

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-15 _____

DOCKET NO. UG-15 _____

DIRECT TESTIMONY OF

DON F. KOPCZYNSKI

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Don F. Kopczynski and I am employed as the Vice President of Energy Delivery for Avista Utilities, at 1411 East Mission Avenue, Spokane, Washington.

Q. Would you briefly describe your educational background and professional experience?

A. Yes. Prior to joining the Company in 1979, I earned a Bachelor of Science Degree in Engineering from the University of Idaho. I have also earned a Master's Degree in Engineering from Washington State University, a Master's Degree in Organizational Leadership from Gonzaga University, and a Master's Degree in Business Administration from Whitworth University. Over the past 35 years I have spent approximately 18 years in Energy Delivery, managing Engineering, various aspects of Operations, and Customer Service. In addition, I spent three years managing the Energy Resources Department, including Power Supply, Generation and Production, and Natural Gas Supply. I have worked in the areas of Corporate Business Analysis and Development, and served in a variety of leadership roles in subsidiary operations for Avista Corp. I was appointed General Manager of Energy Delivery in 2003 and Vice President in 2004. My current position is Vice President of Energy Delivery. I serve on several boards, including the Common Ground Alliance, American Gas Association, Northwest Harvest and the Washington State University Advisory Boards.

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

2 A. I will provide an overview of the Company’s electric and natural gas energy
 3 delivery facilities, the planned installation of Advanced Metering Infrastructure, our
 4 continuing Natural Gas Pipeline Replacement Program, and finally, I will summarize
 5 Avista’s customer support programs in Washington.

6 A table of the contents for my testimony is as follows:

7	<u>Description</u>	<u>Page</u>
8	I. Introduction	1
9	II. Overview of Avista’s Energy Delivery Service	3
10	III. Advanced Metering Infrastructure Plan	5
11	IV. Ongoing Pipeline Replacement	20
12	V. Customer Support Programs	22

13 **Q. Are you sponsoring any exhibits in this proceeding?**

14 A. Yes. I am sponsoring Exhibit No. ____ (DFK-2) which shows the number of
 15 customers and customer energy usage for each customer class. Exhibit No. ____ (DFK-3) is a
 16 recent industry report on advanced meter deployments in the U.S. Exhibit No. ____ (DFK-4) is
 17 a regulatory resolution on advanced metering, and Exhibit No. ____ (DFK-5) is a report
 18 prepared by Avista summarizing the Company’s Advanced Meter Infrastructure plans in
 19 Washington. Exhibit No. ____ (DFK-6) includes the Company’s Two-Year Plan for
 20 Managing Select Pipe Replacement in Avista Utilities’ Natural Gas System.

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1 **II. OVERVIEW OF AVISTA'S ENERGY DELIVERY SERVICE**

2 **Q. Please describe Avista Utilities' electric and natural gas utility**
3 **operations.**

4 A. Avista Utilities operates a vertically-integrated electric system in Washington
5 and Idaho. In addition to the hydroelectric and thermal generating resources described by
6 Company witness Mr. Kinney, the Company has approximately 18,300 miles of primary
7 and secondary electric distribution lines. Avista has an electric transmission system of 685
8 miles of 230 kV lines and 1,534 miles of 115 kV lines.

9 Avista owns and maintains a total of 7,650 miles of natural gas distribution lines,
10 and is served off of the Williams Northwest and Gas Transmission Northwest (GTN)
11 pipelines. A map showing the Company's electric and natural gas service area in
12 Washington, Idaho and Oregon is provided by Company witness Mr. Morris in Exhibit No.
13 ___(SLM-3).

14 As detailed in the Company's 2013 Electric Integrated Resource Plan¹, Avista
15 expects retail electric sales growth to average 1.1% annually for the next ten years in
16 Avista's service territory, primarily due to increased population and business growth. In
17 2014, Avista had 4,782 new electric residential customer connections² and 4,362 for 2013.

18 Also, based on Avista's 2014 Natural Gas Integrated Resource Plan³, in
19 Washington/Idaho the number of natural gas customers is projected to increase at an average
20 annual rate of 1.6%, with demand growing at a compounded average annual rate of 1.3%.

¹ A copy of the Company's 2013 Electric IRP has been provided by Mr. Kinney as Exhibit No.__(SJK-2).

² A new customer connection as defined by Avista is when a customer receives a bill for the first time at a particular premises/location.

³ A copy of the Company's 2014 Natural Gas IRP has been provided by Company witness Ms. Morehouse at Exhibit No.__(JM-2).

1 New natural gas customer connections for all customer classifications in Washington and
2 Idaho were 5,361 in 2014 and 4,484 in 2013.

3 **Q. How many customers are served by Avista Utilities in Washington?**

4 A. Of the Company's 370,194 electric and 329,722 natural gas customers (as of
5 December 31, 2014), 243,031 and 153,467, respectively, were Washington customers.

6 **Q. Please describe the Company's operation centers that support electric
7 and natural gas customers in Washington.**

8 A. The Company has construction offices in Spokane, Colville, Othello,
9 Pullman, Clarkston, Deer Park, and Davenport. Avista's three customer contact centers,
10 located in Spokane, Washington, Coeur d'Alene and Lewiston, Idaho, are networked,
11 allowing the full pool of regular and part-time employees to respond to customer calls in all
12 jurisdictions.

