

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

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**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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1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to supplement the prefiled testimony of Steven J.
3 Kreckler and provide additional details regarding WSHVACCA's concerns
4 regarding PSE's proposed lease services.
5

6 **II. HISTORY OF WSHVACCA'S CONCERNS**

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

8 A. When the Washington State Heating, Ventilation and Air Conditioning
9 Contractors Association became aware of the Puget Sound Energy proposal to
10 lease gas and electric furnaces, heat pumps, and water heaters, our members were
11 strongly opposed to PSE re-entering the HVAC appliance business. Our first
12 reactions centered on the re-emergence of unfair competition. Our concerns in
13 the months since PSE's tariff filings have evolved to include a very real concern
14 that PSE is incapable of implementing its proposal, and would severely damage
15 the market- and the ratepayers dependent upon a strong and healthy competitive
16 market- as it flails around and fails.
17

18 **III. THERE ARE SERIOUS GAPS IN PSE'S KNOWLEDGE OF THE**
19 **REQUIREMENTS OF THE MARKET AND A SIGNIFICANT THREAT OF**
20 **DAMAGE TO THE MARKET**

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

22 A. No, not in detail. As Mr. Kreckler has noted, PSE has cloaked its pricing model
23 and other critical details in confidential and highly confidential status, and thus

1 these details have not been available to us to examine. It is like looking at
2 shadows on the wall, and being unable to turn around and examine the reality.

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

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

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

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

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

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

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

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

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

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

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

16
17 **IV. THERE ARE BETTER APPROACHES TO A SOLUTION**

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

20 A. Yes, besides being in the HVAC industry, I am also in the wood heat industry. I
21 am aware of a program in the wood heat industry that successfully addressed and
22 solve an air quality wood smoke problem that is very similar to replacing older,
23 less energy efficient appliances with newer, more energy efficient appliances. In

1 Tacoma and parts of Pierce County, as well as in other areas of the state, smoke
2 from burning wood for heat was putting these areas in danger of non-attainment,
3 or in actual non-attainment, of federal air quality fine particulate standards.

4 Tacoma and parts of Pierce County were designated as a non-attainment area for
5 fine particulates in December, 2009

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

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

22 The wood stove change-out program has been a great success in bringing
23 the Tacoma/Pierce County area into compliance with federal air quality standards

1 for fine particulates. The Tacoma/Pierce County area was found to be in
2 compliance with the fine particulate standard of the Federal Clean Air Act by the
3 federal Environmental Protection Agency on [March 12, 2015](#)¹. *see* Exhibit
4 No. ____ (WEP-2).

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

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

13
14 **V. CONCLUSION**

15 **Q. Does this conclude your prefiled direct testimony?**

16 A. Yes.
17

¹ <https://www.federalregister.gov/articles/2015/02/10/2015-02619/approval-and-promulgation-of-air-quality-implementation-plans-washington-redesignation-to-attainment>