

DIRECT TESTIMONY
OF
THOMAS C. BROCKS

1 Q. Please state your name and business address.

2 A. My name is Thomas C. Brocks and my business address is 284 South
3 Avenue, Poughkeepsie, NY 12601.

4

5 Q. Please summarize your education and work experience.

6 A. In 1976 I received a Bachelor of Science Degree in Industrial Relations
7 from LeMoyne College. In 1980 I received a Master of Science Degree in
8 Labor Relations from Pace University. I have worked for Central Hudson
9 Gas & Electric Corporation ("Central Hudson" or the "Company") since
10 July 1980 with the majority of my career being spent in Human Resources.
11 I am currently the Vice President of Human Resources and Chief Ethics
12 and Compliance Officer. During my career I have held positions with
13 responsibility for labor relations, employee relations, employee benefits,
14 compensation, training and development, employment, payroll and safety.

15

16 Q. What is the nature of your responsibilities as Vice President of Human
17 Resources and Chief Ethics and Compliance Officer?

18 A. I am responsible for the staffing of the organization and for the
19 development and administration of all compensation strategies, policies
20 and procedures for all of Central Hudson. In addition, I am responsible for
21 the Company's Ethics and Compliance programs and policies.

22

THOMAS C. BROCKS

1 Q. Have you previously testified before the Public Service Commission
2 (“Commission”)?

3 A. Yes, I testified in Cases 05-E-05934, 05-G-0935, 08-E-0887 and 08-G-
4 0888 regarding staffing, compensation and benefits.

5
6 Q. What is the purpose of your testimony in this proceeding?

7 A. The purpose of my testimony is to address employee compensation, and
8 benefits (health care, pensions and other post employment benefits
9 (“OPEBs”) and staffing. I describe the Company’s approach to
10 compensation for management employees and why Central Hudson
11 believes that its approach is appropriate. I describe generally the kinds of
12 health and retirement benefits offered by the Company and recent
13 activities to manage these costs. I have also developed a forecast of the
14 rate year staffing level and provided that estimate to the Revenue
15 Requirements Panel.

16
17 Q. Has the Company adopted any further structural changes to its pension,
18 OPEBs and health plans subsequent to those you described in Cases 08-
19 E-0887 and 08-G-0888?

20 A. No, we have not. The cost reductions from those structural changes are
21 reflected in the historic period and, as a result of the Commission’s Order
22 in June 2009, also in current rates.

23

THOMAS C. BROCKS

1 Q. Please describe Central Hudson's compensation strategy and philosophy.

2 A. Central Hudson believes that there are several components to
3 compensation, each component makes up a portion of the total
4 compensation package, and the entire package (not individual
5 components in isolation) is what is evaluated in the marketplace and
6 therefore represents the fashion in which compensation should be
7 evaluated by the Commission.

8

9 Q. Why is it important to Central Hudson to maintain a compensation
10 program that is competitive in the employment market?

11 A. If Central Hudson does not maintain a compensation program that is
12 competitive in the employment market, it will not be able to retain the high
13 quality employees it currently employs and it will not be able to attract high
14 quality candidates for existing or new requirements. As a result, Central
15 Hudson's operating performance, customer service quality and customer
16 satisfaction would be at needless risk of deterioration.

17

18 Q. Please describe Central Hudson's cash compensation program for non-
19 unionized employees and how it manages the costs of the program.

20 A. Central Hudson has adopted a strategy to compensate employees with
21 base salaries at the 50th percentile of overall compensation for
22 comparable jobs in the Northeast United States. We employ the services
23 of nationally known compensation consultants to establish those salaries.

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1 We believe paying at the median level provides the Company the ability to
2 attract new qualified employees and retain its existing employees.

3

4 Q. Is the compensation program for Central Hudson's executives similar to
5 the program described above for the non-unionized employees?

6 A. Yes, it is. Central Hudson uses a nationally recognized compensation
7 consultant to establish the median level of salaries for Central Hudson's
8 executives. Through the use of this consultant, Central Hudson
9 benchmarks its executive positions to the 50th percentile of overall
10 compensation for comparable jobs in similarly sized companies.

11

12 Q. Was a collective bargaining agreement in place between the Company
13 and its union workers during the historic period?

14 A. Yes. A new collective bargaining agreement was arrived at effective May
15 1, 2008. The new agreement has a term of three years.

16

17 Q. Will a collective bargaining agreement be in place during the forecast rate
18 year?

19 A. Yes, but it will expire on April 30, 2011.

20

21 Q. What are the negotiated wage increases for union employees from the
22 March 31, 2009 end of the historical year through the Rate Year?

THOMAS C. BROCKS

1 A. The current labor agreement provided for a 3.5% wage increase on May
2 1, 2008 and another 3.5% wage increase on May 1, 2009. They will be
3 followed by increases of 0.5% on November 1, 2009, 3.5% on May 1,
4 2010, and 0.5% on November 1, 2010.

5
6 Q. What are the projected payroll increases for non-union employees?

7 A. An assumed overall compensation increase of 3.6% from the March 31,
8 2009 level was employed to forecast the rate year payroll for non-union
9 employees.

10 In connection with non-union employees, I note that the Company is only
11 requesting revenue requirements associated with base salaries for its
12 Executive and non-Foreman management positions. Central Hudson is
13 not requesting any revenue requirements for "variable," "incentive,"
14 "bonus" or "performance-based" management compensation plans. In
15 addition, 2010 executive salaries have been held constant at the 2009
16 levels. In addition, the Company is requesting revenue requirements for
17 the base salaries and overtime for its management Foreman positions as
18 well as all base wage and overtime compensation for its unionized
19 workforce.

20
21 Q. Please describe the Company's staffing levels in the historic year ended
22 March 31, 2009.

THOMAS C. BROCKS

1 A. As of March 31, 2009, there were 840 employees, including officers, full-
2 time management employees and full and part-time union employees.

3

4 Q. Do you believe that it will be necessary or desirable for the Company to
5 add employees during the forecast rate year period, the twelve months
6 ending June 30, 2010?

7 A. Yes. The actual staffing level at May 31, 2009 is 856 and that level that
8 represents an increase of 16 over the level of 840 that existed at the end
9 of the test year and was approved in the Commission's June 2009 rate
10 order. Increases in work tasks as well as regulatory mandates warrant
11 adding 4 employees to the 856. One Financial Analyst will be added to
12 the Financial Planning department and one Cost and Rate Analyst will be
13 added to the Cost and Rate department. In addition two Assistant System
14 Operator position will be added to the System Operations department. I
15 have described these positions in Exhibit____(TCB-1)

16

17 Q. Have you assumed that there will be increases or losses of existing
18 employees between the March 30, 2009 end of the historic period and the
19 July 1, 2010 start of the rate year?

20 A. I have assumed that if there are any increases or losses of existing
21 employees, they will net out to zero.

22

THOMAS C. BROCKS

1 Q. Do you expect that all of the positions shown in your Exhibit____(TCB-1)
2 will be filled by the start of the rate year?

3 A. Yes.

4

5 Q. Have you provided your forecast of the number of employees to the
6 Revenue Requirements Panel?

7 A. Yes.

8

9 Q. Does this conclude your direct testimony?

10 A. Yes.