13

1 **III. ADVANCED METER INFRASTRUCTURE (AMI) PLAN**

2 **Q. Please describe the Company’s plans for the implementation of advanced**
3 **metering infrastructure (AMI) in its Washington service territory?**

4 A. The Company has entered the initial planning phase of a program to deploy
5 advanced meters for its electric and natural gas customers in its Washington service area.
6 The Washington advanced metering project will build on the Company’s experience with
7 automatic meter reading (AMR) in Idaho and Oregon, and advanced metering infrastructure
8 (AMI) in Pullman, Washington, to provide direct customer and operational benefits to all of
9 Avista’s Washington operations. The project, which will encompass approximately six years
10 beginning in 2015, will deploy advanced meters to approximately 253,000 electric
11 customers, and 155,000 natural gas customers.⁴

12 **Q. What is advanced metering infrastructure?**

13 A. Advanced metering infrastructure includes advanced meters that are digital
14 meters capable of two-way communication and which are equipped with the ability to
15 measure the incoming and outgoing flow of electricity from a customer’s premises in
16 configurable intervals that range from 5 minutes to an hour. This communication capability
17 means the meter can remotely transmit energy-use information to the utility and the
18 customer, and can also receive and respond to signals sent from the utility to the meter.
19 Advanced meters themselves are only part of an integrated metering system. That is, they
20 must be connected with specialized communication networks and information management
21 systems in order to deliver value to the consumer. This entire system of meters,

⁴ These numbers reflect the estimated number of customers who will receive meters through the course of the six-year deployment period.

1 communications, and digital hardware and software systems is referred to as advanced
2 metering infrastructure.

3 **Q. Please explain the difference between meters used for automatic meter**
4 **reading and advanced metering?**

5 A. Automatic meter reading technology, as deployed in the Company's Idaho
6 and Oregon service territories, records energy consumption and transfers that data, usually
7 monthly, from the meter to the utility (one-way communication). Data transmittal occurs via
8 specialized communication networks, or by mobile collection using a data receiver mounted
9 in a vehicle or a walk-by handheld system.

10 Advanced meters, also known as Smart Meters, are capable of two-way
11 communication and transmit the incoming and outgoing flow of energy from a customer's
12 premises in configurable intervals that range from five minutes to an hour. This
13 communication capability means the meter can remotely transmit energy use information to
14 the utility and the customer, and can also receive and respond to signals sent from the utility
15 to the meter. Advanced meters can support the implementation of a variety of load reduction
16 and energy saving programs that are beyond the capability of automatic meter reading
17 systems.

18 **Q. Will the Company replace all of its electric and natural gas meters as**
19 **part of this plan?**

20 A. All of the existing electric meters, the majority of which are conventional
21 electro-mechanical meters, will be replaced under the project with a new advanced meter, as
22 shown in Illustration No. 1, below.

23

Illustration No. 1

Electro-Mechanical Meter



Advanced Digital Meter



Existing natural gas meters will be upgraded with a new digital communicating module referred to as an “Encoder Receiver Transmitter” or “ERT”, as shown in Illustration No. 2. The natural gas meter itself, will not be replaced.

Illustration No. 2



Retrofitting Natural Gas Meter Index with ERT



1 **Q. Has the Company tracked national trends in the deployment of smart**
2 **metering systems?**

3 A. Yes, the effort of utilities to improve customer satisfaction and deliver
4 operational benefits, coupled with advances in metering technology, have helped propel a
5 trend toward digital metering across the United States. The Energy Information
6 Administration⁵ reported that in 2012, 533 U.S. utilities had installed over 43,000,000
7 advanced meters. According to the September 2014 report by the Edison Foundation
8 Institute for Electric Innovation, on “Utility-Scale Smart Meter Deployments:”

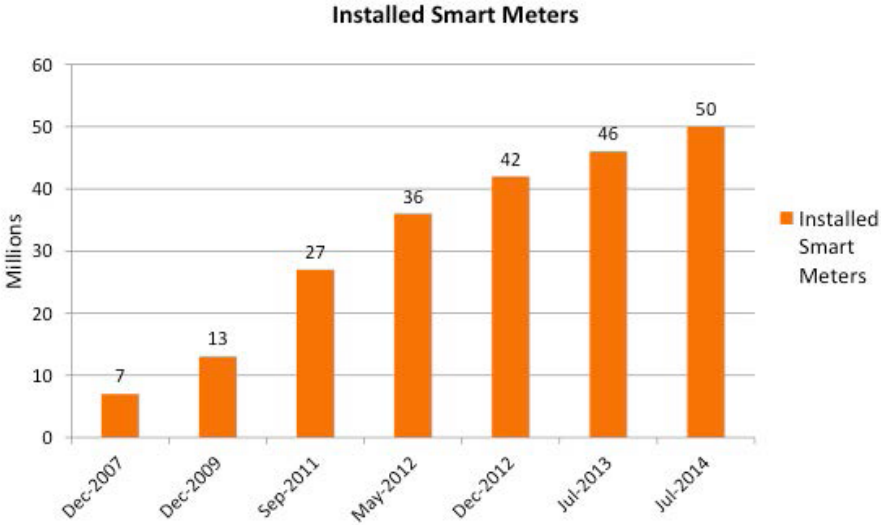
9 Smart meters are playing a critical role in shaping the electric grid of
10 tomorrow and enabling the integration of new technologies and innovations
11 across the grid. As the power grid evolves into a broad platform for
12 integrating new energy services and technologies, the ability to connect
13 legacy assets and systems and integrate new ones is critical; smart meters are
14 supporting this evolution. In addition, the data collected by smart meters (or
15 automated metering infrastructure (AMI)) opens the door for greater
16 integration of new resources and new energy services for customers.

