

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-22_____

DOCKET NO. UG-22_____

DIRECT TESTIMONY OF

KELLY E. MAGALSKY

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

1
2 **Q. Please state your name, business address and present position with Avista**
3 **Corporation?**

4 A. My name is Kelly E. Magalsky and my business address is 1411 East Mission
5 Avenue, Spokane, Washington. I am presently assigned to the Customer Solutions Department
6 as Director of Products, Services, and Customer Technology.

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

9 A. Yes. I am a 2002 graduate of Montana Tech of the University of Montana with
10 a Bachelor of Science degree in General Engineering. In 2014, I graduated from Eastern
11 Washington University with a Master's in Business Administration (MBA). I joined Avista as
12 the Business Process Improvement Manager in 2010. During my time at Avista, I also held
13 positions as a Customer Service Manager in our Spokane Contact Center and as the Solar
14 Initiatives Manager. In 2015 I moved into a role as the Sr. Manager of Products and Services,
15 leading Avista's strategy and execution of Transportation Electrification, Renewables, Energy
16 Management and other various products and services. In 2019 I was promoted to Director of
17 Products and Services, and in 2020, I also took on responsibility of providing oversight of
18 Avista's Customer Technology platforms.

19 **Q. What is the scope of your testimony in this proceeding?**

20 A. My testimony will address several topics. First, I will provide an overview of
21 the Company's Transportation Electrification (TE) Programs and address the rationale for the
22 projects that we have included in this rate case. Second, I will provide an overview of the
23 Company's "Customer at the Center" initiative and discuss the projects that we have included

1 in this rate case.

2 **Q. Are you sponsoring any exhibits that accompany your testimony?**

3 A. Yes. I am also sponsoring Exh. KEM-2 which includes the business cases for
 4 Customer Technology projects and the TE programs. These exhibits were prepared under my
 5 supervision. A table of contents for my testimony is as follows:

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15 **II. CAPITAL ADDITIONS FOR 2021 - 2024**

16 **Q. Would you please describe the capital additions for 2021 – 2024 that you**
 17 **are supporting in your testimony?**

18 A. Table No. 1 below provides the proforma capital additions in 2021 as well as the
 19 future provisional capital additions for the period 2022 through 2024.

20 **Table No. 1 – 2021 -2024 Capital Additions**

WA GRC Plant Group	Project #	Business Case	2021 TTP (System)	2022 TTP (System)	2023 TTP (System)	2024 TTP (System)	Exh. KEM 2 Page #
Programs	1	Electric Transportation	613,147	2,775,000	3,900,000	4,060,000	2
Total Programs			\$ 613,147	\$ 2,775,000	\$ 3,900,000	\$ 4,060,000	
Short-Lived Assets	2	Customer Experience Platform Program	\$ 6,859,033	\$ 5,999,915	\$ 6,300,000	\$ 6,300,000	10
	3	Customer Facing Technology Program	3,151,975	4,078,651	4,699,999	4,700,000	19
	4	Customer Transactional Systems	4,413,057	3,859,166	3,500,000	3,749,987	31
Total Short-Lived Assets			\$ 14,424,065	\$ 13,937,732	\$ 14,499,999	\$ 14,749,987	
Exh. KEM-1T Total 2021-2024 Capital Additions			\$ 15,037,212	\$ 16,712,732	\$ 18,399,999	\$ 18,809,987	

25 [1] Customer Experience Platform Program includes "Strategic Initiatives" TTP in 2021.

26 I will provide below the information and justification supporting each of the business cases
 27 identified in Table No. 1. As discussed by Company witness Mr. Baldwin-Bonney, Avista’s

1 capital witnesses, including myself, describe certain major projects completed in 2021 and
2 planned to be completed in 2022 through 2024. Although only nine months of 2021 is included
3 in the test period for this case, all capital witnesses will be discussing capital projects for the
4 entirety of 2021 in their respective testimony, including pro forma additions from October
5 through December 2021.¹

6 **Q. Has the Company calculated and included a description of any offsetting**
7 **factors to the capital projects in this case?**

8 A. For those capital projects that have direct offsets, I have included a description
9 of the offsets in the project description. Company witness Ms. Andrews provides an explanation
10 of how the direct offsets are factored into the revenue requirement of this case, an explanation
11 of the Company's efficiency adjustment included in this case, as well as a description of indirect
12 offsets associated with the capital projects.

13

14 **III. TRANSPORTATION ELECTRIFICATION PROGRAMS**

15 **Q. Would you please provide a brief history of the Company's Transportation**
16 **Electrification efforts.**

17 A. Yes. Avista launched its Electric Vehicle Supply Equipment (EVSE) Pilot in
18 2016, with the main objectives of: (1) understanding light-duty electric vehicle (EV) load
19 profiles, grid impacts, costs, and benefits; (2) understanding how the utility may better serve all
20 customers in the electrification of transportation; and (3) begin to support early EV adoption in
21 our service territories. The Company's pilot program was approved by the Commission in

¹ Mr. Baldwin-Bonney includes the Washington electric and natural gas portions of the capital additions in his pro forma and provisional adjustments, which is then included in Ms. Andrews' overall revenue requirement in this case.

1 Docket UE-160082, Order 01 on April 28, 2016. The Commission approved an extension of
2 the EVSE Pilot on February 8, 2018, via Order 02 in the same docket.

3 In total, 439 EVSE charging ports were installed in a variety of locations, including 226
4 residential, 123 workplace, 39 public, 24 fleet, 20 multiple-unit dwellings, and seven DC fast
5 charging (DCFC), through a three-year period ending in June 2019. These EVSE are owned
6 and maintained by Avista, located on residential and commercial property downstream of the
7 customer's meter, except for DC fast charging sites where the utility owns all equipment from
8 the transformer to the EVSE.

9 Through the EVSE Pilot, the Company gained valuable experience, achieving its
10 learning objectives while effectively supporting early EV adoption, and ensuring participants
11 were highly satisfied with their experience in the pilot. We expect that light-duty EV loads will
12 be manageable from a grid perspective over at least the next decade, and EVs offer the potential
13 to provide significant economic and environmental benefits for the long term to both EV drivers
14 as well as all other customers. A summary of the key takeaways from the EVSE Pilot are as
15 follows:

- 16 1. Data and analysis show that grid impacts from light-duty EVs are very manageable
17 over at least the next decade, net economic benefits can extend to all customers, and
18 significant reductions of greenhouse gas emissions (GGE) and other harmful air
19 pollutants may be achieved with EVs. However, grid impacts and costs resulting
20 from EV peak loads could become significant over longer time horizons, with higher
21 EV adoption, and as other loads and the grid change. The EVSE Pilot represents a
22 good start in the Company's ongoing effort to understand how EV loads may be
23 optimally integrated and managed, in an evolving system that brings the most
24 benefit to all customers.
- 25
26 2. Avista was able to cost-effectively install EVSE, resulting in high customer
27 satisfaction, and the pilot correlated with a significant increase in the rate of EV
28 adoption in the area, demonstrating that utility programs can be effective in
29 supporting and enabling beneficial EV growth. Partnerships with industry providers,
30 a focus on providing value for the customer, and contractor performance were keys
31 to success.

- 1
2 3. Workplace charging stands out as a powerful catalyst for EV adoption, while
3 simultaneously providing grid benefits from reduced EV charging at home during
4 the evening peak hours.
5
6 4. Low dealer engagement, a lack of EV inventories, and persistent customer
7 awareness and perception issues continue to be a major barrier to mainstream EV
8 adoption in the region. The utility can help overcome these issues with robust
9 education and outreach programs, including dealer engagement.
10
11 5. Avista successfully demonstrated the use of EVs to reduce operating costs for a local
12 non-profit and government agency serving disadvantaged customers. The Company
13 expects local stakeholder engagement to continue in the development and expansion
14 of similar programs, as well as other innovative ways to serve communities and low-
15 income customers, consistent with the Commission's Policy and Interpretive
16 Statement Concerning Commission Regulation of Electric Vehicle Charging
17 Services.²
18
19 6. Surveys showed a widespread desire for more public AC Level 2 and DCFC sites,
20 which may be supported in future utility programs and rate designs. A new rate
21 should be developed to address operational cost barriers resulting from traditional
22 demand charges, while recovering utility costs.
23
24 7. Networked EVSE reliability, uptime, costs, and customer experience are all
25 important opportunities for improvement, reinforcing the importance of utilizing
26 interoperable networked EVSE. Non-networked EVSE are very reliable and cost
27 effective, and should be utilized wherever possible unless data collection, user fee
28 transactions, remote monitoring, or other requirements necessitate the use of
29 networked EVSE.
30
31 8. Load management experiments showed that the utility may remotely curtail
32 residential peak EV loads by 75%, while maintaining customer satisfaction and
33 without a time of use (TOU) rate or additional incentives other than the installation
34 of the EVSE owned and operated by the utility. More distributed resource (DR)
35 experimentation may show the feasibility to shift an even higher percentage of peak
36 loads. While EVSE load management utilizing DR and V1G (smart charging)
37 technology appears acceptable from a customer perspective, reliability and costs
38 must be significantly improved to attain net grid benefits and enable practical
39 application at scale.
40
41 9. Data and analysis were somewhat limited by the available pool of participants and
42 EVSE sites, however results compared well with other studies using larger
43 population samples, and EVSE data was satisfactorily replicated and verified by
44 telematics data. As the industry evolves, light-duty EVs with larger battery packs

² UE-160799.

