project in Henderson. Other projects that the Building Trades have recently performed include the UPS hub expansion and the Churchill Downs expansion. Both were performed under project labor agreements. Most recently, the construction of the Spurlock Generating Facility, of Eastern Kentucky power was completed. This was built utilizing Kentucky labor.

Q. How does the role of the State Council differ from that of the local affiliate councils?

A. In my role as State Director, I concentrate on issues that impact the state's economic development overall. We are actively involved in working with state government,

legislators and administrative bodies for the purpose of coordinating resources and troubleshooting problems that affect Kentucky's ability to remain competitive, as well as insure utilization of Kentucky employees for all major projects constructed in the state. The Trimble County Plant is the type of project that has a state-wide impact. It is of such a magnitude that we would expect to draw on craft workers from across the state, as far away as Paducah, Northern Kentucky and Ashland. The project not only impacts the LG&E service territory, but because of the involvement of the Public Service Commission, and the fact that the construction financing will be drawn from the local resource of rate payers, the project has implications for state government as well as the economic development issues involving the state at large.

Q. How does the Trades Council help keep Kentucky competitive, from an economic development standpoint, with regard to major construction projects?

A. The Trades Council is the primary organization in the state that takes the responsibility for insuring that Kentucky has a well qualified, properly trained and skilled workforce in place to meet the needs of sophisticated major construction. The affiliates of the Trades Council pay for, design, direct and maintain approximately 35 apprentice training programs around the state. Each of these training programs is craft specific, with the purpose of insuring that properly trained and qualified employees are available, at all times, to meet the needs of Kentucky employers and construction projects. These apprentice programs actively recruit and identify young men and women to train. The programs are sophisticated, intensive and work the students through levels of apprentice training until they achieve journeymen status. Even as journeymen, the programs undertake continuing education with regard to safety, technology and new developments in the craft. The Trades Councils and their affiliates, are actively involved in maintaining low cost health insurance coverage, enforcing and developing appropriate drug policies and insuring appropriate pension options in order to retain individuals in the construction trades industry.

Q. How does a project like Trimble County 2 impact the ability of Kentucky to sustain the development of a qualified workforce?

A. The State Council, along with its affiliates, take a long-range view toward meeting the present and future construction needs of the state. Construction has been identified, on a national level, as one of the top ten growth industries in the next decade. At the same time, shortages of skilled craft labor are already occurring, and are projected to continue during this growth period. Projects such as Trimble County present a two-fold opportunity. It allows for utilization of the trained workforce in place. It also allows for the recruiting of new and additional employees, allowing the training to continue because of the ongoing need, over a period of three to four years, that the construction provides. Major projects such as Trimble County are essential for consolidating all of the sophisticated skill sets necessary for Kentucky to have a sophisticated construction workforce, and to providing opportunities to attract talented new workers into the trades because of the prospect of ongoing and long term career opportunities.

Q. Does Kentucky currently have the necessary labor and craft resources in order to build the TC2 project on time and on budget?

A. Yes. We know this from recent examples of projects of an equivalent nature. Particularly, I refer to the Spurlock Generating station with Eastern Kentucky Power. This 278 megawatt generating facility took almost three years to construct, with a cost of approximately 500 million. The project was completed with over 1 million man hours of labor, and was performed without any lost time due to injuries – an outstanding safety record of which we are proud. The project was done under a Project Labor Agreement, which allowed us to fully utilize all of the Kentucky craft resources available. At a press conference which occurred in April of this year, representatives from Gov. Fletcher's office praised the on time/on budget completion of the project as a tribute to the Kentucky labor force that built it. Similar major projects, such as the UPS expansion hub and the

Churchill Downs construction projects were also performed under a Project Labor Agreement, which successfully utilized Kentucky employee resources.