17
18 The report documents the levels of deployment of advanced electric meters in the
19 United States over the past several years, shown below in Illustration No. 3. The Illustration
20 shows deployment levels increasing markedly from only seven million in 2007, to a level of
21 50 million by July 2014.

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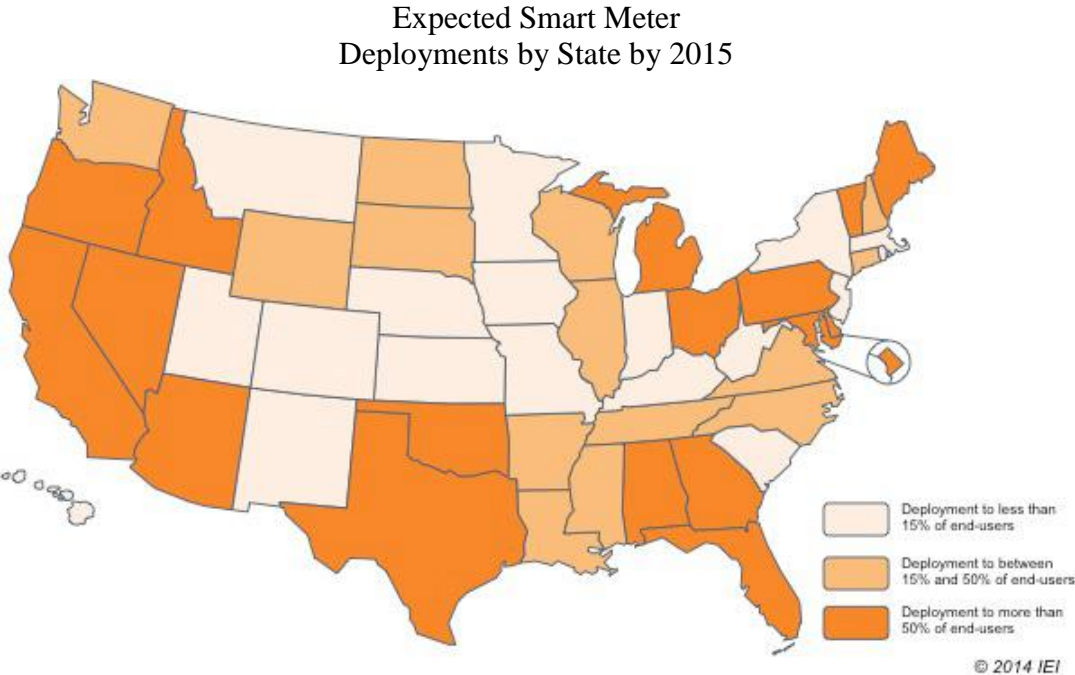
⁵ Energy Information Administration. Frequently Asked Questions: How many smart meters are installed in the U.S. and who has them? <http://www.eia.gov/tools/faqs/faq.cfm?id=108&t=3>

Illustration No. 3



The report also notes the rate of penetration of advanced electric meters at 43 percent for residential applications, and depicts the degree of penetration state by state by 2015, as shown in Illustration No. 4 below. A copy of this report is attached as Exhibit No. ____ (DFK-3).

Illustration No. 4



1 In the United States, the number of deployment projects for advanced meters is
 2 expected to reach 260 in 2016, double the number of deployment projects in 2009⁶. The
 3 penetration of advanced meters in the United States is forecast to range from 50% to 70%⁷
 4 by year 2020.

5 Closer to home, our largest neighboring cooperative utilities with adjacent service
 6 territories – Inland Power and Light and Kootenai Electric Cooperative – either have
 7 installed advanced metering or are in the process of doing so. Elsewhere in Washington
 8 State, Tacoma Public Utilities has deployed advanced metering and Seattle City Light is in
 9 the process of selecting the advanced metering systems they will be placing into service.

10 **Q. Have the policies of state and federal government and regulatory**
 11 **organizations contributed to this trend in the deployment of advanced meters?**

12 A. Yes. The federal Energy Policy Act of 2005⁸ required states to evaluate new
 13 electricity standards, which included “smart metering,” and to evaluate whether these new
 14 standards should be adopted as requirements for state regulated electric utilities. In addition
 15 to federal policies, several states (e.g. California) have required utilities to implement
 16 advanced metering programs. Policies supporting the deployment of advanced metering
 17 have also been developed by organizations such as the National Association of Regulatory
 18 Utility Commissioners (NARUC). In 2007, NARUC passed a resolution to eliminate
 19 regulatory barriers to the broad implementation of advanced metering infrastructure.⁹ The
 20 resolution identified the value of advanced metering in achieving significant utility

⁶ Leveraging Business Intelligence and Analytics to Improve Performance. Presentation by Gartner Research made to Avista, September 2014.

⁷ From Pike Research in 2012, as cited from Elster presentation made to Avista in 2015.

⁸ Energy Policy Act §§ 125(a); 1252(a); and 1254(a) all codified at 16 U.S.C 2621(d)(11-15).

⁹ Resolution sponsored by the Committee on Energy Resources and Environment and Adopted by NARUC Board of Directors on February 21, 2007.

1 operational cost savings in the areas of outage management, revenue protection and asset
2 management. The resolution also called for advanced metering business case analyses to
3 identify cost-effective deployment strategies, endorsed timely cost recovery for prudently
4 incurred expenditures, and made additional recommendations on rate making and tax
5 treatment of such investments. A copy of the resolution is attached as Exhibit No. ____ (DFK-
6 4).