1 may become the norm. In this respect, the EV load profiles developed and examined
 2 in this study may under-predict electric consumption and peak loads to some degree.
 3

4 Following the EVSE Pilot, in 2020 the Company developed its first Transportation
 5 Electrification Plan (TEP) utilizing the learnings from the EVSE Pilot.³ The following areas
 6 within the plan were influenced by the EVSE Pilot:

- 7 • EVSE Installations and Maintenance;
- 8 • Education and Outreach;
- 9 • Community and Low-Income Support;
- 10 • Commercial and Public Fleets;
- 11 • Planning, Load Management and Grid Integration;
- 12 • Technology and Market Awareness; and,
- 13 • Rate Design.

14 Pursuant to RCW 80.28.265(3) the Commission acknowledged the TEP on October 15, 2020.

15 **Q. Has the Company begun implementing the programs outlined in the TEP?**

16 A. Yes, it has. On March 18, 2021, the Company filed tariff Schedules 13, 23, and
 17 77 with the Commission, which were designed to begin implantation of the TEP.⁴ The
 18 Commission allowed the schedules to go into effect by operation of law on April 26, 2021.

19 Schedule 77 was originally designed to implement the EVSE Pilot. In the March 18,
 20 2021 filing, Schedule 77 was updated to include language to incorporate the programs
 21 envisioned in the TEP. The broad program areas described within Schedule 77 included the
 22 following:

- 23 • Charging infrastructure and maintenance (including residential, commercial, and
 24 public direct current fast charging (DCFC));
- 25 • Education and outreach;
- 26 • Community and low-income support;
- 27 • Commercial and public fleet support;
- 28 • Load management, planning, and grid integration; and,

³ The 2020 Transportation Electrification Plan was filed with the Commission on July 1, 2020. Docket UE-200607.

⁴ Docket UE-210182.

- 1 • Program reporting.

2 Schedules 13 and 23 were proposed to govern rates for EVSE services for commercial
3 customers. More specifically, the schedules were intended to be used for charging electric
4 vehicles (i.e., fleet vehicles, employees' and visitors' vehicles, and potentially the general
5 public utilizing EVSE) at commercial locations. The optional schedules allow for the use of a
6 separate meter for the EVSE services, which is necessary to implement time of use (TOU) rates.
7 The TOU rates were proposed as a way to address the significant market barrier associated with
8 high variable demand charges in existing rates⁵, while encouraging more off-peak charging.
9 Schedules 13 and 23 enable greater investment in public DCFC, larger workplace charging
10 installations for employees, and electrification of commercial fleet vehicles of various types
11 while also providing a price signal for higher costs during peak periods.

12 **Q. Would you provide an update on the status of implementing the programs**
13 **described in Schedules 77, 13, and 23?**

14 A. All programs in Schedules 77, 13 and 23 are implemented and in various stages
15 of increasing participation levels. Completed EVSE installations through November 2021
16 include 72 residential and 52 commercial ports. In addition, three DCFC sites are under
17 construction and 15 electric forklift incentives have been processed. Survey responses from
18 customers participating in the Company's programs demonstrate 95% or greater customer
19 satisfaction, and program costs are in-line with expectations and budget. Certain transit
20 authorities have begun electrifying transit buses and have also taken advantage of the new
21 commercial EV rate Schedule 23, resulting in a very high percentage of charging loads
22 occurring off-peak. Supply chain disruptions have caused significant challenges, in many cases

⁵ "Peak Demand Charges and Electric Transit Buses." CALSTART. US Dept of Transportation, Federal Transit Administration (2014).

1 delaying electrical equipment procurements affecting EVSE installations. While light-duty EV
 2 production has also been disrupted and inventories at area dealerships remain low, EV adoption
 3 growth saw a marked increase in 2021 in our service territory and is expected to accelerate in
 4 the future.

5 **Q. What were the capital additions under the Electric Transportation Business**
 6 **Case completed in 2021?**

7 A. The capital additions totaled \$613,147 in 2021.⁶

8 **Q. Please summarize the provisional capital additions expected for 2022 –**
 9 **2024.**

10 A. Provisional capital additions for 2022 through 2024 consist of charging
 11 infrastructure investments in residential, commercial, and DCFC site locations and are shown
 12 in Table No. 2 below.

13 **Table No. 2 – 2022 -2024 Provisional TE Capital Additions**

14

2022	2023	2024
\$2,775,000	\$3,900,000	\$4,060,000

15

16 **Q. When will the capital additions under the Electric Transportation Business**
 17 **Case for 2022 – 2024 be available for review?**

18 A. As discussed by Ms. Andrews in Exh. EMA-1T, 2022 – 2024 provisional capital
 19 additions will be subject to review and refund in a future period, starting in the first quarter of
 20 2023 for 2022 actual additions.

21 **Q. How does the Electric transportation program benefit Avista's customers?**

⁶ Exh. KEM-2, pp. 2 – 9, includes the business case for Transportation Electrification.

1 A. Customer benefits include transportation fuel and maintenance savings, reduced
 2 emissions and pollution, and beneficial electric load growth over the long-term due to effective
 3 load management, thereby reducing utility costs and supporting electric affordability for all
 4 customers. Each light-duty EV has key characteristics including annual benefits of \$1,483 in
 5 customer fuel and maintenance savings, four tons of CO₂ emissions reductions, and \$304 of
 6 beneficial utility revenue.⁷ This translates to very large regional and system-wide benefits as
 7 EV adoption continues to grow over time. Additional benefits will be realized as other
 8 transportation segments including freight transport and a variety of medium and heavy-duty
 9 vehicles are electrified, and as utility load management programs effectively shift charging
 10 from on-peak to off-peak times.

11 **Q. Are there any offsetting costs associated with the Company's Electric**
 12 **Transportation efforts?**

13 A. No direct offsetting costs have been quantified for the Company's TE's efforts.
 14 However, indirect offsetting benefits through 2030 are estimated as follows for the light-duty
 15 vehicle segment.

16 **Table No. 3 – Indirect Benefits of TE Efforts**

Utility Net Revenue	Customer Transportation Fuel and Maintenance Savings	Avoided CO ₂ emissions (tons)
\$16,400,000	\$116,318,000	315,731

17
 18
 19
 20 Additional indirect benefits will be identified in the future for other modes of electric
 21 transportation beyond light-duty passenger vehicles, such as commercial delivery vehicles,
 22 material handling, and public transit buses. Finally, substantial monetized utility credits

⁷ Beneficial utility revenue is additional revenue from the utilization of grid assets, such that the costs of those assets are spread across the sale of more kWhs thereby reducing rate pressure for all customers.

1 resulting from the reduced emissions of electric vehicles are expected, for example from the
2 implementation of the low carbon fuel standard in Washington state, beginning in the 2023-
3 2024 timeframe, which will provide additional indirect customer benefits.

4 **Q. Is the Company seeking an incentive rate of return on the capital**
5 **investments from its TE programs?**

6 A. Pursuant to RCW 80.283.360, the Company is seeking an incentive rate of return
7 on the capital investments included in this case. For the rate effective period, 2023-2024, we
8 are seeking an incentive rate of return of two percent as allowed per statute, which totals
9 approximately \$49,000 in Rate Year 1 (2023), and an incremental \$36,000 in Rate Year 2
10 (2024). Ms. Andrews discusses in Exh. EMA-1T her adjustment to reflect the 2% incentive rate
11 of return. Ms. Andrews supporting workpapers for this adjustment will be provided to the
12 Parties shortly after this case is filed with the Commission.

13

14

IV. CUSTOMER AT THE CENTER INITIATIVE

15 **Q. Would you please describe Avista's Customer at the Center Initiative.**

16 A. Yes. We are in a time where customers' expectations have never been higher,
17 and their needs and desires are changing rapidly. In order to respond to, and stay ahead of, the
18 needs of our customers in this changing landscape, it is imperative that we shift from a customer
19 service system to a more proactive, customer-led framework where we intentionally design
20 customer experiences and products and services that can meet their changing needs and
21 preferences. We want to make sure every touch point with our customers is easy and effective
22 for them to do business with us, with a desire to improve their overall sentiment of Avista. By
23 putting our customers at the center of our corporate strategy, we are investing in building a

1 Customer Experience (CX) system to meet the needs of our current and future customers.

2 **Q. What is CX?**

3 A. CX is how customers perceive their interactions with an organization. A
4 customer's perception starts the moment they become aware of our Company and is made up
5 of the sum of all of the interactions they have with us. There are three dimensions to CX that
6 are components of an experience that increases customer experience and creates customer
7 loyalty, these are:

8 **Effective:** effective interactions meet the needs of the customer. The product or service
9 must deliver value to our customers or the experience will fail fundamentally.
10 Effectiveness is critical even though it is less likely to drive customer loyalty than
11 emotion.

12
13 **Ease:** easy interactions let customers achieve their goals with minimal effort. When
14 alternative paths to value are harder, ease of doing business creates increased customer
15 experience.

16
17 **Emotion:** the best interactions evoke positive customer emotions and avoid provoking
18 negative emotions. Positive customer emotions can lead to customer retention,
19 enrichment, advocacy, and loyalty.
20

21 CX creates customer loyalty and loyal customers mean more than retention. Loyal
22 customers become advocates, they are more likely to seek our advice as trusted energy advisors
23 and follow our safety messages. Loyal customers are more likely to be aware of and participate
24 in the variety of products and services we offer such as Comfort Level Billing, energy efficiency
25 programs, or renewable energy programs, to name a few. We also believe that loyal customers
26 are beneficial for the utility and all other customers in the long-term, as competitive forces take
27 hold in our industry.

