In the Matter of Arbitration

between

Southwestern Public Service Company
Xcel Energy

and

International Brotherhood of
Electrical Workers,
Local 602

Interest Arbitration

before

John B. Barnard
Arbitrator

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| For the Company | Mr. David Hoskins, Esq.<br>Assistant General Counsel<br><br>Ms. Sally Scott, Esq.<br>Franczek Radelet |
| For the Union | Mr. Joseph Goldhammer, Esq.<br>Mr. Stanley Gosch, Esq.<br>Rosenblatt & Gosch, PLLC |

April 12, 13, 14, May 1, 2016
Holiday Inn
Amarillo, Texas

## Proposals by the parties

### Company

1. Duration The Company proposes a 2 year term, i.e., November 1, 2014 through October 31, 2016.

2. Retroactivity The Company proposed that the wage increases not be paid retroactively, but rather from the date the Arbitrator's Award is issued.

3. Wage Increases The Company proposes a 2% GWI for all positions. In sum, on the date the Award is issued, the Company would increase wage rates by 2% from the last rate stated in the existing agreement.

   In the first alternative, the Company proposes that if the Arbitrator decides wage increases should be paid retroactively, the Company proposes that they only be paid retroactively beginning in August 2015 when the Union requested the initial hearing before Arbitrator Massey be postponed.

   In the second alternative, the Company proposes that if the Arbitrator decides wage increases should be paid retroactively to the beginning of the Agreement (Nov. 1, 2014), then the annual wage increase should be a 2% GWI for all positions for either a 2or 3 year term, as the Arbitrator decides is appropriate.

### Union

1. Wages The Union submits that the Arbitrator should award wages in accordance with the Union's proposal of October 28, 2014. In reaching that conclusion, the Arbitrator should first determine the percentage wage increase awarded to the bargaining unit and then must determine how the Employer must distribute that increase among the various classifications in the bargaining unit. The Arbitrator should require that wages are paid retroactively to November 1, 2014.

2. Duration The Union submits that the Arbitrator should award a three year agreement beginning November 1, 2014.

## Authority

Collective Bargaining Agreement
November 1, 2011

until October 31, 2014

Article 1

Section 5

In the event that parties hereto are unable to agree on changes duly proposed in accordance with Section 2 of this Article, within the sixty (60) day period, then and in such event, the proposed changes shall be adjusted by arbitration as hereinafter provided.

Background

In the post hearing brief, the Company outlines the Company's structure.

The Company is Southwestern Public Service Company (SPS). The Union is the International Brotherhood of Electrical Works, Local 602.

SP is headquartered in Amarillo, Texas, and dates to 1921. It is an investor owned utility generating, transmitting, and distributing electricity to approximately 389,000 customers in Texas and New Mexico. SPS has approximately 1,728 employees. Approximately 820 of those are represented by 6-2 in a bargaining relationship dating back to 1947. Since 2000, SPS has been a wholly owned subsiding of Xcel Energy, Inc.

Xcel has no employees, but instead is a holding Company with four utility subsidiaries. In addition to SPS, the other utilities are, 1, Public Service Company of Colorado (PSCO), 2, Northern States Power-Minnesota, and 3, Northern States Power-Wisconsin (collectively referred to as NSP). Each company has its own president.

Prior to 1996, there was no connection between SPS, PSCo or NSP. They were

separate and unrelated Companies. In 1996, SPS and PSCO merged to form New Century Energies, Inc. In 2000, New Century Energies, Inc. merged with the NSP Companies under the name of Xcel Energy.

Collectively, SPS, PSCO and NSP provide service in eight states, Texas (SPS, New Mexico (SPS), Colorado (PSCO), North Dakota, (NSP), South Dakota (NSP), Minnesota (NSP), Wisconsin (NSP), and Michigan (NSP).

PSCO and NSP are both larger than SPS, and operate in major metropolitan areas. At the end of 2014, the Xcel operating Companies' had approximately 12,469 combined employees.

The bargaining units at PSCO and NSP are larger than the 820 employee bargaining unit at SPS. PSCO has approximately 1,962 union represented employees all in a bargaining unit represented by IBEW Local 111. NSp has over 2,200 union represented employees. NSP employees are in a variety of bargaining units represented by a collection of at least five IBEW Locals, 23, 160,949,953, and 1426. These local bargain as a group with NSP through a Joint Bargaining Committee.