7 **Q. What are Avista's objectives for its Washington advanced metering**
8 **project?**

9 A. Avista is committed to achieving a greater degree of customer satisfaction,
10 and offering information and choices that help customers better understand and manage their
11 energy costs. Advanced metering supports these goals by enabling a range of benefits that
12 will improve the quality and cost-effectiveness of services they receive from Avista. These
13 benefits include near real-time energy use information, energy alerts, more accurate billing,
14 improved energy efficiency, theft-loss prevention and outage management, and remote rapid
15 reconnect of service. And, as the industry moves toward new programs such as time-of-use
16 and demand-based pricing, and with the greater prevalence of customer-owned distributed
17 generation, Avista will have the technology to effectively evaluate and implement such
18 programs.

19 **Q. In developing this program, has the Company addressed the range of**
20 **factors to be considered by the Commission in evaluating advanced metering projects,**

1 as listed in the Commission’s “Interpretive and Policy Statement” in Docket No. UE-
2 060649?¹⁰

3 A. Yes, it has. For factors such as meter and installation costs, and
4 administrative savings, Avista has prepared preliminary estimates of the costs and expected
5 benefits associated with the advanced metering program. Avista has also specifically
6 addressed among other issues, customer protection and privacy policies.

7 **Q. Has the Company evaluated the benefits and the costs of this project?**

8 A. Yes. The Company has prepared a report summarizing the Washington
9 advanced metering project, which provides an overview of advanced metering
10 infrastructure, describes the expected benefits associated with the project, and provides an
11 initial estimate of the project capital investment and maintenance costs. A copy of this report
12 is provided as Exhibit No. ____ (DFK-5).

13 **Q. Can you please briefly summarize the benefits of advanced metering, as**
14 **detailed in the Company’s report.**

15 A. Yes. Customers will experience benefits from the deployment of advanced
16 metering in a variety of ways. These include improvements in service quality and customer
17 experience that are generally more apparent to the customer, as well as those which may not
18 be so apparent to the customer, but otherwise serve to reduce operating costs associated with
19 providing service. A brief description of these customer benefits is provided below:

¹⁰ In the Matter of the Commission’s Investigation of Public Utility Regulatory Policies Act Standards
Pertaining to Smart Metering and Time of Use Rates dated August 23, 2007.

1 **Improved Customer Service**

- 2 ▪ Privacy – reduces the frequency of the need for utility personnel to
- 3 physically visit the customer’s property.
- 4 ▪ Improved Customer Experience – provides improved service levels
- 5 in several areas as well as information that allows customers to better
- 6 understand and manage their energy use.

7

8 **Customer savings**

- 9 ▪ Energy efficiency – when coupled with energy conservation tips,
- 10 enables the customer to implement cost effective efficiency
- 11 measures.
- 12 ▪ Reduced outage times – informs the Company of a power outage at
- 13 the premises, helping us to restore service more quickly.

14

15 **Platform for Future Rate Options**

- 16 ▪ Rates, smart grid, distributed resources – provides the platform
- 17 needed to implement grid upgrades, integrate increasing amounts of
- 18 customer-owned generation, and to offer additional service and
- 19 billing options in the future.

20

21 **Improved Operational Performance**

- 22 ▪ Eliminating manual meter reading – allows savings by implementing
- 23 automated meter reading.
- 24 ▪ Remote Rapid reconnection of service – significantly shortens the
- 25 time required to reconnect electric service.
- 26 ▪ Improved outage management – integrates with the outage
- 27 management system to help allocate crews more efficiently, and
- 28 provides a verification of service restoration without having to call
- 29 the customer.
- 30 ▪ Increased electrical system efficiency – allows the utility to reduce
- 31 the amount of electricity required to maintain the required line
- 32 voltage along each feeder.
- 33 ▪ Reduced energy theft and unbilled usage – helps quickly identify
- 34 meter tampering and energy theft, and reduce unbilled usage.
- 35 ▪ Greater billing accuracy – reduces the potential for human error in
- 36 reading, recording and entering meter data into the billing system,
- 37 and eliminates the need to estimate bills for account transactions and
- 38 when the meter may be inaccessible for manual reads.
- 39 ▪ More cost-effective utility system studies – provides better data and
- 40 lowers the cost of performing various system studies.
- 41

1 **Q. What is the estimate of the overall project cost?**

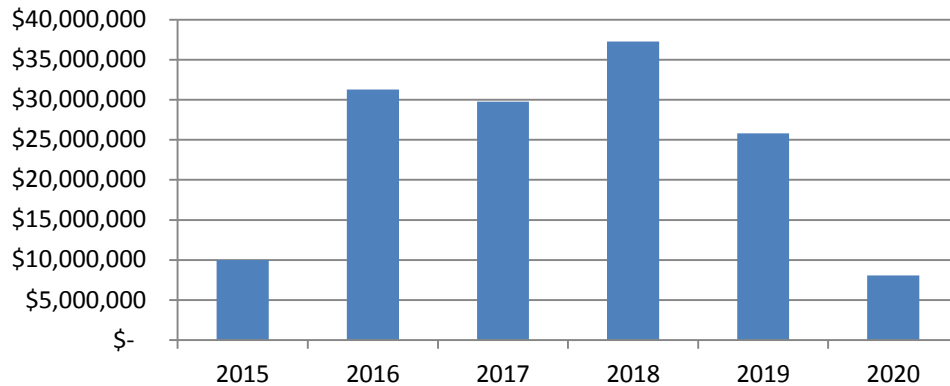
2 A. The capital cost of implementation is currently estimated at \$142.1 million,
 3 and the estimated annual maintenance cost is \$5.2 million. The Company’s estimates are
 4 considered preliminary since the technical specifications for the project and vendor pricing
 5 have not been finalized through a request for proposals process.