28 **Q. What is the difference between customer service and CX?**

1 A. Avista provides incredible customer service, both via our call centers and our
 2 field personnel. As Mr. Vermillion stated in his testimony, Avista’s recent results from its
 3 Voice-of-the-Customer (VOC) surveys for the month of November 2021 was 98% in our
 4 Washington, Idaho, and Oregon operating divisions. Year-to-date through November 2021,
 5 overall satisfaction is 96%. Customer Service typically occurs at a point in time, is reactive, and
 6 focuses on responding to customer problems or requests and finding a solution. Customer
 7 Experience is proactive and strives to identify and eliminate customer pain points before they
 8 happen. This adds value for the customer by saving them time and effort and can reduce overall
 9 costs to serve as well.

10 CX focuses on the customer’s end-to-end journey or experience with a company and
 11 brand. It is the full omni-channel experience, meaning all touchpoints the customer has, such
 12 as mobile device, website, call center, pay station, in person at an office or at their home by
 13 someone in the field. The customer experience covers all these touchpoints and customers judge
 14 us based on perceptions, interactions, and memories of these end-to-end experiences. Figure
 15 No. 1 below provides a summary of the difference between CX and Customer Service.

16 **Figure No. 1: Customer Experience vs. Customer Service**



1 **Q. Why is CX important?**

2 A. The utility industry is changing due to policy and regulation changes, renewable
3 energy options, customer expectations, and digital disruptions to name a few. We believe that
4 the arrogance of success is to think what you did yesterday will be sufficient for tomorrow. We
5 have a successful past, and perform well, but because of the changes all around us our past work
6 is not sufficient to meet future customer needs.

7 We have a window of opportunity to be proactive and build customer retention and
8 loyalty before the industry reaches a tipping point where changes are forced upon us. Waiting
9 too long to modernize to meet customer needs and expectations has proven costly to many
10 companies and famous brands that we all know. By investing in customer experience now, we
11 have an opportunity to better understand our customers' motivations and behaviors so we can
12 develop products, services, policies, and systems that meet their needs, making interactions
13 easy and effective and leaving them with positive emotions.

14 Additionally, happy customers are the least costly to serve and therefore CX has the
15 potential to reduce costs. Customer complaints cost time and money. When frustrated customers
16 contact companies, it requires resources in order to resolve their complaints or problems. The
17 total cost to resolve a customer complaint can vary greatly depending on the subject and
18 complexity of the complaint itself, ranging from as low as \$10 per complaint if resolved quickly
19 by a Customer Service Representative (CSR) to several hundreds of dollars if it requires the
20 involvement of other departments, including natural gas or electric crews.

21 **Q. Why should Avista focus on CX now?**

1 A. Due to the present and future disruption in the utility sector, customers are
2 beginning to face an increasing array of energy choices. Industry disruptors we see happening
3 across our industry include:

- 4 • Electrification of Transportation;
- 5 • Customer Demand for Renewable Energy and Storage;
- 6 • Legislation and Regulation;
- 7 • Digital Transformation;
- 8 • Municipalization; and,
- 9 • Community Choice Aggregation.

10 Although many of these disruptors have not currently impacted Avista and our
11 customers as much as in some other areas of the country and the world, our focus on CX is
12 timely to get ahead of these changes. Changes of this magnitude often take many years and we
13 have an opportunity to take a proactive approach to prepare for industry disruption before we
14 reach the point of reactive responses where it may be too late to respond. Waiting too long to
15 begin puts Avista and our customers at risk where resources may already be depleted,
16 competitive position already weakened, credibility and trust already damaged, and energy for
17 new or creative thinking drained. Our customers deserve for us to be thoughtful and proactive
18 to understand industry and societal trends and be ahead of the curve in our response and focus.

19 **Q. What work is being done to support CX?**

20 A. The planning for this work began in earnest in 2019 and continues throughout
21 2021 and into the future. Since work started there have been several key initiatives that have
22 been completed, or are currently in progress that contribute to our continued CX maturity:

- 23 1. **Expand Customer Research:** 1) establish a documented, sustainable customer
24 research process; 2) provide information useful in aligning business decisions,
25 projects and initiatives to customers' wants, needs and expectations; and, 3) create a
26 cross-functional customer insights team to share insights, collaborate on governance
27 of developing customer research and use of insights across the organization resulting
28 in greater awareness and coordination of insights gathering and sharing.
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2. **Prioritization:** 1) establish an agreed upon prioritization matrix process so projects can be compared and rated consistently and objectively; 2) generate criteria to evaluate projects for priority; and, 3) deliver a fully documented process; and 4) deliver training on the use of the tool/criteria.
3. **CX Framework and Tools:** 1) create a line of site between the daily work of every employee and our customer experience strategy; and, 2) develop a process where every employee understands how and why they contribute to customer experience and what is expected of them and equip leaders to build in customer experience to their business unit activities. This work resulted in the creation of a Customer Experience Vision & 4 Keys; Care, Trust, Ease, and Ownership which is now being socialized and serves as a guide for our employees on expected behaviors to best support our customer at the center vision (as discussed in Company witness Mr. Vermillion’s testimony).
4. **Hiring and New Employee Onboarding:** Infuse CX practices and expectations into our hiring methods as well as our new employee training. CX is one of the competencies considered during hiring and CX content has been added to our monthly new hire orientation presentation.
5. **Communication and Change Management:** 1) provide internal communication about the initiatives, their purpose, results, and alignment with the corporate strategy; and, 2) develop the change management plan around building the CX system.
6. **Unplanned Outage Journey:** Applied CX tools to improve understanding of customers’ experiences during large unplanned outage events. Completed customer interviews and created a customer journey map to help identify pain points experienced and created insights from customer research to prioritize opportunities. Improvements have been made to our preparation for large events, how we generate and communicate Estimated Restoration Times (ERTs), and user interface to the web for reporting outage events. Additional opportunities have been prioritized and the work continues with a focus on ongoing and continuous improvement.
7. **Billing and Payment Journey:** Kicked off Billing & Payment as the next customer journey project. The team is applying CX tools to conducting customer research to identify the pain points that exist within the journeys to narrow scope and using customer insights to assist in vendor selection for payment technology.
8. **Gas Meter Access Journey:** Analyzed customer complaints to improve understanding of pain points that occur during our gas inspection compliance season. We identified short term and long-term opportunities to address pain points and implemented short term improvements into the 2021 compliance season resulting in a 55% reduction in customer complaints, a 28% reduction in “Can’t Gain Entries” which require additional visits and result in extra costs, and a 23%

1 reduction in the number of inspections that were turned back over to Avista's service
2 personnel to complete.

- 3
- 4 9. **Experience Design Framework & Playbook**: A standardized framework for
5 designing customer experiences across the organization has been developed and is
6 currently being tested and applied to multiple customer journeys and projects
7 including Unplanned Outages, Billing and Payment, Business Transformation work,
8 and Customer Technology projects. The framework integrates tools and
9 methodologies from customer experience, design thinking and business process
10 improvement to analyze customer problems from the outside in, develop customer
11 insights to fully understand customer pain points, systematically prioritize
12 opportunities, and then iteratively create solutions using an agile approach.
- 13
- 14 10. **Delivery of Customer Technology**: Deliver enhanced digital self-service channels
15 and other technology tools that meet the evolving needs of our customers.
- 16

17 Although each of these initiatives plays a role in CX strategy, the remainder of this
18 testimony will focus on the Customer Technology work as it is the most cost intensive initiative.

19 **Q. Please describe Avista's work as it relates to Customer Technology.**

20 A. The Customer Technology work performed by Avista generally has two main
21 purposes. The first purpose is to sustain foundational utility capabilities such as billing,
22 payments, field activities, meter reading systems, low-income energy assistance programs, and
23 energy efficiency programs. Each system requires upgrades to keep the system up to date and
24 supported by our software vendor partners. These upgrades ensure that the users of these
25 systems can perform their jobs in the most efficient and timely manner, and that our customers
26 are able to access various tools and information in order to self-serve. This foundational work,
27 including software upgrades, is necessary to ensure that our customers and internal users can
28 continue to perform the required operational utility capabilities.

