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## Interview: Dan Davis

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# Deregulation Wrecked California's Power Plants

*Dan Davis is the President of Local 246 of the Utility Workers Union of America, in Los Alamitos, California. He was interviewed by Marsha Freeman on June 7.*

**EIR:** How has your union local been affected by the deregulation of the electric utilities in California?

**Davis:** When the state decided to start to head toward deregulation in 1996, our local had 2,000 members. One of the first activities that the utilities took, when they saw they were going to lose their power plants, was a reduction in force. Around 1996-97, after the deregulation law had been passed, we reduced our manning by about 500-600 people. The entire market was changing. The utilities could see they were going to be getting out of the generation business. The Public Utilities Commission (PUC) was pushing them to be more cost-effective, and the easiest way to show that was to stop doing a lot of maintenance, cut back on your manning, and show a lot of positive activities, being a lot more slim and trim.

I have another 40 people losing their jobs. By the end of the year, another 100 will lose their jobs.

**EIR:** How were the maintenance crews reduced?

**Davis:** They started reducing the manning at many locations. We had a travelling work crew, which was decimated at that time. The travelling crew works at all the Southern California Edison power plants. They would help with the regular maintenance and do outage overhauls. If something broke down, we would have a crew that could run out and do work on it. We could do a complete overhaul on several units at a time. We weren't big enough to do all the work, and they would still use contractors, but we were capable of working at all the plants they had.

**EIR:** How did the maintenance change when the plants were run by the new unregulated generators?

**Davis:** What we used to do was routine maintenance, where you would go out, inspect your equipment, see if anything needed work, fix it, and take outages on a regular basis. A major piece of equipment usually ran for a few years, so, every four years, we would do a major outage, take the plant down, and tear things apart and fix them. The idea was that even if something is in pretty good shape, it's better to replace the bearings, and do the work on it, because you want four to six years of good operating run.

In 1998, we went to a new type of process they called "condition-based maintenance," where you figure out how often something breaks. I used to call it "crash-and-burn" maintenance. You try to figure out when something was going to blow up, and fix it the day before. The problem is, that no one can figure out when it's going to blow up, so you end up fixing it the day *after*. Under condition-based maintenance, you do a lot less maintenance, so you don't need as much of a workforce.

When the new owners took over, they went beyond that, and stopped doing the maintenance. Their concept was, "run it until it breaks, and fix it." The maintenance force was decimated even more. NRG doesn't even have a maintenance workforce. They hire contractors.

**EIR:** Is their contract for union work?

**Davis:** The contractor NRG brought in, is a union contractor. AES does everything they can to stay non-union. They're kind of a cult. They interview, and the first thing they say, is that you have to be happy working with AES! It's got to be fun. If it's not fun, you shouldn't be here, and then they fire you. AES busted the union, and the workers they bring in are non-union, as much as possible.

All the [plant] locations cut back on maintenance. They're not obligated for reliability, so it wasn't a big problem. The utilities had to have reliability, so you didn't want units to break. The new owners don't care. If it broke, you take it offline and fix it.

**EIR:** What you are describing would lead to more down time for unscheduled maintenance. But this Winter, there were three times as many plants down than any other year, and the PUC has questioned whether the plants were taken down to create an artificial shortage and game the market, to drive up the price. Have you seen indications of that?

**Davis:** I've got indications all over the place: They hired people in maintenance and operations who didn't know how to run the plants, and they broke a lot of equipment and did a lot of damage. One example, is boiler feed pumps. Edison, in all their plants combined, used to burn up one [pump] every four or five years. Each one costs a quarter of a million dollars. Last Summer, the new owners burned up five of them. Edison didn't burn that many up in 30 years! It wasn't because the plants were running so much, but that people didn't know what they were doing.