6 **Q. Has the Company forecasted the expected capital investment over the**
 7 **deployment period of the project?**

8 A. Yes, it has. Illustration No. 5 below shows the Company’s preliminary estimates
 9 of capital spending over the course of implementation of the advanced metering system.

10 **Illustration No. 5**

11 **Preliminary Estimate of Forecast Capital Expenditures**
 12 **through 2020**



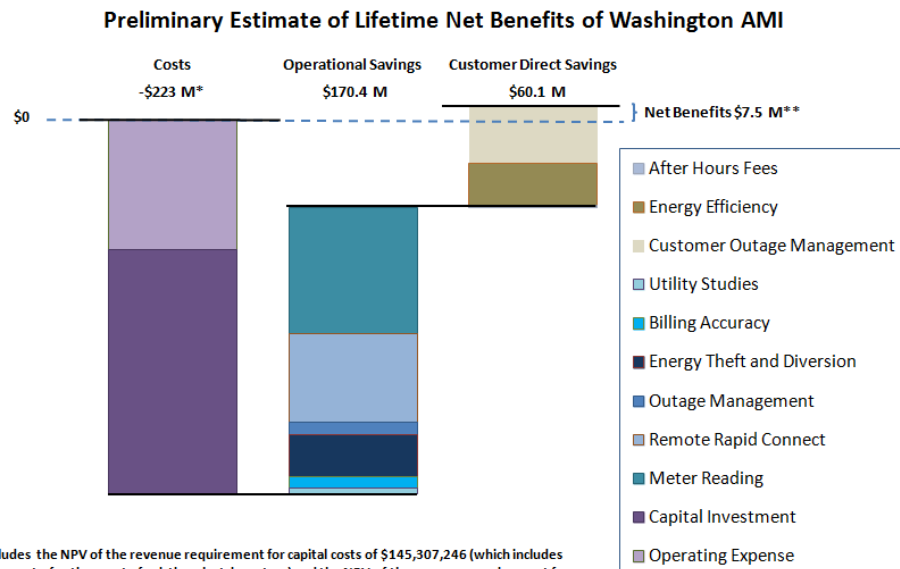
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19 **Q. Has the Company prepared a preliminary estimate of the lifetime net**
 20 **benefits of the Washington advanced metering project?**

21 A. Yes, it has. Illustration No. 6 below provides a comparison of the preliminary
 22 estimates of the costs and benefits over the life of the project. This chart shows the “cost” of
 23 the project as \$223 million, composed of the net present value of the revenue requirement

1 associated with the capital investment of \$145.3 million, plus the net present value of the
 2 revenue requirement of the annual operating expense of \$77.6 million over the 21-year life
 3 of the project. The preliminary estimates of the project benefits are shown as the net present
 4 value of the “operational savings” of \$170.4 million, and the net present value of the
 5 “customer direct savings” of \$60.1 million (although in reality, all of these savings benefit
 6 customers either directly or indirectly through lowering the Company’s costs below what
 7 they otherwise would have been).

8 Therefore, current estimates show a net benefit over the life of the AMI project of
 9 \$7.5 million. The costs and savings are described in detail in Exhibit No. ____ (DFK-5).
 10 Workpapers including the details of these calculations have been provided with this filing.

11 **Illustration No. 6**



21 **Q. Has NARUC recognized that deployment of advanced metering**
 22 **technology may require the removal and disposition of existing meters that are not**
 23 **fully depreciated?**

Direct Testimony of Don F. Kopczynski
 Avista Corporation
 Docket Nos. UE-15____ & UG-15____

1 A. Yes, it has. In the NARUC resolution of February 21, 2007, noted above, it
2 was resolved that Commissions seeking to facilitate deployment of cost-effective advanced
3 metering technologies should consider the regulatory option to, inter alia:

4 . . . provide for timely cost recovery of prudently incurred AMI expenditures,
5 including accelerated recovery of investment in existing metering
6 infrastructure, in order to provide cash flow to help finance new AMI
7 deployments;
8

9 **Q. Does the \$145.3 million present value of costs, shown above in**
10 **Illustration No. 6, include the cost associated with retiring the Company’s existing**
11 **undepreciated electric meters?**

12 A. Yes, it does.

13 **Q. In the event that the actual lifetime project costs were to exceed the value**
14 **of the quantifiable lifetime benefits, does the Company believe the project is still in the**
15 **best interest of its customers?**

16 A. Yes.

17 **Q. Please explain?**

18 A. The value of the benefits shown in the lifetime net benefits chart (Illustration
19 No. 6) reflect only those direct benefits which have been quantified, and not the value of the
20 unquantified or unquantifiable (intangible) benefits associated with the project. The NARUC
21 Resolution cited earlier, recognizes this point and urges commissions to consider regulatory
22 options for AMI “...that takes into account both tangible and intangible benefits.” (See
23 Exhibit No. ____ (DFK-4)

1 **Q. What are some of these intangible benefits?**

2 A. Some of the intangible benefits are described at pages 9-11 of Exhibit
3 No. ____ (DFK-5). These include:

4 • **Web Portal** – Provides customers access to their (5-15 minute) interval
5 energy-use data via Avista’s customer website.