Q. What is the issue of utilization of out of state employees with regard to Kentucky major construction projects?

A. In recent years, Kentucky workers have been adversely impacted by this development. What we have seen is that certain major construction firms, which reside outside of the Commonwealth, have developed their own workforce resources drawn from states and regions across the country. Because these major contractors are successful in securing significant amounts of capital construction work, they have been successful in developing craft resources that are drawn from many different states. This allows these contractors to identify the lowest possible labor cost, for various craft specialties, and secure major construction work through low bids. Once secured, the contractor imports labor resources to the detriment of the local work force. Rather than utilizing the Commonwealth's pool of skilled and experienced craft employees, we have seen several projects in which Kentucky workers remain idle while the parking lots of the project are filled with vehicles bearing out of state license plates. This has been an increasing problem that the State Trades Council and local affiliate councils have been dealing with.

Q. What is the economic impact of such construction practices?

A. The most obvious one is the disparity of having major construction projects happening locally and the surrounding communities not benefitting by the payroll and financial resources that are being poured into the project. We have seen situations where qualified craft workers are drawing unemployment benefits while out of state workers perform construction in their backyards. We have seen situations where efforts by our local councils to deal with out of state contractors have been rebuffed, with a refusal to consider the use of local labor resources. At the heart of the matter is a deterioration in local standards with regard to wages and benefits. These major general contractors utilize

employees without the benefit of paying medical insurance or pension contributions. They also are able to find the lowest possible wage rates, capitalizing on difficult economic situations in other states. The irony of this is that these projects are often subsidized with either government money or government regulated money, such as in utility construction. Projects are built either with taxpayer money, or with revenues by local utility rate payers. By allowing the construction process to import migrant labor, these projects are undercutting not only local wage standards, but losing cite to the long term welfare of citizen-workers in Kentucky in terms of maintaining appropriate medical insurance coverages and having long range retirement benefits. These projects also deprive the state and local communities of direct economic benefits. Out of state employees do not pay state income taxes. They avoid local occupational tax. The revenues are shipped out of state and spent in communities other than the local ones. The projects do not support local purchasing power, which is plowed back into the economy. This practice of importing migrant labor also discourages the recruitment of local talent into the construction trades, and depresses the ability of apprentice programs to produce qualified journeymen workers.

Q. What are recent examples of this occurring?

A. The Henderson Utility Commission approved the use of an out of state contractor for the installation of scrubbers at the Henderson Municipal Power Company. The out of state contractor came in with the lowest bid. The Utility Commission was unaware that the contractor would import out of state labor. This resulted in a major controversy for that community. The Owensboro Building and Construction Trades Council had many members that were available for work and remained idle while public dollars are being spent to pay out of state laborers. There was a public outcry, public hearings and a heated debate about what had occurred. The Commissioners professed a lack of knowledge that this would occur, and further pled that they were obligated to accept the low cost bid for the project.

A similar situation began to develop in Muhlenberg County when Peabody Coal Company announced plans to build a merchant plant. The project was supported by local, state and national political figures. It then became apparent that Peabody was considering the award of the construction project to an out of state contractor that utilized its own imported workforce. This led to a public outcry, including involvement of political figures such as Mitch McConnell. Unfortunately, the project was shelved. It appeared this would be a major issue of contention because of the potential of repeating what had happened in Henderson.

Q. What role is the Trades Council advocating that LG&E play to insure that the economic impact of TC2 is concentrated in Kentucky?

A. LG&E is in a position to select a contractor for TC2 that will pledge to utilize Kentucky employment resources. A review of documents from a previous case vividly illustrates the issue. I have reviewed the construction proposals which were presented to LG&E in Case No. 2000-112, *Application of Kentucky Utilities Company and LG&E for Certificate of Public Convenience and Necessity to Construct Selective Catalytic Reduction Control Technologies*.¹ One of the bids was from Contractor A² for construction of scrubbers at Trimble County, Brown 3, Ghent 1 and Ghent 2. The proposal highlighted the ability of these contractor resources to draw upon their own workforce:

Contractor A has over 20,000 craft resources in its craft employee data base. We have maintained a successful presence from coast to coast and have existing craft resources in your region. In addition, Contractor A's organization continuously tracks over 4000 craft employees with fossil plant experience for temporary/outage work. (p. 00062)

¹I have reviewed the Confidentiality Agreement and agree to abide by its terms with regard to the documents reviewed.