Local 602 based in Amarillo, Texas. It represents nine bargaining units at various companies, including the SPS bargaining unit. Todd Newkirk is the IBEW International Representative for IBEW District 7, which includes Kansas, Oklahoma, Texas, New Mexico, and Arizona.

The government assigned SPS service territory's is primarily rural, covering parts of the Texas Panhandle, Texas South Plains, and eastern New Mexico. The largest city

served by SPS is Amarillo. It does not service much of Lubbock. Eighty two percent of the 820 bargaining unit employees are stationed in Texas. The remaining are stationed in New Mexico. Most of the employee in New Mexico are close to the Texas state line. SPS bargaining unit employees are stationed at one of the 27 locations. SPS operations are generally divided into the functions of generation, transmission, and distribution. The 820 SPS bargaining unit employees are in approximately 109 classifications.

Recent Bargaining History

For lack of a better description, the current collective bargaining agreement was negotiated in 2011 with a stated duration of November 1, 2011 through October 31, 2014.

While the Company describes in detail the 2011 negotiations, it is not necessary here to detail the account of them. The Company mentions in its brief that it is important for the arbitrator to understand the 2011 negotiations as the Union is in part supporting its demands in this case based on deals struck during those negotiations, and is now asking the arbitrator to effectively undo the results of those negotiations.

Most recently however, in March, 2014, the Company contacted Local 602 in an effort to discuss the possibility of extending the SPS, Local 602 agreement for the period for the period of one year so as to have the agreement expire on October 31, 2015. The Company mentions that SPS sought the one year extension to get the agreement off of the Union's officer election cycle (which currently occurs in the summer before the agreement expires) and to put a year between the expiration of the SPS and

PSCO collective bargaining agreements.

The record reflects that the one year extension however, was not ratified.

As such then, the parties held their first session on August 11, 2014, in an effort to negotiate a successor agreement. Negotiations were subsequently held in September and October, 2014 for a total of 12 days.

Although some tentative agreements were reached, there were a number of proposals not reached by the parties, namely the duration of the agreement, retroactivity, the general wage increases, and the proposal by the Union for wage adjustments for a number of current classifications.

Such mentioned proposals not agreed upon by the parties now form the basis of this interest arbitration as contained in Article 1, Section 5 of the current agreement. Article 1, Section 5 states,

> In the event that the parties hereto are unable to agree on charges duly proposed in accordance with Section 2 of this Article within the sixty (60) day period, then and in such event the proposed changes shall be adjusted by arbitration as hereinafter provided.

Such matter is now properly before the arbitrator.

## Discussion and Conclusions

### Duration of the Agreement

The Company maintains that its request for a two year term, expiring on October 31, 2016, is based on legitimate reasons that mutually benefit the Company and the Union. Currently, the agreement expires in the same three year cycle as the Union's leadership

terms. As evidenced by this case, this can result in a new Union leadership team taking office very shortly before negotiations begin such that relationships have not developed, and the new Union leadership is not familiar with the Company's business. This cycle is not conducive to effective bargaining.

Melton testified that Local 602 usually negotiates three contracts per year, but in 2016 only has two contracts to negotiate. Thus, moving the contract expiration to 2016 would not create an unusual burden for the Union. Also, Melton testified it would be possible for the Union to prepare for negotiations in 2016. Newkirk testified he felt it was too bad the one year extension was not ratified as that might've worked beneficial to both at that moment in time.

At the hearing, the Union based its request for three year duration on the statement that "Every contract during the past thirty (30) years has been three years in duration." This statement is not entirely accurate. While the 1981-1984 and the 1984-1987 contracts were three years in duration, they also provided that the agreement could be reopened in the 2nd and 3rd year of each contract to negotiate wages and benefits.

In sum, a two year duration would benefit both parties and would not be inconsistent with the parties' bargaining history.

In turn, the Union asserts that the parties without exception have negotiated three year agreements since at least 1984, long before Xcel gained control of SPS in 2000. Since that acquisition, Xcel has faithfully carried on that tradition. The Company would now have the Arbitrator deviate from this long standing practice purportedly as it would suit

the convenience of Director of Workforce Relations Bruce Anderson to avoid being on the same three year cycle with PSCO, and to allow more time between Local 602 elections and the expiration date of the contract. The Arbitrator should not favor the convenience of Anderson over the inconvenient imposed on the Union.