29 The second purpose of the Customer Technology work is expanding new capabilities
30 that our customers and users need to both make their tasks easier and more efficient as well as
31 to add new functionality and services. Each system upgrade comes with new enhancements that

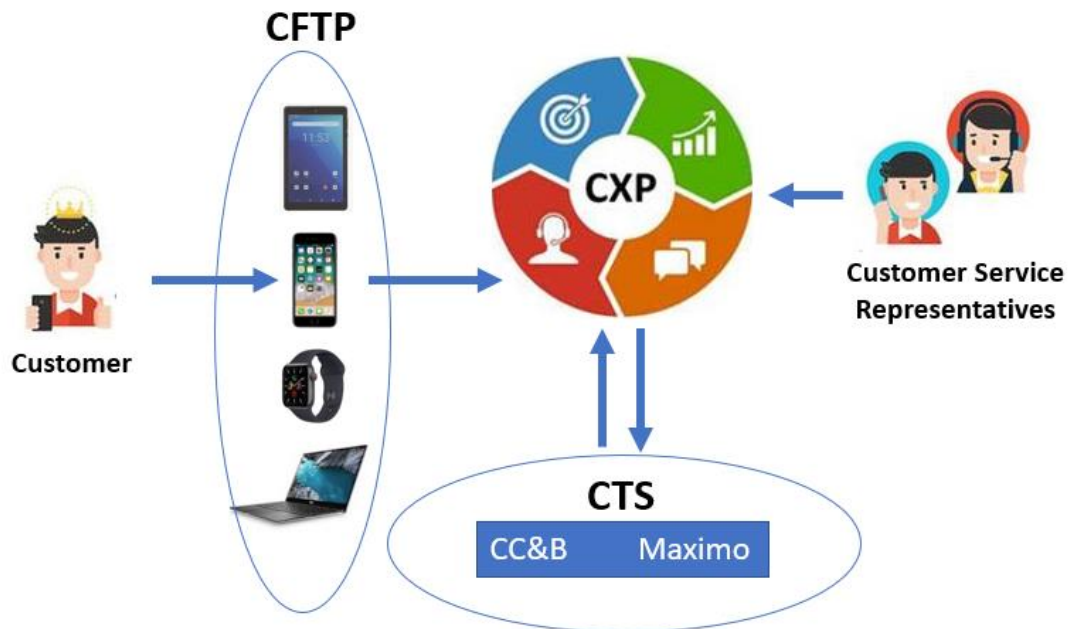
1 need to be enabled and/or configured for our users to take advantage of the system
 2 improvements. New capabilities can drastically improve business processes and increase
 3 efficiency for all users, employees and customers alike. In addition, as our industry and
 4 customers' expectations continue to evolve and expand, the addition of new functionality and
 5 services is of increasing importance.

6 To deliver upon these two purposes, we have organized our Customer Technology work
 7 into three programs and organizational workgroups whose work is separate yet highly
 8 interdependent on each other to deliver the CX desired, as well as build upon our previous
 9 historical technology projects. The three Customer Technology programs are the following:

- 10 1. **Customer Experience Platform (CXP);**
- 11 2. **Customer Facing Technology Program (CFTP); and,**
- 12 3. **Customer Transactional System (CTS).**

13
 14 Figure No. 2 below provides a visual representation for how the three Customer Technology
 15 programs are related.

16 **Figure No. 2: Visual of Customer Technology Programs**



1 Exh. KEM-2 (pp. 10 - 39) includes the business cases for each of the three programs.

2 **Q. How does the current Customer Technology initiative build upon historical**
3 **technology projects?**

4 A. Technology complexity and sophistication constantly advances, and our
5 technology strategy must continue to mature along with industry and societal advances. We
6 continue to evaluate these trends and match our strategy to industry and technology best
7 practices and customer expectations. Therefore, our technology portfolio must integrate with
8 each other and build upon capabilities provided by previous projects.

9 One of our recent major technology projects was the implementation of Oracle's
10 Customer Care & Billing (CC&B) system and the Maximo asset management system in 2015.
11 These systems provide the backbone for our customer account management services. In
12 addition, the myAvista.com website was updated in 2017 with improved self-service customer
13 experiences while providing financial benefits of avoiding phone calls which will be discussed
14 in more detail later in my testimony. The initial launch of myAvista.com included self-service
15 tools that were limited in scope. Through continued customer feedback over the ensuing years,
16 it has been determined that the digital tools customers use require enhancements to be easier to
17 use and new tools were also needed to meet ever-changing customer expectations. This
18 expansion, along with other projects that will be discussed later in my testimony, is the work
19 that has been included in our Customer Facing Technology Program.

20 When large systems are implemented and software vendors later update those systems,
21 we are required to perform upgrades in order to keep them supported and up to date. CC&B has
22 been continually enhanced to improve the experience for our CSRs and to respond to regulatory

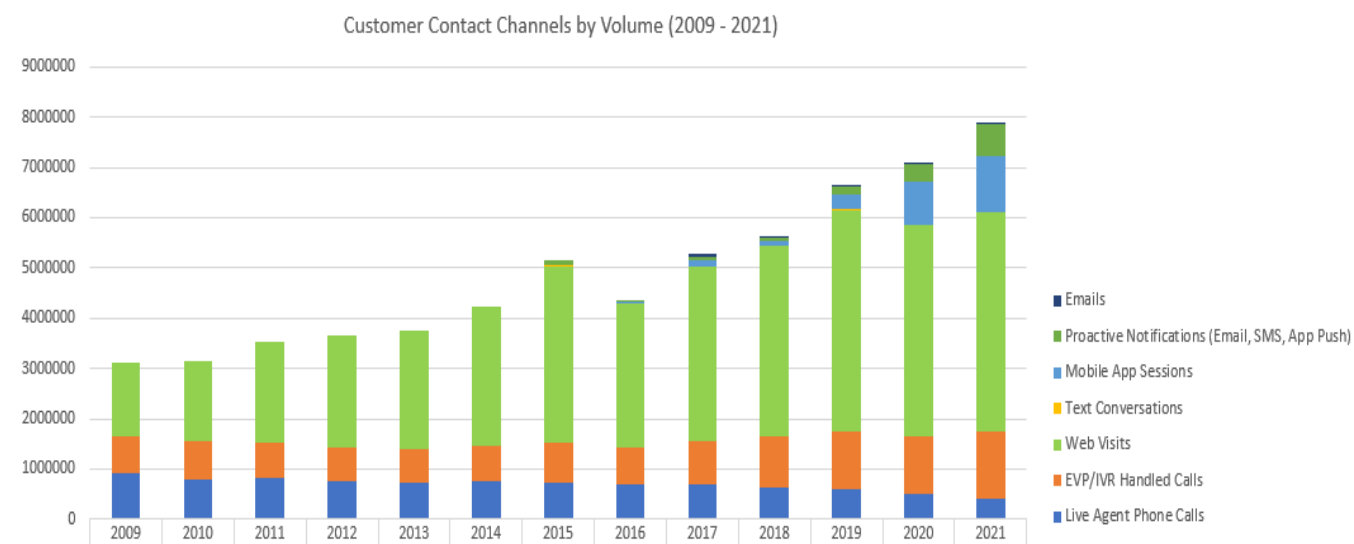
1 and compliance requirements. The majority of this work is included in the Customer
2 Transactional Systems.

3 As customer expectations continue to evolve through their experiences with technology
4 in other industries, we recognized that new tools would be needed for our employees so they
5 could provide an optimal customer experience. The Customer Experience Platform includes
6 tools for employees that bring customer information together into one place. Having this
7 information at their fingertips will help the customer and their experience by not requiring them
8 to call back for more information or be transferred to another person to get an answer to an
9 inquiry. Additionally, we will be able to provide a more personalized experience for customers.

10 **Q. Does the Customer Technology provide any financial benefits?**

11 A. Yes. Customer Technology will provide financial benefits including:

12 1. An increase in digital self-service will reduce and/or avoid more costly customer
13 phone calls and emails. Figures No. 3 and No. 4 below (YTD through November
14 2021) demonstrate that the number of live customer service agent phone calls and
15 emails has decreased by approximately 53% in the past 10 years from approximately
16 966,000 in 2009 to approximately 450,000 in 2021 (YTD through November 2021).
17 Over the same time period, the number of interactions through digital channels
18 (website, text, IVR phone system, and mobile app) has increased over 211% from
19 approximately 2,187,000 in 2009 to 6,810,000 in 2021 (YTD through November
20 2021). This clearly shows a trend toward both increasing customer engagement and
21 interaction with Avista and a customer preference toward self-service. This provides
22 financial benefits to all customers since self-serve interactions are significantly less
23 expensive than live phone calls, as discussed in more detail later in my testimony.

Figure No. 3: Customer Contacts by Channel (2009 through November 2021)**Figure No. 4: Customer Contacts by Channel (Data)**

Customer Contacts	2009	2018	2019	2020	2021 (YTD)
Self-Service Contacts Handled by Channel	69%	88%	90%	92%	94%
Web Visits	1,451,840	3,770,243	4,406,233	4,209,265	4,355,479
Mobile App Sessions	--	104,786	282,974	859,348	1,110,181
Text Conversations	--	4,691	8,665	12,342	25,340
IVR Handled Calls	735,938	1,029,601	1,144,645	1,141,790	1,319,648
Total Self-Service contacts	2,187,778	4,909,321	5,842,517	6,222,745	6,810,648
Live Customer Contacts Handled by Channel	31%	12%	10%	8%	6%
Phone Calls (CSR)	930,585	626,910	615,229	491,774	421,537
Emails (CSR)	35,555	23,877	31,274	37,936	28,817
Total Live Contacts	966,140	650,787	646,503	529,710	450,354

2. Providing better tools to employees, and increasing efficiency in these tools, will reduce the amount of time it takes to resolve a customer issue. Providing better tools to employees and centralizing customer information into one place, some of the primary goals of our CXP work, will provide our employees with the full picture of what is happening with that customer. By providing this information into one single interface the employees will be better able to answer customer questions in the first conversation. The amount of transfers to other employees should be reduced and the amount of additional calls the customer will need to make should also be reduced.