When Edison ran these plants a lot, you'd run them like a car. You would run all of the units at full load, at cruising speed, like on the highway. During the 1980s, we ran these plants harder than they do now, and maintained them. Every Summer, we would bring everything online, run it full load, and then take a couple of units and bring them down at night [when demand was lower], and bring them up in the morning. They were the ones that took all the wear and tear. Edison concentrated on a few units and put the wear and tear on those, which then would need maintenance the next year. The new owners ran these plants all over the market. They would not only bring them up and down every day, they'd bring them up and down five or six times an hour.

I do know of an incident at a Reliant plant, where they used equipment breakage to their advantage. They had a unit that had tube leaks for weeks. It came to a point, where the PUC was ordering them to run it. The tube leaks hadn't gotten any worse, but Reliant said, "It's too dangerous," and shut it down. It had been like that for three weeks, but they used the excuse of the tube leaks to take it offline.

**EIR:** What instances are there, where lack of maintenance forces power plants offline?

**Davis:** In these power plants, you've got intake from the ocean, and, along with that, you get a buildup of algae and sea life in your [water] intakes. What you have to do every so often, is a hot heat treatment, and flush hot water back out of the intakes, to kill all of the sea life that was growing there. You'd do it every six months or so. You have to heat the unit up, and then you're not making megawatts, so it is costing you money. When AES took over, they stopped doing that, saying it was a waste of money. They didn't do it for two years, so they had two years' worth of sea life in the intakes, which wiped out the tubing on the condensers. They spent the next two weeks shoveling out all the dead sea life. When they lost the plant, because they hadn't bothered to do the maintenance for two years, they fired up another unit somewhere else, and charged six or ten times as much for the power.

I was there when AES took over. I looked at what they were doing, and I didn't really see this, I've got to admit. I said, "These guys are stupid. They're not doing any maintenance, they're abusing these units. When they really need them, they're going to break them, and they're going to lose money." It never dawned on me that, when you break this unit, you fire up another one, [and] make six times what you were making before. I thought they were stupid. They just knew more than I did.

**EIR:** Carl Wood, who is now a PUC Commissioner, and outspoken against deregulation, was an official in your local. What stand did your union take on deregulation?

**Davis:** We fought it with a passion from day one. Almost all

the utility unions in the state formed a coalition—the California Coalition of Utility Employees—with IBEW locals, in Pacific Gas & Electric, Edison, San Diego Gas & Electric, and the Department of Water and Power. The coalition hired a law firm to try to stop deregulation. We tried to wake up the public, get people aware of what was going on; we tried everything we could to stop it.

It became obvious that we didn't have the political clout to do anything. We were getting steamrolled. We said, "We know this is a bad idea. We know people are going to get burned, but we're not capable of stopping it. Let's try to at least put some safety efforts in for our local."

There was a two-year period where the new owners had to wait to transfer ownership from the utility, which was put in [the legislation] by the unions. We also provided for early retirement protection for people losing their jobs. We represented the maintenance workers for the two-year transition period, but we lost the contracts for people working at the AES and Reliant plants. At NRG, we still represent the people working there, but when Edison ran the two plants NRG bought, we had about 100 people at the two plants. With NRG, I have 33 members now for both plants combined.

**EIR:** I know you're an AFL-CIO-affiliated union. Some unions in the AFL have come out supporting the Bush energy plan and deregulation, because they think they will get more jobs building new power plants. Is there a split in the labor movement on this issue?

**Davis:** Yes, there's a rift in the labor movement on that. The Utility Workers Union of America, at the national level, after they saw what happened in California, came out in full support of fighting deregulation. They've been very active throughout the entire country, and throughout the AFL-CIO. But we're a very small union nationally, with 50-60,000 members, and some of the other unions have a million members. The IBEW is a good example. It represents a lot of the electricians in the building trades, and they also represent the workers in the power plants. You would think that the IBEW would come out against deregulation, because it's been destroying the people in the power plants. But they have a lot more members in the building trades that would benefit from building plants, so even though the IBEW is being decimated on one side, they wouldn't come out against deregulation, because the other side made money. We've been fighting for years to get the AFL to come out against it, but the building trades are a very powerful group which is looking at doing all the construction.