If the Union had agreed to a two year contract, Local 602 would have bargaining with force separate employees in 2016. If the three year contract term was to be maintained, the Local would have SPS as its only contract to bargain in 2017.

The Arbitrator should look between the lines of Anderson's testimony to the real consequences visited upon the parties and their constituents in controlling the 2004 contract to two years. The parties, through their practice, have established an order of negotiations, with PSC negotiations proceeding first. The current interest arbitration proceeding reflects the overwhelming significance of that fact. The parties agreed to postpone the arbitration scheduled with Arbitrator Massey for August 4, 2015, as Arbitrator Jaffe had not yet issued his award in the 2015 PSC interest arbitration. By doing so, they acknowledged the obvious relevance of his award to the SPS interest arbitration case.

The parties have situated PSCO bargaining before SPS negotiations in time for a good reason. PSCO has a larger bargaining unit, with 1,962 members as opposed to 812 at SPS.

Forcing the parties almost immediately with negotiations after this strenuous interest arbitration would not serve labor relations stability. If the current contract expires on October 31, 2016, they would have to exchange proposals by the end of August. Both

parties should have the insight provided by the Arbitrator's full reasoning before beginning the next round of negotiations.

Forcing the parties almost immediately into negotiations after this interest arbitration would not serve labor relations stability. If the current contract expires on October 31, 2016, they would have to exchange proposals by the end of August. Both parties should have the insights provided by the Arbitrator's full reasoning before beginning the next round of negotiations.

Ideally, with a three year contract award, the Union would have time to prepare a new 2016 wage benchmarking study by April or May of 2017, and they share it with the Company. This would give both sides time during the summer of 2017 to have constitute discussions about wages well in advance of the October 31, 2017 contract expiration date.

In sum, this Arbitrator should not accept the Company's invitation to put the Union at such a disadvantage in bargaining, upsetting the order that the parties themselves had established. Moreover, he should not force the parties back to the table before they had time to fully prepare for negotiations. He should instead honor the thirty (30) year history of this bargaining unit and order a three year contract.

In testimony, Anderson listed two reasons why the Company elected to seek an extension of the contract until November 1, 2015. Anderson,

> ...It's in the same negotiation or some 3 year cycle as Public Service of Colorado and... can be appreciated when you're bargaining 2 contracts in the same year back to back, and that's a pretty good stress on your resources, time, etc. Additionally, we wanted to get it off the Union election cycle because the way the Union election cycle sits, the elections are held typically in the summer, and then shortly thereafter, we embark on bargaining. Well if there's a change in leadership in the Union hall, you've got folks that don't have a background, don't have a relationship, don't have an understanding.
> (t Vol 3, pp 80, 81)

Of the two reasons advanced by Anderson, the explanation of attempting to insure getting it off the Union election cycle makes more sense for both parties. Good relationships in the bargaining process is essential in arriving at a contract that is beneficial to both parties.

In brief, the Company agreed also that a two year agreement would put a year between the expiration of the SPS and PSCO bargaining agreement.

It should be noted also here is that both parties willingly entered into negotiations around March 2014 to discuss the possibility of extending the agreement for a one year extension which would expire on October 31, 2015. The record reflects that the Union supported the extension.

One of the obvious upsides of a two year agreement is the fact that some proposals by the parties not agreed upon could very well be more forefront and understood by the parties if negotiations ensued in two years versus the time span of three years, thus possibly ensuring some common grounds for agreements between the parties. Further, a two year agreement gives the Union a quicker opportunity to negotiate wages and benefits.

The Company, in its position for a two year contract, mentions in its brief,

> ...Melton testified that Local 602 usually negotiates three contracts per year, but in 2016 only has two contacts to negotiate. (V 4 p 32) Thus, moving the contract expiration to 2016 would not create an unusual burden for the Union. Also, Melton testified it would be possible for the Union to prepare for negotiations in 2016 (V 4, p 34)...

The Company mentions in brief that while the 1981-1984 and the 1984-1987 contracts were three years in duration, they also provided that the agreement could be opened in the 2nd and 3rd year of each contract renegotiate wages and benefits.