1 3. Providing easier to use tools to employees streamline system tasks, resulting in
2 increased productivity. These easier to use tools should also reduce the amount of
3 time it takes to onboard new employees.
4

5 Financial savings, however, is not the primary purpose of the Customer Technology
6 work. The primary purpose is to deliver both basic functionalities required to operate our
7 business while at the same time delivering on our overall CX strategy of ensuring that our
8 customer's evolving and growing expectations are being met. All businesses are experiencing
9 the digital transformation and increasing customer experience expectations that are occurring
10 in our world and our goal is to support our customers in that transformation while maintaining
11 or improving customer experience and engagement.
12

13 **1. Customer Experience Platform (CXP)**

14 **Q. What is the primary purpose of the CXP, and how does it benefit Avista's**
15 **customers?**

16 A. The purpose of the CXP is to implement technology necessary to support the
17 emphasis on CX at Avista, in support of our Customer at the Center Initiative. This program
18 enables the creation of transformative tools for our employees, enabling them to better support
19 customers. Over time, employees that work with customers will have information at their
20 fingertips in order to provide the most optimal personalized experience for that customer. This
21 will empower all departments and employees to work as one in support of customers.

22 Our plan with CXP is to create a single interface and provide a consistent and
23 comprehensive view of each customer, their preferences, past interactions, communications,
24 and history with Avista. This reduces confusion across departments, allows our employees to
25 handle an entire situation and answer customer questions without having to transfer a call or

1 tell the customer we will need to get back to them. This also allows our customers to not have
2 to repeat information with various employees of Avista about a single situation as all
3 interactions will be logged and made available to employees. This platform brings our
4 employees and our customers together by providing a single lens into each individual customer
5 and their interactions with us. Ultimately, this will enable Avista to better understand each
6 customer as an individual while understanding their unique situation, history, and preferences
7 which will allow us to provide the personalized and proactive service that customers desire.

8 **Q. How has the CXP been delivered?**

9 A. The CXP has been delivered using an agile methodology. Initial business
10 requirements were captured in 2018 as part of the RFP process. As each phase gets underway,
11 a portion or phase of the requirements are reviewed and designed in a short increment. This
12 phase is then configured in the system and released to users. This way of delivering allows for
13 higher user adoption and flexibility in adjusting the system to fit the users' needs. As customer
14 expectations change over time, so do user expectations. The agile delivery methodology allows
15 us to flex to meet user demand and increase adoption of the systems.

16 **Q. What customer capabilities are enabled through the CXP technology?**

17 A. Through the implementation of the CXP, our customers will feel like we know
18 them better due to the personalization capabilities the CXP will give us. Customers will no
19 longer have to give information multiple times throughout their journey. We will increase the
20 number of channels available to customers, such as adding online chat functionality, and work
21 toward ensuring that the experience across those channels is consistent. The CXP will also more
22 seamlessly transition a customer's experience from one channel to another.

1 Another capability is that customer communications like email, outbound phone calls,
 2 and text alerts are not fully visible to our CSR’s and field personnel; information that could be
 3 of tremendous value during a customer interaction. Presently, the Company’s systems and how
 4 our employees transact within those systems are somewhat siloed in nature. A specific
 5 department tends to use systems that are separate and specialized to the job that department is
 6 performing. CXP will bring all the disparate and distinct customer information together to
 7 provide a more holistic or 360-degree view of the customer. Figure No. 5 below provides a
 8 summary of the CXP benefits.

9 **Figure No. 5: CXP Benefits**

Better for our customers	-Receive communication via preference -Improved ways to communicate (chat) -Ability to view process and status of work -Proactive, predictive outreach and info -Consistent interaction companywide
Better for our employees	-360 view of the customer -Tools to guide employees through interactions -Predictive customer insights (CSAT) -Automated and centralized workflows
Lower cost to serve	-Reduced handle times -Faster onboarding and increased productivity -Centralized information in one place -Easy-to-use, configurable interface -Seamless upgrades -Sun setting duplicative and merging disparate systems

17 Future phases will include the build out of more features for employees:

- 18 • Account management for large customers;
- 19 • Provide mobile tools for employees in the field to have the full view of the customer
- 20 at their fingertips;
- 21 • Electronic signature for contracts being signed with customers;
- 22 • Allow employees to see what communication customers are receiving;
- 23 • Automated workflow to resolve a customer inquiry; and,
- 24 • More personalized communication that is specific and more relevant to their
- 25 individual needs and interests.

1 **Q. Did Avista consider alternatives to this approach?**

2 A. We explored an alternative of simply spending less on CXP. That would have,
3 or course, reduced the number of features we are able to deploy to our employees for the benefit
4 of our customers. This would have resulted in a longer amount of time until the indirect cost
5 savings are realized. We did not believe that was a prudent course of action.

6 We also explored the option of doing nothing. This means that all existing systems and
7 business processes would remain in their existing state with no new functionality added. This
8 alternative would put overall customer experience at risk. Lower customer experience would
9 result in higher costs in serving dissatisfied customers, increased customer complaints to Avista
10 and our regulatory agencies, and a lack of trust in our company. We are implementing the CXP
11 based on our strategy of putting the customer at the center and to improve overall customer
12 interactions and experience. If we do not improve the CX by providing the proper tools to our
13 employees to serve our customers, then we risk not meeting the current customer expectations.
14 We currently enjoy relatively high customer satisfaction scores, but if we do nothing, we are at
15 risk of these scores going down.

16 **Q. Does the program have any target completion date?**

17 A. No. Similar to many other Avista programs such as distribution wood pole
18 management, this is a program that will allow for the continued enhancements for our
19 employees and customers. We expect the bulk of the features to be implemented in the next
20 three to five years.

21 **Q. What are the CXP 2021 capital additions you are supporting in this rate**
22 **case?**

1 A. As shown in Table No. 1 earlier in my testimony, approximately \$6.9 million in
2 CXP projects were transferred to plant in 2021, which consisted of the following:

- 3 • **Electric Vehicle charger requests from Customers:** provides the ability for
4 employees to track customer electric vehicle charging requests in a single place to
5 improve employee communication and the overall experience for the customers.
6
- 7 • **Digital Collection Notices:** due to a regulatory requirement, this allows for digital
8 collection notices to be sent to customers in collections, originating from CC&B,
9 communicated and recorded through Salesforce, and visible on the web site for the
10 customer.
11
- 12 • **Foundational Data:** implemented a process to acquire and load necessary customer
13 information from CC&B into Salesforce.
14
- 15 • **New Customer Communication Campaigns:** implemented new customer
16 communication campaigns to facilitate and track customer communication,
17 including extensive customer segmentation ability on numerous subjects.
18
- 19 • **Online Chat from the Web:** implemented customer chat via myAvista.com, that
20 allows Customer Service agents to communicate with customers in a written and
21 real-time fashion.
22
- 23 • **Customer Preferences:** implemented first stages of customer communication
24 preferences to be recorded in Salesforce and made available to employees
25 performing communication activities.
26
- 27 • **Contact Us Integration with Web:** centralized communication coming from the
28 web contact us form into Salesforce to increase the flexibility for employees to
29 handle email communications from customers.
30
- 31 • **Foundational Technology:** implemented software delivery system to improve
32 quality and speed of new feature delivery for our customers and employees
33

34 **Q. What are the CXP provisional 2022 through 2024 capital additions you are**
35 **supporting in this rate case?**

36 A. Also as shown in Table No. 1, Avista expects to transfer to plant \$6 million in
37 2022, and \$6.3 million in 2023 and in 2024. The projects expected to be completed are as
38 follows:

1 • **CXP Features and Enhancements:**

- 2 ○ Ability for CSRs to see billing and payment information, energy usage history,
3 and rate information in a single view, making it easier to serve the customer and
4 answer questions.
- 5 ○ Ability for CSRs to get help in an easier way by using ‘tool tips’ in the
6 application that help them work through a guided flow for the customer.
- 7 ○ Ability for CSRs to view payment history and payment plans, and budget billing
8 (CLB) options.
- 9 ○ Ability for CSRs to see all credit and collections activities and to setup a
10 payment arrangement for the customer.
- 11 ○ Ability for CSRs to perform high bill analysis and help a customer through a
12 high bill inquiry in a guided and easy way and to sign the customer up for a high
13 bill alert.
- 14 ○ Ability for CSRs to set communication preferences on behalf of customers so
15 they get the information they want at the right time.
- 16 ○ Ability for CSRs to see field activities within the CXP, this allows for more real-
17 time information on field work which can be communicated to customers while
18 on the phone with the CSR.
- 19 ○ Ability for CSRs to view and report outage information to customers.
- 20 ○ Security enhancement to allow for multi-factor authentication – a more secure
21 way to authenticate users into a customer information system.
- 22 ○ Ability for commercial Account Executives to track interactions with customers
23 and interact with them in a central location. All interactions will be in the same
24 place and viewable by multiple employees.
- 25 ○ Ability for new construction jobs to be handled within a single repository in the
26 CXP keeping a consistent view into what is happening with a customer.
- 27 ○ Provide the ability for a customer to schedule an appointment and track that
28 appointment all along the journey of that job or service request.

29
30 • **“Always On” energy usage alerts:**

- 31 ○ Adds the ability for a customer to sign up for an ‘always-on energy usage alert’
32 which alerts the customer as to their always-on energy load.

33
34 • **Contact Center Technology Upgrades and Enhancements:**

- 35 ○ Add the customer service inbound telephony into the CXP which will keep all
36 systems in one place. This leads to the ability to have an omni-channel
37 experience for the customer so the CSR can see if the customer was trying to
38 self-serve on the website or via chat before trying to call. It prevents the
39 customer from repeating what they have already done when they call in. The
40 CSR will have a broader view into the customer’s overall experience so they can
41 better serve them and interact differently depending on the customer needs.