²Counsel for LG&E and the undersigned have conferred pursuant to the Confidentiality Agreement, and agreed to protect the identities of contractors by referring to them as Contractor A and B.

The proposal goes on to state, “During the last 10 years, over 105,000 employee requisitions have been filled for journeymen, helpers and laborers.” (p. 00088) The Contractor A proposal also specified the project would be built non-union.

This proposal was in stark contrast to the one from Contractor B, which made the following commitment:

To effectively meet the resource demands associated with constructing 13 SCRs over the next four years, Contractor B has always placed a strong emphasis on communicating with labor. Contractor B is committed to utilizing union labor and many of our management personnel sit on influential committees that determine policy for apprentice programs, safety, training, etc. (p. 000194)

The proposal goes on to identify local labor pool resources: “The combined total labor pool is approximately 600 and we feel confident that these resources can support our requirements.” The proposal makes the following observation regarding local labor resources: “These labor organizations actively participate in common arc, safety and drug testing programs to maintain a reliable and cost effective workforce.” (p. 000195) LG&E was faced with a choice of selecting a contractor that would import a major portion of its labor, versus a contractor that was fully committed to utilizing local employees. Predictably, LG&E chose the non-union proposal of Contractor A. These major construction projects were characterized by imported laborers, leaving many skilled Kentucky craftsmen idle while the work was being performed over several years.

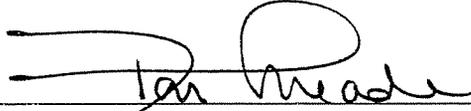
The Trades Council believes that LG&E has a public responsibility and fiduciary duty to insure that the economic impact of the TC2 project be concentrated in Kentucky.

Q. Does this conclude your testimony?

A. Yes.

Respectfully submitted,

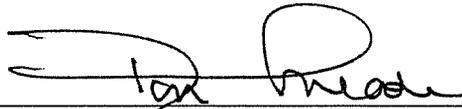
PRIDDY, ISENBERG, MILLER & MEADE, PLLC



Don Meade
800 Republic Bldg.
429 W. Muhammad Ali Blvd.
Louisville, KY 40202
(502) 587-8600
**Counsel for IBEW, Local 2100 and
Greater Louisville Building and Construction
Trades Council**

CERTIFICATE OF SERVICE

It is hereby certified that on the 9th day of September, 2005, an original and 10 copies of the foregoing motion was mailed to the Siting Board, P. O. Box 615, 211 Sower Blvd., Frankfort, KY 40602-0615, and a true copy thereof was mailed to the attached service list.



Don Meade

SERVICE LIST

Ronald D. Earl
Illinois Municipal Electric Agency
919 South Spring Street
Springfield, IL 62704

Troy A. Fodor
913 S. Sixth Street
Springfield, IL 62703

J. Gregory Cornett
1700 PNC Plaza
500 W. Jefferson Street
Louisville, KY 40202-2874

Elizabeth L. Cocanougher
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232

Rajeshwar G. Rae
Indiana Municipal Power Agency
11610 North College Avenue
Carmel, IN 46032

Randy K. Stevens
County Judge/Executive
Trimble County Courthouse
123 Church Street
P. O. Box 251
Bedford, KY 40006-0251

LaJuana S. Wilcher
KY Division of Energy
Fifth Floor, Capital Plaza Tower
Frankfort, KY 40601