In this regard, I agree with the Company's position that a two year contract should be granted. There's not an iron clad history of a three year agreement as there have been reopeners in the past, and there's evidence that the parties willingly entered into negotiations in March, 2014, attempting to agree upon a one year extension. It also makes good sense to insure the same representatives would be present to negotiate a new agreement, as a two year agreement gets the negotiations off of the Union election cycle. Good relations in negotiations are essential.

As such, in this case, a two year contract, beginning November 1, 2014 and expiring October 31, 2016 is ordered.

Market ajdustmenets,
Equity adjustments,

Here, the Union is seeking market adjustments (wage increases) for 14 various classifications. A good percentage of the classifications are described as journeymen.

The Company's position in this regard mentions that under the "Journeyman is a Journeyman" compensation structure, the eight Journeyman positions and the Control Room Operator B position are currently, and have historically been, paid the same wage rate. The Union seeks to end such a structure and have each journeyman position paid a unique wage rate, eventually differing as much as $3.17 per hour. The practice whereby journeyman are paid the same wage rate, regardless of function, has long been a bedrock principle between the parties.

There is no evidence the "journeyman is a journeyman" structure is not working or must be changed. The Union did not call a single SPS employee to testify.

There is no evidence of any groundswell of employee support for this change. It was never brought up by the Union until the first day of bargaining when the new Union administration announced it was a priority. It was not discussed in 2011. To the contrary, in 2011, the Union committee expressly stated it had no objection to the practice. It was not discussed after the 2011 contract was ratified, nor was it discussed when the one year extension was negotiated or after it was rejected. Melton testified that employees were "at first... against it" when he initially presented the idea of changing from "journeyman is a journeyman" pay structure to obtain NSP parity.

Also, the Union presented no evidence of any change in duties or circumstances of any of the journeymen positions. The Union offered no testimony or evidence here of any technological or change in the duties of the disputed positions.

The "journeyman is a journeyman" pay structure is not that unusual. Many of the utilities the Union either advocates or accepts as comparators follow the pattern of paying

multiple journeyman positions the same wage rate.

There is no evidence that deviating from the present structure would have been supported by the membership if put to a vote. Such a change could just as easily cause discord.

The Union has not presented evidence sufficient to warrant the Arbitrator ending the parties' bedrock historic "journeyman is a journeyman" compensation philosophy. The only appropriate wage increase would be a general wage increase applied equally to all bargaining unit employees.

In argument, the Union proposal should be implemented. There is compelling evidence that 14 journeyman positions are underpaid compared to the market at large.

Any discussion of the Union's wage proposal must start with the bizarre SPS practice of paying all Journeyman the identical rate. Due to rapid changes in technology and the related requirement that some job classifications needed greater training and/or educational requirements, Journeymen elsewhere saw their wages dictated by the market. Even Xcel Energy did not compensate all Journeymen identically with its other utilities. At PSCO, NSP-MI and NSP-WI, Journeyman are paid different wage rates depending on their job title and responsibilities.

Not surprisingly, many SPS employees were becoming frustrated with their inability to earn wages commensurate with what a market would normally allow.

Anderson completely ignores the fact that there is a significant market equity problem for many job classifications within the bargaining unit. By paying each and every

Journeyman as identical rate, SPS has failed to value several job clarifications consistent with marketplace for their services. The Company's admission of significant problems retaining qualified employees, and the proven rates of high attention proves this out.

While I certainly can see the reasoning behind the Union's position in this regard, in all fairness to the parties and to the negotiations process, I cannot at this point made some informed decisions in regard to the market adjustments as proposed by the Union, for several reasons.

First of all, and based upon the parties' positions in this matter, such discussions regarding market equity for these 14 classifications obviously need more than the number of discussions held to date.

According to the Company, discussions began around March, 2014 in an effort to extend the contract for one year. During these negotiations, Melton never stated there was any discontentment in the bargaining unit regarding the "Journey is a Journeyman" pay philosophy or that any position was underpaid and required an upgrade or market adjustment. In regard then to the 2014 negotiations,

> ...On October 17 (2014), the Union for the first time delivered to the Company a market equity based wage proposal... During the two weeks of bargaining prior to the Union's October 17 letter, there had been no discussion at the bargaining table regarding peer or market utility companies.
> (Post hearing brief pp 20, 21)

In this regard, the Union, in brief, mentioned some hurdles in regard to the market equity,