42
43 **Q. Are there any direct offsetting cost savings associated with CXP?**

- 44 A. Yes. We classify savings in two categories: direct and indirect. Direct savings

1 are described as hard cost savings that Avista’s customers will gain due to the work under this
 2 project. Direct savings resulting from the CXP project are as follows. (Offset details are
 3 included in Ms. Andrews Exh. EMA-5 and are included in Adjustment Nos. 4.03 (Rate Year 1)
 4 and 5.09 (Rate Year 2) in Exh. EMA-2 (electric) and EMA-3 (natural gas).

- 5 • Retirement of legacy software as functionality is moved into CXP⁸:
 - 6 ○ iContact - \$12,312 in 2022;
 - 7 ○ Questline - \$17,270 in 2022;
 - 8 ○ Convergys IVR/ACD - \$75,000 in 2023;
 - 9 ○ InforCRM - \$16,000 after 2023; and,
 - 10 ○ Sitecore CMS - \$51,000 after 2023;

11
 12 **Table No. 4: Direct Offsetting Cost Savings from CXP**

2022	2023	Lifetime (Total 2022 +2023)
\$29,582	\$75,000	\$104,582

13

14 **Q. Are there any indirect offsetting costs associated with this program?**

15 A. Yes. Due to the deflection of customer contacts, this investment will reduce
 16 and/or avoid growth in the number of calls made to the contact center, thus resulting in less
 17 CSRs needed to answer calls and maintain the Company’s Grade of Service⁹ than would be
 18 needed absent CXP. The indirect savings are estimated using these categories (this can also be
 19 seen in section 1.4 of the business case justification narrative):

- 20 • **Case Deflection:** the investment could deflect the number of calls or emails placed
 21 into our contact centers.
- 22
- 23 • **Case Resolution Time:** the investment can reduce the amount of time it takes to
 24 resolve a customer contact.
- 25
- 26 • **Employee Productivity:** due to streamlined tasks in the system, the investment
 27 could save employees time throughout their day.
- 28

⁸ 2023 savings do not include 2022 savings that would continue to future years.

⁹ Grade of Service is the percent of calls answered within 60 seconds in the Company Call Center and is one of the Company’s Service Quality Measures.

- **Faster Onboarding:** due to the ease of use in the system, training a user to use the CXP should take less time.

The investment will be delivered frequently throughout the life of the business case and indirect savings will be captured as new features are released. Table No. 5 below, shows the estimated indirect savings from the above described avoided costs, or reduced labor hours that can be redeployed and/or reduce future hire needs.

Table No. 5: Indirect Offsetting Cost Savings from CXP

2022	2023	Lifetime (Total 2022 + 2023)
\$444,711	\$951,942	\$1,396,653

2. Customer Facing Technology Program (CFTP)

Q. What are the primary purposes of the CFTP?

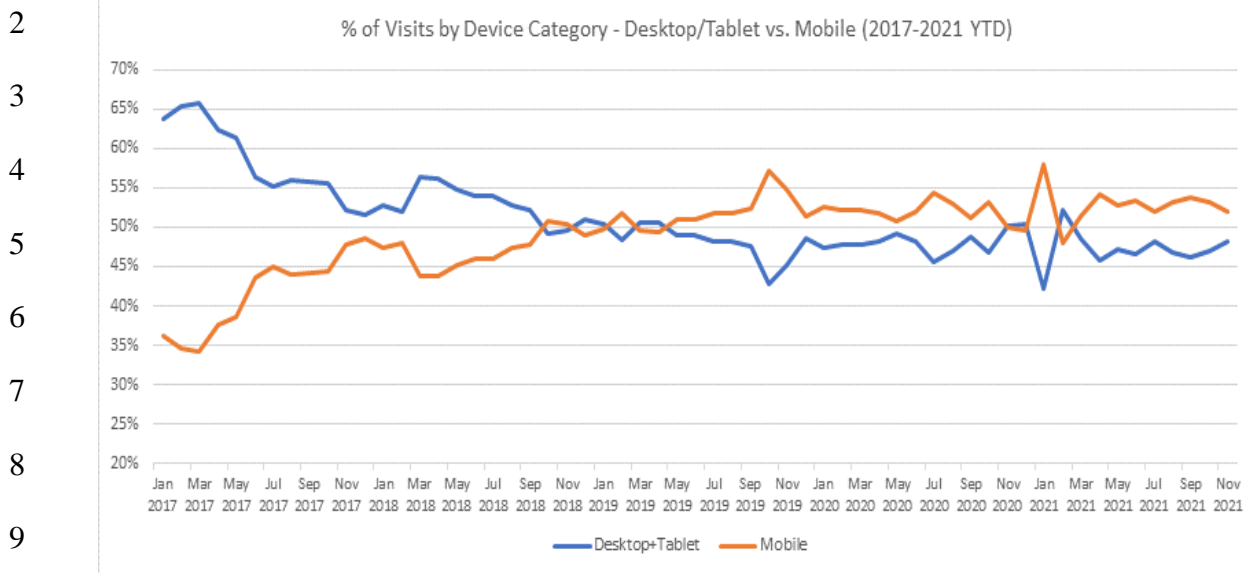
A. The CFTP builds upon the systems discussed in the CTS section below and encompasses Avista’s inbound and outbound communication channels and systems that our customers use to interact with us as well as our customer self-service systems. The CFTP systems focus on delivering value to all customers through our various digital channels such as our website, mobile app, text/SMS, and phone system. Customer expectations continue to change, and we are increasingly expected to deliver fast, easy, personalized, and intuitive self-service. Customers want a consistent experience from their first interaction to the resolution of their issue and they are comparing Avista to all the brands with which they interact. The CFTP work ensures that Avista can continue focusing on delivering value to our customers and making it easier for them to interact with us. If the digital channels become stagnant and are not enhanced to accommodate adjusted customer behavior, customer satisfaction and experience will decline, resulting in increased calls to the Call Center and increases in costs to serve our entire customer base.

1 **Q. Please describe the Company's investments in the CFTP.**

2 A. The CFTP includes systems used by our customers through digital channels
3 including our myAvista.com website (desktop and mobile), mobile app, text/SMS and IVR
4 (automated phone system). This also includes upgrades to systems that are underlying the
5 digital channels like the web content management system (Sitecore) and website and mobile
6 app authentication (LoginRadius). These systems and vendors require upgrades to their
7 underlying systems which require changes to the various channels which also require extensive
8 testing.

9 Avista's digital channels are the primary ways our customers choose to interact with our
10 Company. These channels provide ways for our customers to self-serve and complete their
11 transaction or request. Customers are increasingly choosing to interact through mobile devices
12 as evidenced by the fact that our percentage of visits from a mobile device exceeded desktop
13 and tablet combined in 2018 for the first time ever. This requires Avista to not only manage a
14 desktop website, but we have also invested to make our website mobile enabled and are
15 continuing to increase functionality on our mobile app. We fully anticipate that this trend will
16 continue and the percent of mobile visits, currently about 52%, will likely continue to increase.
17 However, we also know that desktop usage will remain for customers that choose that channel;
18 therefore, we will need to continue to maintain and operate our desktop channels as we do
19 today. Figure No. 6 below highlights the total visits to MyAvista.com over the past nearly five
20 years, showing the increasing trend of mobile visits compared to the decreasing trend of
21 desktop/tablet visits.

1 **Figure No. 6: Totals Visits by Access Method**



10 Another useful example of this trend is the quickly increasing usage of our mobile app.

11 Our app was initially launched in 2016 with only the ability to view, report and check the status

12 of outages. Since then, we have added the ability for customers to view their bill, make a

13 payment, and manage alerts. As seen in Figures No. 7 and 8 below, usage of the mobile app

14 continues to grow, and we intend to continue to add services to the functionality included on

15 our mobile app. We expect that this growth trend toward mobile usage will continue or possibly

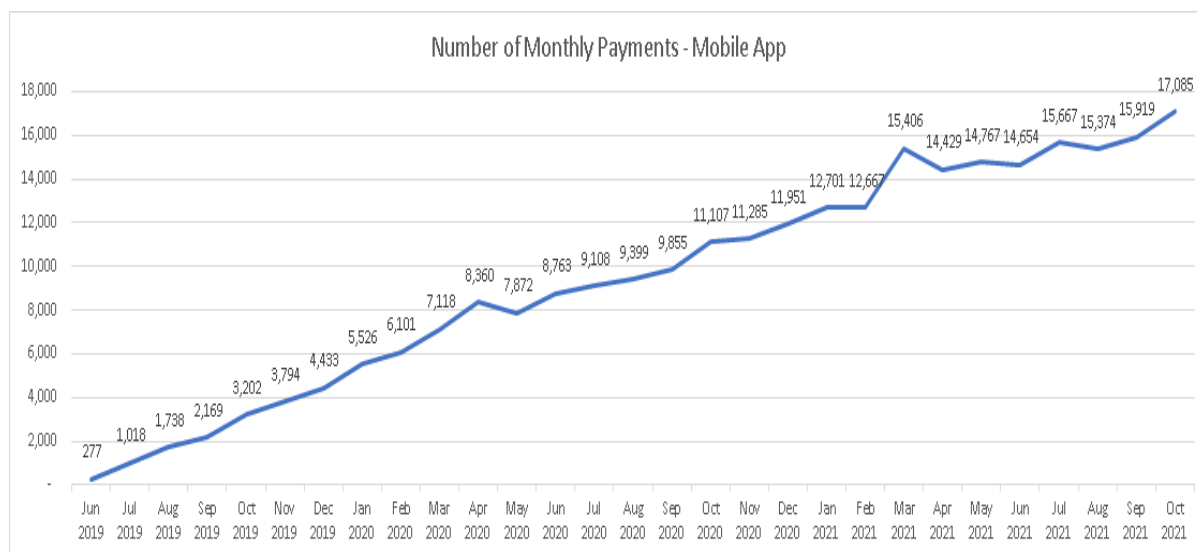
16 even accelerate as customer preferences continue to shift toward mobile use as a preferred

17 channel.