John N. Hughes
124 W. Todd Street
Frankfort, KY 40601

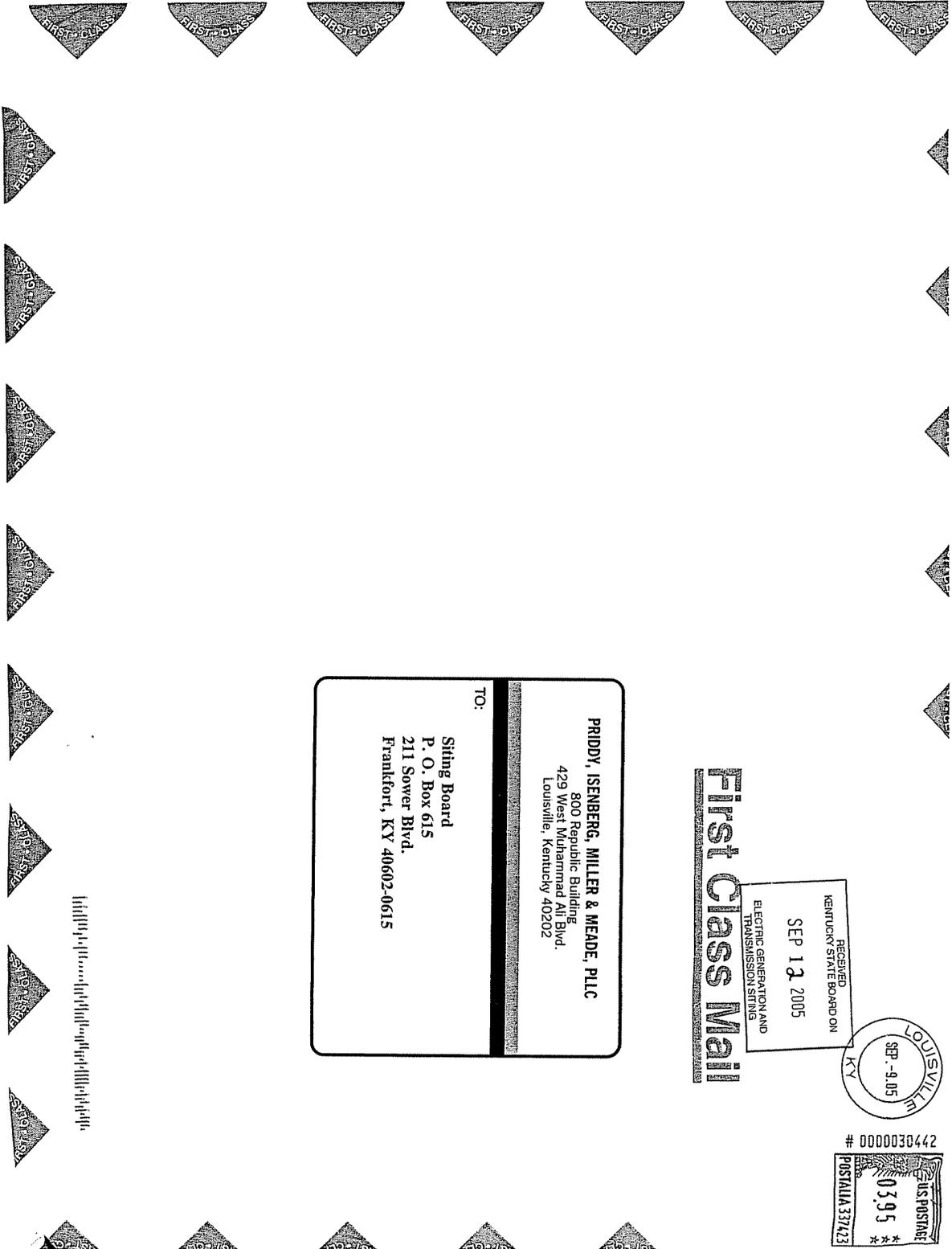
Daniel A. Lane
Indiana Municipal Power Agency
11610 North College Avenue
Carmel, IN 46032

Douglas L. Jeavons
BBC Research & Consulting
3773 Cherry Creek North Dr., Ste. 850
Denver, CO 80209-0448

Robert M. Watt III
Stoll, Keenon & Park
300 W. Vine Street, Ste. 2100
Lexington, KY 40507-1801

William A. Prouix
1030 Martini Lane
Bedford, KY 40006-8712

J. R. Wilhite
Economic Development Cabinet
Old Capital Annex
300 West Broadway, 2nd Floor
Frankfort, KY 40601



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PRIDDY, ISENERG, MILLER & MEADE, PLLC
800 Republic Building
429 West Muhammad Ali Blvd.
Louisville, Kentucky 40202

TO:
Siting Board
P. O. Box 615
211 Sower Blvd.
Frankfort, KY 40602-0615