> ...But as IBEW Representative Todd Newkirk testified, benchmarking is not an exact science. The Committee was given an exceedingly difficult task since SPS does not have written job descriptions for any of its jobs, so the Committee had to draft its own descriptions as they understood the jobs, and use those ad hoc job descriptions to offer comparisons to other employers...
> (brief, p 38)

The Company maintains that the practice whereby journeymen are paid the same wage rate, regardless of function, has long been a bedrock principle between the parties. That practice/principle however, in my opinion, should be discussed between the parties to see if technological changes in work assignments, and the marketplace might suggest some degree of separation in wage rates for a number of classifications as proposed by the Union. Further, possibly the Union should have proposed something less than the fourteen classifications presented, as the number of classifications proposed represented quite a change. Possibly proposing something less than fourteen would have been a better starting point. Fourteen classification changes can be quite daunting to adequately discuss in the limited number of negotiating days that were held by the parties.

In sum, for me to make decisions on the classifications proposed for market adjustment would be a disservice to the parties. While some adjustments very possibly should be adjusted, the parties should discuss the concept more thoroughly between themselves. I cannot, in reviewing the testimony and evidence presented at hearing, fully understand enough of the specific tasks/functions of the fourteen classifications to make an informed decisions at this point.

As my previous decision was to order a two year agreement, I would encourage much

more discussions on this subject in the forthcoming negotiations while this subject is still very well before them, having had some discussions in the recent part.

As such then, I send the question of benchmarking back to the parties for resolution, rather than for me to make those decisions, as discussed here. In doing so, I must necessarily reject the Union's proposal for adjustments to the stated classifications.

Retroactivity

The Company notes that interest arbitration should not be used as a substitute for collective bargaining. A party should not be able to try their luck at no risk in interest arbitration. From the Company's perspective, that is exactly what the Union leadership has done here. The Union offered no quid pro quo for its very aggressive, contract altering proposals. It simply insisted on the proposals and pressed them to interest arbitration on the assumption that even if the Company won, the Arbitrator should surely make the award retroactive, and therefore there was nothing for its membership to lose. This should not be rewarded.

The Union should learn there is risk associated with swinging for the fence. If the Arbitrator believes some retroactively is appropriate, the Company respectively requests he limit it to beginning October 1, 2015, which would be closer in time to when the parties could have had a decision had the Union not requested the original Massey hearing be continued.

In footnote to that, the Company mentions,

> (27) The Company understands the denial of retroactively is unlikely. Therefore the comparability of Company proposed wage rates to other companies' wage rates below assumes retroactively to November 1, 2014.

The Union, in brief, under the heading of Issues, makes their position on retroactivity very short and to the point,

> ...The Arbitrator should require that wages are paid retroactively to November 1, 2014...
> (p 2)

I don't plan a long discussion on this subject. Retroactively can become an integral part of any successful negotiations which result in a new collective bargaining agreement. To do otherwise simply deprives the bargaining unit membership the full benefit of the negotiated wage increases contained in the new agreement.

Retroactivity for the wages is to be paid for the duration of the two year agreement ordered, beginning November 1, 2014 through October 31, 2016.

General Wage Increase
(GWI)

In this regard, the Company in proposing a two percent GWI increase annually,

> ...In the second alternative, the Company proposes that if the Arbitrator decides wage increases should be paid retroactively to the beginning of the Agreement (Nov 1, 2014), then the annual wage increase should be a 2% GWI for all positions for either a 2 or 3 year term, as the Arbitrator decides is appropriate...

All parties in this case recognize the BLS ECI Report as a trustworthy and exceedingly germane reports of wage increase activity. For years ending 2014 and 2015, the ECI reports establish that a 2% GWI is very appropriate for a bargaining unit based in Texas and for eastern New Mexico.

On a monthly basis, the IBEW Utility Department prepares and distributes both Current and Future Average Percentage Wage Increase reports. The current report looks back

at increases in the 12 months preceding the report. The future reports look at the upcoming 12 months, and also the 12 months after that. These reports roll forward each month. Pages 9-11 of CX-24, Tab 5 are examples of such reports, issued in November, 2014. For example, page 9 states that for IBEW District 7 (which includes Texas and New Mexico), the average wage increase for investor owned articles from Nov 1, 2013 through October 31, 2014 was 2.21% Page 10 is a future report and states that from November 1, 2014 through October 31, 2015, the average District 710U wage increase would be 2.38% Page 11 is for November 1, 2015 through October 31, 2016 showing the average District 7 10U wage increase would be 2.5%.