6 • **Home Area Network** – An interface to an in-home energy management
7 device provides customers direct access to their real-time energy use.

8 • **Text Alerts** – Allows the utility to send customers text alert messages when
9 some measure of energy use (e.g. total kWh used or demand), which has been
10 pre-selected by the customer, has been reached.

11 • **Remote Rapid Reconnect** – The time required to reconnect a customer’s
12 service will be dramatically reduced since a field person will no longer have
13 to be dispatched to physically restore service.

14 • **Service Outages** – Customers will have earlier notification and better
15 information on the status of their outage.

16 • **Billing Inquiry** – Gives the utility customer service representative immediate
17 access to the customer’s detailed energy-use information to assist in resolving
18 billing inquiries.

19 • **Service Changes** – Since the customer service representative will not have to
20 estimate bills for customers opening, closing, or transferring accounts, the
21 service process is more streamlined, call times will be reduced, and the
22 resulting bills will be more accurate.

23 • **Privacy** – With the elimination of manual meter reading, there will be a
24 significant reduction in the number of visits that Company employees make
25 to a customer’s premises.

26

1 These intangible benefits will enhance the customer experience both now and with
2 future applications that cannot be fully anticipated. In each case the customer directly
3 benefits from the service improvements.

4 **Q. Would you please describe the customer outreach to explain advanced**
5 **metering and how it will impact customers?**

6 A. Yes. Much as it did with Project Compass, and the Pullman Smart Grid
7 Project, the Company is developing an “outreach plan” to not only notify customers of the
8 pending deployment, but also to explain the benefits of advanced metering and how it will
9 affect them. This outreach will include mailers, website discussions, social media, emails,
10 one-on-one engagement, and where appropriate, discussions in larger public venues. In the
11 process, we expect to continually build on our knowledge base about customers’ concerns
12 and to develop improved methods to effectively address them. The Company will work with
13 the Commission’s consumer staff and others who have an interest the implementation of this
14 program.

15 **Q. What safeguards will the Company put in place in related to cyber**
16 **security and the protection of customer information?**

17 A. Page 8 of Exhibit No. ____ (DFK-5) provides an overview of Avista’s security
18 safeguards around advanced metering. It begins with Avista’s Customer Privacy Policy,
19 developed in accordance with Commission rules, that expressly forbids the release of
20 customer information to third parties. We take that responsibility very seriously. With regard
21 to advanced metering, data will be encrypted at the meter, will be transmitted over a secure
22 virtual private network and all access will be authorized and authenticated. An oversight
23 committee will govern the development of the advanced metering security plan to ensure the

1 secure implementation and operation of the system. Finally, an advanced meter security
2 working group will be charged with implementing the plan and addressing new and
3 emerging issues.

4 **Q. Notwithstanding all of these efforts and precautions, do you expect that**
5 **some customers may still want to “opt out” of the program?**

6 A. While we do not expect many to do so, some may. Before implementation,
7 we will file a separate tariff that will contain the conditions under which any customer can
8 “opt out” of the advanced metering program. That, of course, comes at a cost to the utility
9 and its other customers, as we separately dispatch trucks and service personnel to widely
10 dispersed parts of our service area to read meters and perform other activities as needed.
11 Details of the proposed tariff will be discussed with Commission Staff and other interested
12 parties before it is filed.

13 **Q. What is the anticipated time frame for this project?**

14 A. In 2015, the Company will develop the system requirements, prepare requests
15 for proposals for metering system vendors, and move forward with the evaluations and
16 selection of a system to be implemented. In addition to making the meter system selection,
17 Avista will begin the acquisition of supporting computer servers, software applications and
18 security systems. The installation of new digital meters is slated to begin in 2016. At the
19 same time, Avista will be installing the communications infrastructure and performing the
20 work of systems integration. Meter installation will continue in 2017, with plans to complete
21 residential meters in 2018. Final installation of communications infrastructure will also be
22 completed in 2018. The installation of commercial meters will continue into 2019, with

1 plans to complete the advanced metering project in 2020. The report provided in Exhibit
2 No. ____ (DFK-5) provides additional details related to Avista's AMI plans.

3
4 **IV. ONGOING PIPELINE REPLACEMENT PROGRAM**

5 **Q. Please describe Avista's ongoing program for managing its Aldyl A**
6 **polyethylene natural gas pipe.**

7 A. The Company is continuing its twenty-year program to systematically replace
8 select portions of the DuPont Aldyl A polyethylene pipe in its natural gas distribution
9 system in the States of Washington, Oregon and Idaho. In 2011, Avista identified
10 approximately 721 miles of priority Aldyl A main pipe and approximately 16,000 transition
11 tees for replacement in its system, and developed a protocol for managing this piping. Avista
12 began replacement of Priority Aldyl A pipe under the protocol in 2011.

13 **Q. Has the Company completed plans other than its protocol that document**
14 **this program?**

15 A. Yes. Implementation of the program was described in Avista's Two-Year
16 Pipe Replacement Plan¹¹, filed in 2013 in compliance with the Commission's Policy Order
17 established in Docket UG-120715, and approved by the Commission in Order No. 01 in
18 Docket PG-131837. The Two-Year Plan described the Company's progress to date (May
19 2013), the adjustments made in the construction schedule for remediation of tees, the
20 Company's recent cost experience, and identified replacement activities and costs slated for
21 2014 and 2015. The Company's Two-Year Plan is attached as Exhibit No. ____ (DFK-6). In

¹¹ Two-Year Plan for Managing Select Pipe Replacement in Avista Utilities' Natural Gas System. Docket No. UG-120715.