Figure No. 7: Monthly Mobile App Sessions (Note the peaks, such as during January 2021, tend to coincide to increased usage during storms that result in outages.)



Figure No. 8: Monthly Payments Made via Mobile App (June 2019 – October 2021)



Q. What customer capabilities are enabled through the CFTP?

A. Features in CFTP include existing and new ways for our customers to interact with us including:

- Simplifying the payment process;
- Making it easier for customers to view their bill and their usage information;
- Improving navigation so customers can easily find what they are looking for;
- Adding new functionality to enhance mobile viewing; and,

- 1 • Enhancing the outage map.
2

3 In addition to these features for customers, the CFTP also includes the foundational and
4 technical work to run the digital channels. The underlying technology must be kept up to date
5 in order to stay up and running for our customers. Upgrades and service packs are required to
6 keep the channels performing and secure.

7 Customers continue to expect more value for their energy spend and have increasing
8 interest in a variety of offerings that can simplify their interactions with Avista and give them
9 more information about, and control over, their energy use. This, combined with the expansive
10 growth of technology, creates an expectation that information is easy to find, payments are easy
11 to make, communications are proactive, timely, personalized and available through a variety of
12 channels, and tools that provide these opportunities are part of the overall energy package.

13 **Q. What capital additions for this program were completed in 2021?**

14 A. As shown in Table No. 1 earlier in my testimony, approximately \$3.2 million in
15 CFTP projects were transferred to plant in 2021. Projects completed in 2021 included the
16 following:

- 17 • **Digital Channel Features:** various features on the customer facing channels (web,
18 text, IVR, and mobile app) that represents customer requested changes to user flows
19 and screens. One example is adding the ability for a customer to change the
20 expiration date on their credit card without having to delete and add the entire card
21 again.
22
- 23 • **Outage Resilience Phase 1:** enhancement of the storm and outage portions of our
24 website infrastructure in order to scale the server infrastructure automatically when
25 more users are using the web site due to a storm or large event.
26
- 27 • **Energy Management Alerts:** adds the ability to alert customers through text or
28 email based on their energy use.

- 1 • **MyAvista.com Automated Testing:** this project automated the test scripts and now
2 testing for these scripts is conducted by a computer rather than being performed
3 manually by a human.
4
- 5 • **MyAvista.com Sitecore Upgrade:** this project is an upgrade of the website content
6 management system. Upgrades are required to continue support and maintenance
7 from the software vendor.
8

9 **Q. What are the CFTP provisional 2022 through 2024 capital additions you**
10 **are supporting in this rate case?**

11 A. As shown in Table No. 1 in Section II earlier, Avista expects to spend \$4.1
12 million in 2022, and \$4.7 million in 2023 and in 2024. The provisional capital additions
13 expected to be completed are as follows:

- 14 • **AMI Load Disaggregation Customer Facing Tools:** provides the ability for
15 customers to view their energy use in a disaggregated fashion. As an example, they
16 will be able to see how their energy is being used based on the type of appliance or
17 energy use (i.e., heating would be separated from electronics, refrigeration, and
18 cooling, etc.). By using these tools, customers will be able to discern where energy
19 is being used and then manage their overall energy consumption.
20
- 21 • **Digital Channel Features and Enhancements:** this is a placeholder for features
22 and enhancements we may receive through customer feedback or a new security
23 requirement that may need implemented.
24
- 25 • **Mobile App Enhancements:** this will include the ability for customers to view and
26 manage their energy consumption on the mobile app.
27
- 28 • **myAvista.com Refresh:** This includes upgrades to the underlying servers and
29 applications as operating systems and software is enhanced.
30
- 31 • **Outage Resiliency:** includes more enhancements to the resiliency of our website;
32 could include automatic scaling of more web pages when more customers use the
33 website at one time, such as during a storm.
34
- 35 • **Products and Services:** enhancements to the electric vehicle programs, comfort
36 level billing, and providing an instant energy efficiency rebate when a customer uses
37 the marketplace.
38
- 39 • **Storm Center Upgrade:** this will upgrade the outage map that customers use to
40 view and report outages and will include a more robust infrastructure and enhanced

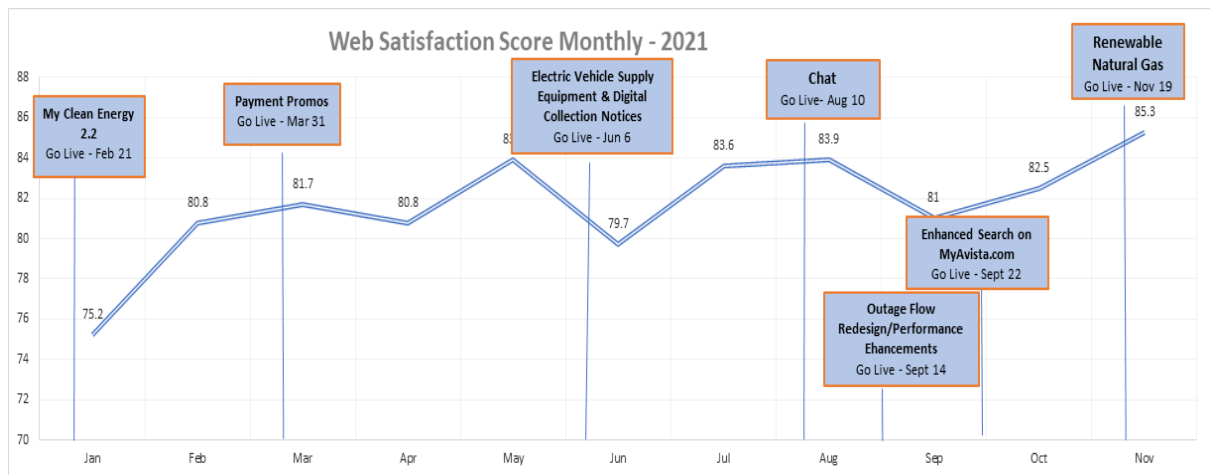
1 usability features.

2

3 **Q. How does this program benefit Avista customers?**

4 A. Web customer satisfaction continues to remain relatively high. As shown in
 5 Figure No. 9 below, web satisfaction fluctuated through 2021 but averaged around 81.5. The
 6 investments made are having a positive impact on the customers' experience using the digital
 7 channels. A high satisfaction score means that customers can find what they need in a timely
 8 fashion and can complete their task with no help from CSRs.

9 **Figure No. 9: 2021 Monthly Web Satisfaction Scores**



10

11 **Q. Did Avista consider alternatives to this approach?**

12 A. As with CXP, the alternative of implementing projects under CFTP at a slower
 13 pace was considered. In this alternative, Avista would implement customer capabilities and
 14 improvements at a slower pace. This alternative would have delayed the benefits to our
 15 customers which may have generated dissatisfaction as well as prevented us from maximizing
 16 the benefits of previously funded core systems, such as the myavista.com website, mobile app,
 17 and smart meter and load disaggregation capabilities.

1 The backlog of features in our customer channels includes about three years of work
2 and has stayed consistent over the past few years. At our preferred funding level, the backlog
3 also remains steady and consistent with that funding.

4 We also considered the alternative of doing nothing. This means that all digital channels
5 would remain in their existing state with no new features or functionalities added. Doing this
6 would have put overall customer experience at risk. We enhance digital channels based on
7 customer feedback and usability analysis, and industry agnostic digital best practices. If we are
8 not meeting customer expectations then we risk increasing the amount of overall customer
9 contacts through other live, non-self-service channels. This could ultimately increase costs and
10 decrease customer satisfaction. Further, no required compliance or regulatory changes to the
11 digital channels would be made. We would face technological obsolescence as our digital
12 channels begin to degrade.

13 **Q. Does the program have any target completion date?**

14 A. No. Similar to many other Avista programs such as distribution wood pole
15 management, this is a program that will allow for the continued enhancements for our
16 customers. Customer expectations within digital channels continue to change and this program
17 is intended to adapt to that change and provide the needed features to our customers.

18 **Q. Are there any direct offsetting costs associated with this program?**

19 A. Yes. We classify savings in two categories: direct and indirect. Direct savings
20 are described as hard cost savings that Avista's customers will gain due to the work under this
21 project. Software that will be retired as a result of these investments are classified as direct
22 savings and are as follows: (1) Aclara - \$83,000 (in 2023); and, Cloud Engage - \$7,800 (in
23 2023). Although the majority of these savings are not guaranteed and may not occur, to be

1 conservative the Company has included these offsets. Offset detail is shown in Ms. Andrews
 2 Exh. EMA-5, and are included in Adjustment Nos. 4.03 (Rate Year 1) and 5.09 (Rate Year 2)
 3 in Exh. EMA-2 (electric) and EMA-3 (natural gas).