For investor owned utilities located in District 7, the report illustrates the average wage increases in 2013, 2014, 2015 and 2016 was or will be 2.38% 2.16%, 2.41%, and 2.58% respectively. In sum, the Company's 2% GWI is completely consistent with the average collected and reported by the IBEW Utility Department.

A 2% GWI is reasonable and should be awarded by the Arbitrator because (1) it is in line with relevant 2014 and 2015 wage growth rates as reported in the BLS ECI reports, (2) it is in line with 2014 and 2015 cost of living increases as reported in the BLS CP reports, (3) it is consistent with wage increases negotiated by other IBEW locals for 2014, 2015, and 2016, (4) it puts SPS bargaining unit employees well within a reasonable position compared to other relevant utilities, and (5), it is consistent with the raise recently negotiated by the IBEW with another major employer in Amarillo and results in SPS bargaining unit employees being paid much more than employees at Lubbock Power &

Light.

(Of note, the major employees in Amarillo, as referenced by the Company, is in the bargaining group represented by Local 602, Pantex.) The Company notes that Melton testified a five year contract with Pantex was recently settled for 2.5%, 2.5%, 2%, 2:% and 2%. Tr Vol 4, pp 47, 48) Such reference is contained in the Company's brief, p 46.

The Union submits that the Arbitrator should award wages in accordance with the Union's proposal of October 28, 2014.

Such proposal details wage rates for a significant number of classifications. In addition, the Union also proposes regarding wages.

> ...Finally, our proposal seeks to deliver a fair and justified 2.5% annual raise for all other jobs not on the market equity list or tied to it...
> (Union ex. 1, October 28, 2014)
> In brief, regarding this proposal, the Company mentions that for 14 classifications the Union seeks a market adjustment, or equity adjustment, that is such greater than 2.5% per year. (brief, p 25)

The close relationship between the SPS and PSCO bargaining units should complete reasonable similarity in wages and overall compensation between the two units.

Xcel Energy owns both SPS and PSCO as two of its four operating companies. SPS and PSCO originally merged into New Century Energies in 1995, and then merged again with the two Northern State Power Companies in 2000-2001. This common ownership spawns an intimate partnership between the operating companies in many ways. Also, legitimate employee perceptions at SPS dictate that employees working for the same employer and performing highly similar work should be compensated comparably. Certainly, the combination of numerous factors, including geographic proximity, militates

for a stronger bond between wages paid at the two Xcel operating companies, SPS and PSCO.

Since Arbitrator Jaffe awarded a three percent (3%) across the board increase for all PSCO unit employees for the three years of the PSCO contact beginning June 1, 2014, to keep pace during that period, the Arbitrator here would have to grant at least that amount to the SPS employees. Given the wide gap in wage increases accumulating over the years since 2000, the Arbitrator should adopt the Union's October 28, 2014 proposal of a four percent (4%) increase for each of the three contract years.

Further, the Arbitrator should consider Xcel's wage decisions on its unpresented employees.

If forced back to the bargaining table this fall, the Union would be required to use 2015 wage data, as not all of the 2016 computer wage rates will have been determined, and will be sorely pressed for time. Most importantly, even if the Union completed an updated 2015 wage benchmarking study, it is highly unlikely that it would have it done and be able to share to with the Company with enough time to allow Xcel to digest the information and timely engage in constructive dialogue about any apparent wage inequities. Instead, both sides will just harden their positions, and the statements will continue.

For the reasons enumerated, the Union respectfully requests the Arbitrator award a three year contract with retroactivity to November 1, 2014, and that he award wages in accordance with the Union's October 28, 2014 proposal at a percentage increase he deems appropriate. The Union believes that it has provided full justification for annual increases of straight time wages of 3.97% in the first year, 4.04% in the second year, and

4.16% in the third year. If the Arbitrator feels that different percentage increases are more appropriate it asks the Arbitrator to order a pro rata award consistent with the Union's proposal, and that he allow the Union, with guidance from its actuary, to determine the exact increases for individual job titles to ensure that the goal of market equity for underpaid Journeymen positions is met.

In regard to the Jaffe decision, as mentioned by both parties in their briefs, a review of the decision to grant 3.0% percent across the board increases for the three year term, I find that such decision is not sufficiently on point for consideration here.