1 June of 2015, Avista will file its next Two-Year Pipe Replacement Plan with the
 2 Commission.

3 **Q. Please summarize the progress the Company has made under this**
 4 **program in its Washington service territory?**

5 A. The following table shows the miles of Aldyl A main pipe replaced and the
 6 number of transition tees retrofitted in Avista’s Washington service area under this program.

7 **Table No. 1**

8 <u>Year</u>	<u>Miles of Main Pipe</u>	<u>Number of Tees</u>	<u>Investment</u>
9 2011	7.5		\$2,507,715
10 2012	8.6	3	\$3,333,986
11 2013	12.4	910	\$8,759,459
12 2014	10.4	1,931	\$8,349,427

13
 14 **Q. What capital costs associated with this program are included in this**
 15 **case?**

16 A. For its Washington jurisdiction, Avista is planning to invest approximately
 17 \$8.07 million in capital on this program in 2015, and \$3.70 million in 2016. The capital
 18 investment for the Project is discussed further in the direct testimony of Company witness
 19 Ms. Schuh.

V. CUSTOMER SUPPORT PROGRAMS

Q. What customer support programs does Avista provide for its customers in Washington?

A. Avista Utilities offers a number of programs for its Washington customers, such as the Low-Income Rate Assistance Program (LIRAP), energy efficiency programs, Project Share for emergency assistance to customers, a Customer Assistance Referral and Evaluation Service (CARES) program, senior programs, level pay plans, and payment arrangements. Through these programs, the Company works to build lasting ways to ease the burden of energy costs for customers that have the greatest need.

To assist our customers in their ability to pay, the Company focuses on actions and programs in four primary areas: 1) advocacy for, and support of, energy assistance programs providing direct financial assistance; 2) low income and senior outreach programs; 3) energy efficiency and energy conservation education; and 4) support of community programs that increase customers' ability to pay basic costs of living.

Q. What is the Company's Low Income Rate Assistance Program, or LIRAP?

A. The Company's LIRAP program approved by the Commission in 2001 collects funding through electric and natural gas tariff surcharges on Schedules 92 and 192. These funds are distributed by Community Action Agencies (CAA's) in a manner similar to the Federal and State-sponsored Low Income Home Energy Assistance Program (LIHEAP)¹². LIRAP, like LIHEAP assistance, can help a household avoid having its

¹² The Low Income Home Energy Assistance Program (LIHEAP) is a federal program established in 1981 and funded annually by Congress. These federal dollars are released directly to states, territories, tribes and the

1 utilities shut off or help reestablish service after a disruption, and can also help pay ongoing
2 heating costs.

3 During the 2013/2014 heating season (October 2013 – September 2014) nearly
4 29,000 Washington customers received approximately \$8.2 million in various forms of
5 energy assistance (Federal LIHEAP program, LIRAP, Project Share, and local community
6 funds). The following funds were distributed by Community Action Agencies (CAA's)
7 during the 2013/2014 heating season:

8 **Illustration No. 7 – Distribution of Energy Assistance Funding**

Washington Energy Assistance		
	10/1/13 to 9/30/14	
	# of Grants	Amounts
LIHEAP	6,222	\$ 2,757,049
Project Share	442	\$ 104,720
Misc Grants	9,501	\$ 1,087,066
LIRAP	12,483	\$ 4,284,234
	28,648	\$ 8,233,069

15 **Q. Is the Company proposing any changes to its LIRAP program?**

16 A. Not at this time. The Settlement, and the Commission's Order in our last
17 rate case (Docket Nos. UE-140188 and UG-140189), required the parties to meet no
18 later than 30 days after the effective date of the order, and at least every other month
19 thereafter, to explore additional program options. The first workshop to discuss any
20 additions or modifications to the LIRAP program was held on January 30, 2015.

District of Columbia who use the funds to provide energy assistance to low-income households. LIHEAP offers financial assistance to qualifying low-income households to help them pay their home heating or cooling bills. Under federal law, a household must have income below either 150 percent of the federal poverty level or 60 percent of state median income level, whichever is higher. However, states can set lower income thresholds if they choose to.

1 Additional monthly workshops are scheduled within a time frame to allow a filing by
2 June 1, 2015 to propose changes to the existing LIRAP that may augment or modify the
3 program.

4 **Q. Please describe the recent results of the Company's Project Share**
5 **efforts.**

6 A. Project Share is a community-funded program Avista sponsors to provide
7 one-time emergency support to families where Avista provides service. Avista customers
8 and shareholders help support the fund with voluntary contributions that are distributed
9 through local community action agencies to customers in need. Grants are available to
10 those in need without regard to their heating source. In 2014, Avista Utilities' customers
11 donated \$279,313 on a system-wide basis, of which \$173,161 was distributed by
12 Washington Community Action Agencies. In addition, the Company itself contributed
13 \$140,000 to Project Share for the benefit of Washington customers in 2014.

14 **Q. What other bill-assistance programs does the Company offer?**

15 A. In an effort to assist and educate customers about payment options such as
16 Comfort Level Billing, flexible payment plans, and preferred due dates, we developed a
17 campaign (Customer Bill Assistance Campaign) encouraging customers to learn about and
18 enroll in the various bill assistance options available to them. This Campaign was launched
19 in December 2013 in all of the Company's service areas. It briefly explains the payment
20 options above and encourages the customer to contact Avista to enroll or find out more.
21 The Comfort Level Billing program has been well-received by participating customers, with
22 approximately 47,021 or 17%, of Washington electric and natural gas customers
23 participating in Comfort Level Billing.