4 **Table No. 6: Direct Offsetting Cost Savings from CFTP**

2022	2023	Lifetime Total 2022 + 2023
\$0	\$90,800	\$90,800 ¹⁰

5

6 **Q. Are there any indirect offsetting costs associated with this program?**

7 A. Deploying this CFTP capital investment which enables customers to self-serve
 8 through digital channels reduces the need to hire additional CSRs than we otherwise would
 9 need absent this investment. Due to the deflection of customer contacts from calls to self-
 10 service, this investment will reduce and/or avoid growth in the number of calls made to the
 11 contact center, therefore, resulting in a lower number of CSRs needed to answer calls and
 12 maintain the grade of service. As overall customer contacts through all channels increases, this
 13 investment will help keep our rate of contact center cost growth lower than it otherwise would
 14 be without this investment. Our business is getting more complex and customers continually
 15 need help with more complex issues. These more complex issues are generally still resulting in
 16 a call which means that call times and cost per call are increasing in alignment with that
 17 complexity.

18 During the test year of this case the average cost per call was \$10.43. If we do not
 19 continue to invest in digital self-service, some of the self-service contacts would certainly turn
 20 into phone calls, requiring additional CSRs. We do not assume that every self-service

¹⁰ The Company included \$97,800 in the overall Offsets Exhibits sponsored by Ms. Andrews. After finalizing the Company's revenue requirement, the estimate was revised to \$90,800. Ms. Andrews will include this update in her revised revenue requirement, as well as all updates, up or down, during the process of the case.

1 interaction would turn into a phone call, but we conservatively estimate that about ten percent
2 of all self-service contacts would be a phone call if the self-service tools were not available.

3 Figure No. 3 above highlights the declining trend of phone calls into our Call Center. If
4 ten percent of all self-service contacts turned into a phone call, it would result in potentially
5 double to triple the number of phone calls in 2022 as compared to 2021, requiring significantly
6 more CSRs to handle the increased call volume. This ten percent estimate is identified as the
7 indirect savings as a result of this estimate. Self-service contacts are increasing
8 year over year and it is estimated that in 2022 and 2023 this trend will continue; these estimates
9 are as follows:

10 **Table No. 7: Indirect Savings from Self-Service Contacts**

	Test Year	2022	2023
Cost per call:	\$10.43	\$10.43	\$10.43
Self-service contacts	7,354,584(actual)	8,310,680 (est)	9,391,068 (est)
10% of self-service contacts	735,458	831,068	939,106
Estimated Indirect Savings:	\$7,670,827	\$8,668,039	\$9,794,876

11
12 Note that the number of self-service contacts for 2022 and 2023 are estimates based on a growth
13 rate from previous years and that the cost per call is assumed to stay flat.

14 **Table No. 8: Indirect Offsetting Cost Savings from CFTP**

2022	2023	Lifetime (Total 2022+2023)
\$8,668,039	\$9,794,876	\$18,462,915

15
16 **3. Customer Transactional Systems (CTS)**

17 **Q. Would you please describe the Company's investments in the CTS?**

18 A. Yes. CTS includes the systems used to support the day to day operational needs
19 of our customers, internal users, third party partners and our regulators. Primarily, this includes

1 the maintenance, regular upgrades and enhancements for the following internal and external
2 functionality required to support core functions needed to operate our utility business:

- 3 • Collection and storage of meter reads and meter data (Meter Data Management or
4 MDM);
- 5 • Customer Billing (Oracle Customer Care & Billing);
- 6 • Head End Metering Systems;
- 7 • Energy and Agency Assistance Programs;
- 8 • Rate Design and Rate modeling tools; and,
- 9 • Customer Energy Efficiency (iEnergy).

10 These systems are the “system of record” for many of the foundational elements of our
11 business and are where information is stored, secured, and used for reporting internally and
12 externally. This includes the tracking of customer information, meter and account data, meter
13 reads, historical billing, payment information and payment arrangements as well as the tracking
14 and storage of multiple other customer account features.

15 In addition to simply keeping these systems up to date and functional, these systems are
16 required to support new requests such as: new billing and rate options, product and services
17 offerings, scheduling appointments and tracking jobs, payment arrangements and payment
18 options and meter data information.

19 **Q. Why is this work required now?**

20 A. This work is required to ensure that our technology maintains operational
21 functionality, without which our ability to keep our major systems current and fully functional
22 would be impacted. These systems require regular updates from the software vendors and
23 frequent security updates to ensure our customer data is protected. Without this work our ability
24 to meet customer, third party partner and regulatory expectations would be diminished.

25 **Q. How does this program benefit Avista’s customers?**

1 A. Customer bills are generated, and payments are accounted for in CC&B. Meter
2 reads are stored in the metering systems and used to generate customer bills. Any type of
3 activity that is needed at a customer's premise is also flagged in this system and sent to field
4 personnel to respond to these types of requests. Energy efficiency information (like rebates and
5 amount of energy saved) is tracked in the Nexant iEnergy system. All rate assistance provided
6 to customers is tracked and reported from the Low-Income Rate Assistance Program (LIRAP)
7 Energy Assistance System.

8 **Q. What capital additions for this program will be completed for 2021?**

9 A. As shown in Table No. 1 earlier in my testimony, approximately \$4.4 million in
10 CTS projects are expected to be transferred to plant in 2021. The following projects were
11 completed in 2021:

- 12 • **AMI Load Disaggregation Tools:** ability for a CSR to see how a customer's energy
13 load is split between their appliances and other in-home devices that use energy.
14 This is used when a customer has a question about their bill or inquires as to why
15 their bill was so high that month. The CSR can see how the customer is using energy
16 so they can help them save or adjust their habits in order to save money or lower
17 their bill in the future.
- 18 • **CC&B/MDM Enhancements:** included many adjustments to collections activities,
19 enhancements to the bill based on customer requests, and new cases to track specific
20 types of information, like renewables and claims.
- 21 • **Commercial Electric Vehicle Time of Use Rates:** new time of use rates were
22 implemented for commercial customers who install electric vehicle chargers.
- 23 • **My Clean Energy Phase 2:** adjustments to the My Clean Energy program for 2021
24 that allowed for additional program options for customers.
- 25 • **On Bill Repayment:** allowed for the ability for customers to sign-up for a
26 repayment program which appears on their Avista bill. They can purchase large
27 energy related items and pay them off in increments and see their payoff progress
28 on their bill.
- 29 • **On Bill Repayment:** allowed for the ability for customers to sign-up for a
30 repayment program which appears on their Avista bill. They can purchase large
31 energy related items and pay them off in increments and see their payoff progress
32 on their bill.

- 1 • **Rate Tool AMI Study:** this is a tool that helps to prepare Advanced Metering
2 Infrastructure (AMI) data for Cost of Service studies in rate cases in compliance
3 with WAC 480-07-050.
4

5 **Q. What are the CTS provisional 2022 through 2024 capital additions you are**
6 **supporting in this rate case?**

7 A. As shown in Table No. 1 in Section II earlier, Avista expects to spend \$3.9
8 million in 2022, and \$3.5 million in 2023 and \$3.8 million in 2024. The provisional capital
9 additions expected to be completed are as follows:

- 10 • **CC&B/MDM Features and Enhancements:** includes security enhancements and
11 operating system upgrades to the servers and applications. Also includes usability
12 improvements for the CSRs based on their feedback.
13
14 • **CC&B/MDM Upgrade/Refresh:** includes upgrading the applications to the
15 vendors latest version. These upgrades will occur on a yearly basis and are required
16 to continue support from the vendors.
17
18 • **Energy Efficiency System Upgrade and Enhancements:** includes enhancements
19 to energy efficiency programs that usually happen yearly. This also includes moving
20 rebate management over to a centralized energy efficiency system which will
21 improve the work needed to report on energy efficiency programs.
22
23 • **FCS Mobile Solution Upgrade:** includes an upgrade to the FCS program which is
24 used by meter readers.
25

26 **Q. Did Avista consider alternatives to this approach?**

27 A. Avista did consider funding the CTS at a lower level which would have delayed
28 benefits to our customers, users of the system and third-party partners. This option could have
29 increased operational costs as we may have delayed our major technology system upgrades. In
30 addition, we would have delayed implementing enhancements that would benefit users of the
31 systems and create operational efficiencies, features that would benefit customers and third
32 parties (outside agencies and vendor partners).

1 Avista also considered doing nothing. This option would have greatly reduced our
2 ability to keep our major technology systems current and fully operational. Also, we would
3 have been unable to meet customer, third party partners, and regulatory expectations. With zero
4 investment, no required compliance or regulatory changes would be made. For example, if there
5 are newly identified security risks that require internal work and coordination with our external
6 vendors to mitigate, these items could not be completed. With zero investment, we also risk the
7 technology being obsolete and not functioning. This technology requires periodic upgrades and
8 security updates; without these, the technology is at risk of not functioning, and thus, driving
9 calls into our Call Center and creating an immense amount of manual work for our CSRs.

10 **Q. Does the program have any target completion date?**

11 A. No. Similar to many other Avista programs such as distribution wood pole
12 management, this is a program that will allow for the continued maintenance and enhancements
13 due to business process changes and compliance and regulation changes.

14 **Q. Are there any direct or indirect offsetting costs associated with this**
15 **program?**

16 A. No. Capital improvements and enhancements to the Customer Transactional
17 Systems, and the associated integrated data connections, are essential to meet business
18 requirements to service Avista customers (such as billing and customer support), maintain
19 compliance with state and federal rules and regulations, and to meet the requests of our third-
20 party partners. We must keep this technology updated to support new requests such as: new
21 billing and rate options, product and service offerings, payment arrangement and payment
22 options, and meter data information. Further, these systems require regular updates from the
23 software providers and regular security updates to ensure our customer data is

1 protected. Without this investment we put our quality and reliability of serving our customers
2 at risk.

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

4 A. Yes, it does.