> Jaffe,
>
> ...The record is such that a wage increase of either 2.5% per year or 30% per year or any number in between may be reasonable when viewed as a standalone item...
> ...Our judgment to award a 3.0% wage increase in each of the three contract years in this case is principally the result of several factors viewed together. First and foremost, the change to a HDHP merits some recognition in recognition of its savings, both during the term of the Agreement and thereafter...
> (U ex. 17, p 5)

The award also considered the relatively high cost of living in Denver, changes in the cost of living in Denver as reflected by the Denver-Boulder- Greeley COCPI, and the present employment market in Denver.

As such, the factors considered in Jaffe are not that germaine here.

There also were some points made by the parties as to compensation paid to non bargaining employees. Such comparisons are not valid, as companies for the most

part treat and compensate bargaining and non bargaining employees differently.

As to the decision regarding the annual wage increases for the two year agreement, such is,

November 1, 2014, 2.5% increase

November 1, 2015, 2.5% increase

It is significant to note that the parties attempted to negotiate and extend the SPS/Local 602 agreement for one (1) year such that it would expire on October 31, 2015. Anderson and Melton negotiated the terms of the one year extension. Finally, after discussion, the parties settled on a 2.5% GWI.

The record then establishes that the parties negotiated in good faith to arrive at an agreed upon GWI of 2.5% covering the one year extension. Such 2.5% would have been effective then November 1, 2014.

As an interest arbitrator, it is not my intent to discredit the collective bargaining process. To order a different GWI for November 1, 2014 would not be appropriate, whether such GWI would have been higher or lower. The parties agreed upon 2.5%, and such should not be disturbed. The only remaining consideration is for the GWI effective November 1, 2015. I find that the GWI of 2.5% is again appropriate.

In sum, the following represents the summary and decisions regarding the interest arbitration between Southwestern Public Service Company/Xcel Energy and he International Brotherhood of Electrical Workers, Local 602.

Such agreement will be for a term of two (2) years, beginning on November 1, 2014 and ending October 31, 2016. Such term is not inconsistent with the parties history, as

there have been occasions of reopeners, and most recently, negotiations for a one year extension. Such term should not place undue hardship for the parties. In addition, a review of the Union's recent proposal for market adjustments, while not granted in some form or fashion here, allows the Union to more thoroughly pursue this in the upcoming negotiations while such concept is still front and center.

As to the Union's proposals for the various market adjustments, as noted, such were not granted in these decisions. The evidence and testimony as presented in this regard reflects that the subject matter needs more discussion between the parties, as the volume of proposed adjustments and the perceived difficulties in matching job duties with other companies cannot be given credence in the number of negotiations sessions already held, nor can comparable wage rates be accurate until job duties come into focus. Further, not enough evidence was present at this time for informed decisions on my part. That said, it seems at this point that the parties are still initially far apart on the very concept of the Union's proposals. All of this is presently better served with some additional negotiations sessions, and since I have settled on a two year agreement for the parties, such further discussions on market adjustments are appropriate. I urge both parties to keep an open mind on the subject, as arguably there can be differences in job duties with the Journeymen classifications, thus suggesting differences in compensation.

The granting of retroactivity is an integral component in the process of finalizing a new collective bargaining agreement. Retroactivity for the expiring term is appropriate.

Finally, the 2.5% general wage increase effective November 1, 2014 is ordered, as both parties were in agreement during the negotiations for the one year extension that such increase was appropriate. I do not want to disturb the process of negotiations between the parties. The general wage increase to be effective November 1, 2015 also of 2.5% is appropriate.

I want to thank both parties for their professional and courteous approach to this arbitration. They were both quite through in the presentation of their respective testimony and evidence. It was appreciated by me, and I wish them both a successful next collective bargaining process.

## Decision

1) The term of the collective bargaining agreement will be for a period of two (2) years, from November 1, 2014 until October 31, 2016.

2) The market adjustments proposed by the Union is not granted, but I encourage both parties to come to the table with an open mind in the upcoming negotiations.

3) Retroactivity is granted.

4) There is to be a 2.5% GWI effective November 1, 2014, and another 2.5% GWI effective November 1, 2015.

July 15, 2016
Dallas, Texas

John B. Barnard, Arbitrator