**EXHIBIT NO. \_\_\_(WEP-1T )
DOCKETS UE‑151871/UG-151872
PSE EQUIPMENT LEASING SERVICE
WITNESS: WILLIAM E. PINKEY**

**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND****TRANSPORTATION COMMISSION,****Complainant,** **v.****PUGET SOUND ENERGY,****Respondent.** |  | **Dockets UE-151871** **UG-151872** |

**PREFILED RESPONSE TESTIMONY OF**

**WILLIAM E. PINKEY**

**ON BEHALF OF WASHINGTON STATE HEATING, VENTILATION AND AIR CONDITIONING CONTRACTORS ASSOCIATION**

**JUNE 7, 2016**

**WASHINGTON STATE HEATING, VENTILATION AND AIR CONDITIONING CONTRACTORS ASSOCIATION**

**PREFILED RESPONSE TESTIMONY OF
WILLIAM E. PINKEY**

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**WASHINGTON STATE HEATING, VENTILATION AND AIR CONDITIONING CONTRACTORS ASSOCIATION**

**PREFILED RESPONSE TESTIMONY OF
WILLIAM E. PINKEY**

1. INTRODUCTION

Q. Please state your name, business address, and position with Washington State Heating, Ventilation and Air Conditioning Contractors Association

A. My name is William E. Pinkey. My business address is 5100 Pacific Hwy, Unit #103, Ferndale, WA 98248 I am the Treasurer of the Washington State Heating, Ventilation and Air Conditioning Contractors Association, and CFO of Barron Heating and Air Conditioning, Inc..

Q. Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?

A. Yes, I have. It isExhibit No. \_\_\_(WEP-2).

**Q. What are your duties as CFO of Barron Heating and Air Conditioning, Inc.?**

A. As CFO of Barron Heating and Air Conditioning, Inc., I am responsible for developing financial strategies and projections consistent with corporate goals and monitoring financial performance by measuring and analyzing results.  I provide oversight of our accounting systems, and am also responsible for legal, regulatory and tax compliance matters.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to supplement the prefiled testimony of Steven J. Krecker and provide additional details regarding WSHVACCA’s concerns regarding PSE’s proposed lease services.

1. HISTORY OF WSHVACCA’S CONCERNS

**Q. How have WSHVACCA’s concerns about the PSE proposal evolved?**

A. When the Washington State Heating, Ventilation and Air Conditioning Contractors Association became aware of the Puget Sound Energy proposal to lease gas and electric furnaces, heat pumps, and water heaters, our members were strongly opposed to PSE re-entering the HVAC appliance business. Our first reactions centered on the re-emergence of unfair competition. Our concerns in the months since PSE’s tariff filings have evolved to include a very real concern that PSE is incapable of implementing its proposal, and would severely damage the market- and the ratepayers dependent upon a strong and healthy competitive market- as it flails around and fails.

1. THERE ARE SERIOUS GAPS IN PSE’S KNOWLEDGE OF THE REQUIREMENTS OF THE MARKET AND A SIGNIFICANT THREAT OF DAMAGE TO THE MARKET

**Q. Have you examined the details of the PSE proposal?**

A. No, not in detail. As Mr. Krecker has noted, PSE has cloaked its pricing model and other critical details in confidential and highly confidential status, and thus these details have not been available to us to examine. It is like looking at shadows on the wall, and being unable to turn around and examine the reality.

**Q.** **What indicators of a problem have you noted?**

A. In what we have been able to observe, another problem indicator in PSE’s assumption of a “standard installation” is the failure to account for the different types of labor that may be required for individual installations. Depending upon the nature of the existing HVAC appliance and its connections, and the nature of the replacement HVAC appliance and theist requirements for connections, different situations may require, in addition to an HVAC technician, either a journeyman electrician and/or a journeyman plumber, in order to legally do the job.