There has been progress in the last year. I just got something from the California Labor Federation, with a ten-point plan. They support creating a public utility, keeping the utilities from bankruptcy, and regulated plant maintenance. They're not calling for complete re-regulation, but it's the strongest statement I've seen on deregulation.

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**EIR:** Proponents of deregulation say the problem in California is supply and demand—that there were not enough power plants built, due to environmental regulations. Is that the case?

**Davis:** In fact, California uses less power during the Summer than it did a couple of years ago. A few years ago, we had plenty of electricity, and we didn’t have blackouts. The reason this state didn’t build more plants, wasn’t because of the Air Quality Maintenance District environmental regulations. It was because the State of California, and the PUC, and the utility companies knew they were going to get deregulated. They were selling the plants, and were going to get out of the market. So, why build a plant that you know you’re going to have to sell in a year, when you don’t know how much you’re going to sell it for?

**EIR:** There are investigations under way to determine how the new maintenance regime by the unregulated generators could be used this Summer, to drive prices through the roof. Do you see that happening?

**Davis:** I was in maintenance for 22 years. Edison would do the maintenance during the Winter, and run everything during the Summer. You would time the outages of the units that had to be coming down, so you only had a few units off at any one time. A plant would be down for six weeks. At the end of their outage, you bring them back up, and bring down a few more units. At the beginning of the Summer run, everything had been overhauled, and you never had too much power out at one time. Now they take everything out at one time, which causes an artificial shortage. We used to get a schedule and have the whole year planned out. The companies did have to do an upgrade to meet the Air Quality Maintenance District reductions of NOx emissions, so they are taking these plants down for upgrades, but now it’s all a secret. They can take them all down at the same time. Is the work they’re doing genuine? Yes, but you don’t take all the systems down at the same time.

NRG has sold all of their output to the state Department of Water Resources, so they have a fixed income, and I think they will try to run more reliably this year. AES found out that, if they can’t get online, they lose money, so they did a lot of work to run reliably this year. Reliant doesn’t have any long-term contracts, and I think they will try to

game the system, and I’m sure they’re going to make some money on it.

When the generators started testing the market, the first time they had a shortage, they put in a bid for \$999,999 a megawatt, until the computer program wouldn’t let them do it any more. They sold power at that rate for two days, and they paid back, in those two days, the millions of dollars they’d bought the plant for.

When Reliant Vice President Jim Stout first came out here, to talk to the union to get our help, he said, “We can afford not to run these plants for long periods of time, because when the shortage hits, you can pay for the entire year’s run in a day.” They told us that in 1998. “We tried this in Texas,” he said. “We’re going to lose money during the year, but when the time comes for the shortage, we’ll pay our costs for the rest of the year.” I don’t think they realized the shortage would be so long-term. Even they were caught by surprise, but they expected to make all their money in a few days or weeks, during the heat wave. They fully intended to be charging \$2,000 a megawatt, for at least a short period. It just got to be a long period.

**EIR:** Many countries are now facing a campaign by the U.S. energy cartels to open up their electricity market, to privatize and deregulate. What advice would give to other states, and your neighbors in Mexico, who are considering deregulating their electric utilities?

**Davis:** The business manager of this local and the regional manager got invited to Italy about a month ago, to talk to the unions there about what deregulation has done to California. The regional director is fluent in Spanish, and is already in contact with the labor unions in Mexico.

Electricity is not a commodity you can store. It’s something you’ve got to produce on an instant basis when you need it. That means you’ve got to have enough supply, you need the reliability, you need to coordinate the maintenance of the plants when you shut them down. If there is any market in the world today that should be regulated, this is the one. The U.S. regulated the market for 60 or 70 years, we had the lowest rates in the world, and very reliable electricity. We deregulate, and what happens? The prices jump up, we have blackouts. It’s a mess.