1 In addition, the Company's Contact Center Representatives work with customers to
2 set up payment arrangements to pay energy bills, and choose a preferred due date. For the
3 twelve month period ending December 31, 2014, 48,110 Washington customers were
4 provided with over 122,867 such payment arrangements.

5 **Q. Please summarize Avista's CARES program.**

6 A. In Washington, Avista is currently working with over 1,753 special needs
7 customers in the CARES program. Specially-trained representatives provide referrals to
8 area agencies and churches for customers with special needs for help with housing, utilities,
9 medical assistance, etc. One of the benefits we have in utilizing CARES representatives is
10 the ability to evaluate each customer, based on their specific need, and to educate them on
11 what assistance is available within the community. A goal of the program is to enable
12 customers to manage not only their Avista bill, but other bills and needs as well.

13 **Q. Does the Company perform any other outreach to its customers?**

14 A. Yes. The following are examples of outreach programs that are available to
15 customers:

- 16 **1. Senior and Low-Income Workshops:** Avista has developed specific strategic
17 outreach efforts to reach our more vulnerable fixed and low-income customers
18 (with special emphasis on seniors and disabled customers) with bill paying
19 assistance and energy efficiency information that emphasizes comfort and safety.
20 Avista accomplishes this outreach mainly through Energy Workshops. During
21 the 2013/2014 heating season 14 workshops were conducted reaching nearly 450
22 seniors and low-income individuals. All workshop participants were given
23 Home Energy Efficiency kits along with tips for low-cost/no-cost ways to
24 manage energy use. Each kit contains energy-saving items such as compact
25 fluorescent light bulbs, plastic window covering, draft stoppers for exterior light
26 switches and outlets, v-seal for drafty doors and a polar fleece lap blanket. The
27 Company also conducts general outreach in partnership with organizations that
28 are in contact with vulnerable individuals through resource fairs or in-home
29 services. For example, home energy kits have been provided for distribution
30 through senior meal delivery programs. Through all of these venues, individuals

1 are provided with information to effectively manage their home energy use and
2 the Company's bill assistance programs.
3

4 **2. Senior Publications:** Avista has created a one-page advertisement that has been
5 placed in senior resource directories and targeted senior publications to reach
6 seniors with information about energy efficiency, Comfort Level Billing, Avista
7 CARES and energy assistance.
8

9 **3. Energy Fairs:** In 2014, Avista hosted two energy fairs, in which nearly 700
10 individuals were reached. These outreach events provided information and
11 demonstrations on energy assistance, energy efficiency and home weatherization
12 to limited income families and senior citizens as well as provided an environment
13 for customers to learn about billing options and energy assistance, while offering
14 them tips and tools to use to help manage their limited financial resources.
15

16 **4. Mobile Outreach Van:** Avista offers many opportunities throughout the year
17 for customers to attend energy fairs or workshops to learn more about energy
18 assistance, energy efficiency and the resources available to them. But some of
19 our more vulnerable customers have a hard time getting to an event to access
20 these resources. So to ensure that we're reaching as many customers who need
21 our help as we can, Avista created the Energy Resource Team van. The van is
22 fully loaded with energy efficiency items such as rope caulk, V-seals and coil
23 cleaners, as well as informational materials about bill options, assistance and
24 efficiency. A laptop resides with the van, so employees can demonstrate our
25 many online tools in action. In 2013, the van expanded outreach efforts to 4,269
26 individuals through 43 events throughout our service territory, many of which
27 were in conjunction with Second Harvest Food Bank mobile food pantry.
28
29

Illustration No. 5 - Customers being assisted through the Mobile Outreach Van



Q. Please describe how the Company measures customer satisfaction, and how important it is to Avista.

A. Our customer satisfaction is very important to Avista. We measure satisfaction by conducting a quarterly survey we refer to as “Voice of the Customer” (VOC). The purpose of the VOC Survey is to measure and track customer satisfaction for Avista Utilities’ “contact” customers – i.e., customers who have contact with Avista through the Call Center and/or work performed through an Avista construction office.

Customers are asked to rate the importance of several key service attributes. They are then asked to rate Avista’s performance with respect to the same attributes (time for connection to a representative, representative being courteous and friendly, representative being knowledgeable, being informed of job status, leaving property in condition found,

1 etc.). Customers are also asked to rate their satisfaction with the overall service received
2 from Avista Utilities. Customer verbatim comments are also captured and recorded.

3 Our most recent 2014 year end results show an overall customer satisfaction rating
4 of **95%** in our Washington, Idaho, and Oregon operating divisions. This rating reflects a
5 positive experience for customers who have contacted Avista related to the customer service
6 they received.

7 **Q. Is the Company in the process of developing appropriate service quality**
8 **metrics, customer guarantees and reporting per the Commission's Order in the**
9 **Company's last general rate case?**

10 A. Yes. The Company has had preliminary discussions with Commission Staff
11 related to the Service Quality Indexes that are appropriate for Avista. Discussions will
12 continue and from these discussions, Avista will prepare and file proposed service quality
13 metrics on or before June 1, 2015.

14 **Q. Does this conclude your pre-filed direct testimony?**

15 A. Yes.