 An example is the replacement of a natural gas water heater. If the existing appliance has no electrical component, but the new appliance does- as many more energy efficient gas water heaters do- it is not, under state law, a like in-kind replacement, and will require both a plumber and an electrician, as well as the HVAC technician dealing with the proper ventilation, among other things.

 With any HVAC appliance, new piping or wiring may require a plumber or electrician. The needs- and costs- will vary, possibly by hundreds of dollars, from installation to installation.

 Varying from jurisdiction to jurisdiction, some installations may require electrical permits, and some may not.

 All these permits and the proper type of labor must be met to do a legal installation, and they can impact the cost of any given installation significantly. A “one price fits all” pricing does not appear to reflect that reality.

**Q. How will this affect the ratepayer?**

A. As was noted by Mr. Krecker, the additional cost of a proper installation will have to be paid by the customer. Or if the pricing model reflects an average cost, some ratepayers are subsidizing other ratepayers.

**Q. How does this impact the market?**

A. If the cost of doing an installation properly and legally there is an incentive to cut corners. Cutting corners on plumbing, electrical work, or ventilation creates dangers for the consumer. Improper installations- and the resultant safety risks created- inevitably give the entire HVAC industry a black eye.

 Cutting corners on legal requirements contributes to the underground economy and damages the market as contractors who will not cut corners are placed at an economic disadvantage.

1. THERE ARE BETTER APPROACHES TO A SOLUTION

**Q. Are you familiar with any successful programs in an industry to replace appliances with better and more efficient appliances?**

A. Yes, besides being in the HVAC industry, I am also in the wood heat industry. I am aware of a program in the wood heat industry that successfully addressed and solve an air quality wood smoke problem that is very similar to replacing older, less energy efficient appliances with newer, more energy efficient appliances. In Tacoma and parts of Pierce County, as well as in other areas of the state, smoke from burning wood for heat was putting these areas in danger of non-attainment, or in actual non-attainment, of federal air quality fine particulate standards. Tacoma and parts of Pierce County were designated as a non-attainment area for fine particulates in December, 2009

The regulatory agencies, local governments, the wood heat industry, and other stakeholders met, discussed the problem, its causes, and collaborated on the solution. One part of the solution was replacing older, high-smoke-emitting wood stoves with newer, cleaner burning and more efficient wood stoves- very similar to the notion of replacing older, less energy efficient appliances with newer, more energy efficient appliances. The agencies and the industry collaborated, even to the extent of jointly- and successfully- requesting funding from the Legislature for a grant program to assist low-income families in changing-out their older, dirtier-burning woodstoves.

Notably, none of the other stakeholders sought to displace any of the wood heat industry as the provider of the cleaner burning appliances, nor did any of the other stakeholders attempt to enter the market. The group determined that it was best to use the expertise of the wood stove retailer/installers to implement this program as every installation was unique and required extensive industry design and expertise to be successful. The various stakeholders each played to their particular strengths to make the collaboration work.

The wood stove change-out program has been a great success in bringing the Tacoma/Pierce County area into compliance with federal air quality standards for fine particulates. The Tacoma/Pierce County area was found to be in compliance with the fine particulate standard of the Federal Clean Air Act by the federal Environmental Protection Agency on March 12, 2015[[1]](#footnote-1). *see* Exhibit No. \_\_\_(WEP-2).

 **Q. What is the import of these other approaches to this adjudication?**

A. We compare these other approaches to achieving a successful solution to a problem of inefficient appliances to the approach PSE used. While PSE repeatedly claims to have acted in consultation with the industry, the reality is that the industry was not consulted in the development of any strategy to address a problem. Rather the industry was told what PSE intended to do, after PSE had made its decision. By not consulting with the industry in developing its proposal, PSE has set itself up for failure.

1. CONCLUSION

Q. Does this conclude your prefiled direct testimony?

A. Yes.

1. https://www.federalregister.gov/articles/2015/02/10/2015-02619/approval-and-promulgation-of-air-quality-implementation-plans-washington-redesignation-to-attainment [↑](#footnote-ref-1)