

**EXHIBIT NO. ___(BF-3)
DOCKETS UE-151871/UG-151872
PSE EQUIPMENT LEASING SERVICE
WITNESS: BRIAN FLUETSCH**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

**Dockets UE-151871
UG-151872**

**SECOND EXHIBIT TO THE DIRECT TESTIMONY OF BRIAN FLUETSCH
Article
ON BEHALF OF SMACNA-WW**

June 7, 2016

1
2
3
4

SECOND EXHIBIT TO THE DIRECT TESTIMONY OF BRIAN FLUETSCH
Article

The Air Conditioning, Heating and Refrigeration
NEWS

Thermal Storage

NEWSPAPER

A PUBLICATION OF BUSINESS NEWS PUBLISHING CO.
OUR 68TH YEAR OF INDUSTRY SERVICE
\$7.00 • November 22, 1993

This Week

Thermal storage
Software arms engineers for thermal storage design demands... **3**

EDS' mammoth office complex
commits to thermal storage **6**

Thermal storage method
explored for cogeneration **11**

CBI exec reviews three
thermal storage installations... **15**

Thermal storage keeps customers
comfy in supermarket... **15**

EPA and you
EPA officer gives contractors an inside look at investigations **3**

What to keep on hand
when EPA comes knocking **3**

Texas contractor takes
EPA inspection in stride **4**

ARI will administer EPA's
technician exam this December **10**

Status of VGI-trained
techs is yet to be determined ... **10**

Industry at large
Heatercraft, Mexican manufacturer
form joint venture **11**

HTS hosts expo, seminars
for first time in North Carolina **11**

Regular features
Advertisers 22 Letters 14
Classifieds... 22-23 Patents 21
Dups 14 What's New 18
Editorial 14

Reader Action Card
The Reader Action Card is stitched between pages 4 and 5, and 20 and 21. Circle the appropriate numbers for literature and product information and mail the card.

WASHINGTON UTILITY ORDERED TO LEVEL THE PLAYING FIELD

by Irene Clepper

OLYMPIA, Wash. — Washington hvac contractors have gained some yardage in their struggle for a level playing field for utility competition.

What's more, residential customers have been saved an average rate hike of \$7.60 a month, in fact, they will enjoy an average decrease of \$2.25 a month as a result of a Public Utilities and Transportation Commission (PUTC) order.

The order, dated Sept. 27, requires the elimination of cross-subsidization by Washington Natural Gas Co., estimated at \$6.6 million annually for promotion, advertising, and incentive plans to boost the non-regulated side of its activities.

The utility serves about 425,000 residential and non-residential ratepayers in the five-county Puget Sound area. The utility not only lost its request for a \$41.4 million rate increase, but also suffered a rollback of rates by \$16.9 million a year.

As of Oct. 1, the utility set up a separate company for appliance sales, whose expenses must be allocated and free from ratepayer subsidization.

New subsidiary

Utility spokesperson Rob Adams said the creation of Washington Energy Services, the new subsidiary of parent Washington Energy Co., brings together all the sales activities, including home heating, energy conservation, home security, and vinyl siding for homes, which had come to be "a fairly sizable operation."

Dorothy Bracken, another utility spokesperson, said, "People have always been able to buy gas appliances from any dealer, but ordering from Washington Natural Gas allowed the customer to pay for the appliance over time on a gas bill. Now customers will have to go through a separate credit application process to pay for their appliances over time."

"We'll now have a system where, when someone calls for a natural gas hookup, he or she will be given a list of authorized heating appliance dealers that will include Washington Energy Services Co., but also other dealers in the area."

In its order, the PUTC expressed concern about the new subsidiary.

"The separate subsidiary, as described by the company, would encompass only the more profitable merchandising (sales) function. The company would leave jobbing (diagnostic and repair) in the regulated utility."

"Some of the jobbing costs are safety-related and an important part of the regulated operation. The company failed to include any of these costs in the subsidiary and would apparently seek to recover all jobbing expenses from the ratepayer."

Slow simmer

The cross-subsidization issue had been simmering for almost a decade, according to Merton Lott, accounting advisor to the commission.

"The utility had been told, eight or nine years ago, to change its system of accounting from 'incremental allocations' to 'fully allocated,' but had not done so," Lott said.

"This year, there was pressure from contractors and consumer groups to eliminate cross-subsidization."

"The utility's position was that, in the early days, it was the only source of hvac appliances and installation, so it was not necessary to separate costs

The order requires the elimination of cross-subsidization by Washington Natural Gas, estimated at \$6.6 million annually for promotion, advertising, and incentive plans to boost the non-regulated side of its activities.

MAILING LABEL

5

Wash. utility ordered to level playing field

(Continued from Page 1)
company did not make a contribution.

"The plan is overfunded and the company has no current obligation to make contributions," the commission reported.

Never say never

The utility has not given up. Early this month, it planned to file a "make-whole" rate increase request, "to cover increased operations and maintenance costs and the additional utility plant placed in service since the 1991 test year that formed the basis of the recent rate order."

In the first billing since establishment of the subsidiary, Lott

noted that his gas bill contained an ad for appliances.

"Presumably, Washington Energy Services paid for this insert," he said. "The commission will be looking at how these expenses are allocated."

"The Sept. 27 order notes that the company has not yet explained specifically how many employees will go to the subsidiary, and what will happen to the space they vacate."

The commission also found:
• Many of the marketing expenses the company would include in rates, such as season tickets to sporting events and hosted week-ends out of town for builders and dealers, are not customer service

expenses.

• The utility's expert argued that the commission should not listen to the words of some advertisements, but rather to the studies of listener feelings and beliefs, to determine the advertisement's true meaning.

• A gas utility may recover the expenses of promotional or political advertising only from its shareholders, not from ratepayers.

