

**EXHIBIT NO. ___(SJK-5)
DOCKETS UE-151871/UG-151872
PSE EQUIPMENT LEASING SERVICE
WITNESS: STEVEN J. KRECKER**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Dockets UE-151871
UG-151872**

**FOURTH EXHIBIT TO THE PREFILED DIRECT TESTIMONY OF
STEVEN J. KRECKER
ON BEHALF OF WASHINGTON STATE HEATING, VENTILATION AND AIR
CONDITIONING CONTRACTORS ASSOCIATION**

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SMALL FIRMS GET 'LAYOFF NOTICES'

ARM OF GAS COMPANY CRITICIZED FOR ITS ACTION

Author: *Rob Tucker*

Article Text:

Washington Energy Services Co., the appliance retailer for Washington Natural Gas, has dropped 15 of 16 small businesses that had contracts to install its equipment.

WESCO's decision to go with one installer will close one small business and cause layoffs at others.

The 15 businesses and WESCO had an eight-month relationship that ended with a registered letter from the larger company late last month.

WESCO's behavior angered some of the installing companies.

"It was the promises they made. They told us we were part of the select few. Our commitment was there. This is how we get paid back," said Janet Fritz, an employee at American Heating Services Inc. in Tacoma. "It's just another example of big business stepping on the little guys." Fritz is the controller for the 12-person company, one of the businesses WESCO dropped.

American Heating will survive on a lower budget, company president Lana Ohlson said.

WESCO is one of Washington's leading sellers of gas-fired appliances, including water heaters, stove inserts for fireplaces, air cleaners and air conditioners. It also sells home security systems and insulated windows.

The Seattle company is an 8-month-old subsidiary of Washington Energy Co., which also owns Washington Natural Gas Co. Washington Natural Gas used to sell the appliances and contract with installers.

WESCO formed in October 1993 after the Washington Utilities and Transportation Commission found that Washington Natural Gas Co. was subsidizing low-cost gas appliances through customer gas rates.

WESCO president Don Gessel said Washington Natural Gas had 50 to 60 primary installers.

When WESCO took over appliance sales, it anticipated less business because of the sluggish economy, so it cut the number of installers to 18 firms and then to 16 last fall, he said.

"The level of work's slowly been decreasing" since last fall, he said.

Gessel said WESCO made no promises to installers.

Some of the installers are sorry to lose the business, but don't blame the bigger company.

"I'm not thrilled with their decision, but they did what they had to do. Nobody puts a gun to your head and says you have to work with them," said Jim Jolly, owner of Brennan Heating in Tukwila.

His company is prepared to go on, probably without layoffs, he said. He believes WESCO's move reflects the general downturn in gas appliance sales.

But some installers still blame WESCO more than the economy. WESCO overestimated its market and reacted ruthlessly when sales declined, Mark Rennie of Rennie Sheet Metal said. Other installers agreed.

"They weren't very professional," Rennie said. "They could have warned us. We just got a registered letter. A week before I got it, they were calling me, asking for their equipment. They didn't tell me why, but afterwards, I put two and two together."

Both Rennie and Ohlson, of American Heating, said their companies expanded to handle WESCO business with WESCO's encouragement:

- * Rennie bought another truck for \$20,000 and added workers when WESCO people said he should gear up to handle their business.

- * Both companies provided warehouse space for WESCO appliances and parts.

- * They both built offices and bought office equipment for WESCO's Seattle-based salespeople who wanted to be closer to the sales areas.

"They (WESCO) were going to take the market by storm," Rennie said.

In the end, Rennie's company laid off eight workers because WESCO couldn't generate enough sales. But the company remains in business, he said.

The termination letter was "shocking and so abrupt," said Ohlson, whose company installed about 11 percent of WESCO appliances. The company grossed \$770,000 as a Washington Natural Gas and WESCO installer last year, she said.

The WESCO move will close Pacific Gas Heating & Air Co. of Tacoma and put its nine remaining employees out of work, said Jerry Teutscher, vice president and co-owner.

"It's a slap in the face. I busted my butt for WESCO and Washington Natural Gas," he said.

His company already laid off 12 workers due to the lack of WESCO business, he said.

Teutscher and his partner began the business in a Spanaway garage and they alone will return there to start over, he said.

He paid his employees \$12 to \$14 per hour and they had medical, dental and retirement benefits, he said. He grossed \$1.6 million last year.

WESCO decided to place all its business with Northwest Water Heater Co. for efficiency reasons. It gave the other 15 installers 60-day notices of cancellation, as required by contract, according to Gessel.

Northwest Water Heater has five offices in the Puget Sound region, including one in Tacoma.

Maxine Koratich, owner of Red-Wood Heating in Redmond, considers WESCO's decision just part of doing business.

"We had a wonderful relationship with WESCO and Washington Natural Gas. We're sorry it had to end, but it's not the end of the world," she said.

Caption:

BW PHOTO/Teri Harris: Lana Ohlson, president of American Heating Service in Tacoma, says **Washington Energy Services Co.**, encouraged her company to expand, then dropped its contract. Her company will get by on a lower budget, she said.

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