• The advertising the company proposed is indeed designed to encourage consumers to select the utility's services. The ads do not encourage the use of efficient appliances, nor do they provide information on how to conserve energy or reduce peak demand.

• The utility's theory that the advertisements promote energy conservation because they promote the use of gas over electricity is novel, but would allow the promotional advertising that the rule

specifically forbids.

• Far from conveying the message to "use less gas," the advertising included illustrations of increased consumption.

ARI, UL get approval to certify recovery and recycling units

WASHINGTON — Two groups have been approved by EPA to certify refrigerant recovery and recycling equipment under the agency's final rule. The Air-Conditioning and Refrigeration Institute (ARI) and Underwriters Laboratories (UL).

EPA also approved requests by ARI and UL to certify equipment that was previously tested by them for compliance with the rule.

The rule requires that recovery-recycling equipment manufactured before Nov. 15, 1993, be tested by an EPA-approved organization. Such equipment, other than that used for small appliances, must be tested under the ARI Standard 700-1993 test protocol, which is part of the final rule.

Recovery equipment for small appliances must be tested under either the ARI standard or Appendix C of the final rule.

ARI has been approved to test under Appendix B; UL has been approved to test equipment under both Appendix B and C.

Equipment manufactured before Nov. 15, 1993, need not be certified by an EPA-approved testing organization, even if purchased after that date. However, buyers of uncertified equipment should check the date of manufacture, to ensure that certification is not required.

Buyers should also ensure that pre-November 15 equipment can achieve the required vacuums for "grandfathered" equipment, 80% recovery efficiency for equipment used on small appliances, 4 in. of vacuum for equipment used with high-pressure appliances, and 25 in. of vacuum for equipment used on low-pressure appliances.

Both ARI and UL publish directories of certified equipment.

Clarification

The source of data supplied for illustrations accompanying an article in the November 8 News, "Humidity control, proper hvac essential to good IAQ in Southeast," was Healthy Buildings International, Fairfax, Va.

We have all the products you need to do the job **right**

5 good reasons for you to specify

HENRY Valve Company
AC&R Components Inc.
CHIL-CON Products Ltd.

1. HENRY Valve Company. A complete line of valves and accessories for air conditioning and refrigeration.
2. AC&R Components Inc. A complete line of oil control systems and compressor protective devices.
3. CHIL-CON Products Ltd. A complete line of heat transfer products and pressure vessels.
4. Over 75 years of quality products.
5. Five regional warehouses.

HENRY Valve Co.



AC&R Components, Inc.



CHIL-CON Products Ltd.



Do the job right, check these products of:

HENRY Valve Company
AC&R Components Inc.
CHIL-CON Products Ltd.

- | | |
|--|--|
| <input type="checkbox"/> Acid Test Kits | <input type="checkbox"/> Valves - Butt Weld |
| <input type="checkbox"/> Driers - Filter | <input type="checkbox"/> Valves - Flanged |
| <input type="checkbox"/> Driers - Heat Pump | <input type="checkbox"/> Valves - Hand Expansion |
| <input type="checkbox"/> Driers - Suction Line | <input type="checkbox"/> Valves - Receivers |
| <input type="checkbox"/> Flange Unions | <input type="checkbox"/> Valves - Screw End |
| <input type="checkbox"/> Filter - Suction Line | <input type="checkbox"/> Valves - Socket Weld |
| <input type="checkbox"/> Liquid Level Gauge Sets | <input type="checkbox"/> Accumulators |
| <input type="checkbox"/> Moisture Indicators | <input type="checkbox"/> Heat Exchangers |
| <input type="checkbox"/> Strainers | <input type="checkbox"/> Liquid Chillers |
| <input type="checkbox"/> Valves - Ball | <input type="checkbox"/> Mufflers |
| <input type="checkbox"/> Valves - Check | <input type="checkbox"/> Oil Control Systems |
| <input type="checkbox"/> Valves - Packless | <input type="checkbox"/> Oil Separators |
| <input type="checkbox"/> Valves - Relief | <input type="checkbox"/> Receivers |
| <input type="checkbox"/> Valves - Seal Cap | <input type="checkbox"/> Shell & Tube Condensers |
| <input type="checkbox"/> Valves - Three-way | <input type="checkbox"/> Sub-Coolers |



HENRY VALVE COMPANY

3215 North Ave., Melrose Park, IL 60160
Tel. (708) 344-1100 • Fax (708) 344-0026

AC&R Components, Inc., Chatham, IL 62029
CHIL-CON Products Ltd., Brantford, Ontario
HENRY VALVE (UK) Ltd., Glasgow, G52 Scotland

Warehouses: Chicago • Dallas • Gastonia, N.C. • Los Angeles • New Jersey • St. San Francisco

Circle 27

November 22, 1993

Vol. 196, No. 17, Serial No. 2372

The NEWS

Air Conditioning, Heating & Refrigeration News (ISSN 0002-2204) is published 52 times a year by Business News Publishing Co., P.O. Box 9900-055 W. Big Beaver Rd., #5500, Troy, Mich. 48067. Telephone 313-368-7000, FAX 313-368-0517.

Subscription Rate \$67 per year in the U.S.; \$91.89 per year in Canada (includes postage and \$4.89 GST); \$147 per year for all other countries, payable in U.S. funds.

Microfilm of The News are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48109.

Trademark Registered U.S. Patent Office. Copyright 1993 by Business News Publishing Co. Printed in the U.S.A.

Second Class Postage Paid at Troy, Mich. and at additional mailing offices.

GVY Accession: 131263003

POSTMASTER: Send address changes to Business News Publishing Co., P.O. Box 9900, Troy, Mich. 48067.

Responsible party (Belgium): Christian Debruyne, Voerweg 22, 2000 Overijse, Belgium.