Exhibit No. ___(DFK-1T)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-07_____

DOCKET NO. UG-07_____

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 Transmission and Distribution Operations 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 Business Management from Washington State University and a Master's Degree in Organizational Leadership from Gonzaga University. Over the past 28 years I have spent approximately 16 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. More recently, I 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. I serve on several boards including the Eastern Washington University Electrical Engineering and Computer Science Advisory Board, Washington State Electrical Board, and the Washington State University Engineering Advisory Board.

Q. What is the scope of your testimony?

A. I will provide an overview of the Company's natural gas and electric energy delivery facilities and operations. I will also summarize Avista's customer service programs in

Washington, as well as explain some of our recent efforts to increase efficiency and improve customer service, such as a new Interactive Voice Response System, Mobile Dispatch, and our new Outage Management System. I will also discuss significant investments being made in the Company's electric transmission system. A table of the contents for my testimony is as follows:

II. OVERVIEW OF AVISTA'S ENERGY DELIVERY OPERATIONS

Q. Please provide an overview of the customers served by Avista Utilities in Washington.

A. As of March, 2007, the Company served 228,000 electric customers and 141,000 natural gas customers in twelve counties of eastern Washington. Avista's largest electric customer in Washington is the Inland Empire Paper facility in the Spokane Valley. The Company anticipates residential and commercial electric load growth to average 2.5 percent annually for the next five years, primarily due to expected increases in both population and the number of businesses in its service territory. While the number of electric customers is expected to increase, the average annual use per customer is not expected to change significantly. Natural gas retail load growth is expected to average just over three percent annually over the next four years in Avista's Washington service territory.

Q. Please describe the Company's electric and natural gas delivery facilities.

A. Avista Utilities operates a vertically-integrated electric system. In addition to the hydroelectric and thermal generating resources described by Company Witness Mr. Storro, the Company has approximately 8,011 miles of lines in the following classes in Washington: 215 miles of 230 kV transmission, 924 miles of 115 kV transmission, and 6,868 miles of distribution line at a variety of voltages. The predominant distribution voltage is 13.2 kV. Avista owns and maintains a total of 3,348 miles of natural gas distribution lines in the state of Washington, and is served off of the Williams Northwest and Gas Transmission Northwest (GTN) pipelines. A map showing the Company's electric and natural gas service area in Washington is provided by Company Witness Mr. Morris at page 2 of Exhibit No. ___(SLM-2)

Q. Please describe the Company's operations centers that support electric and natural gas customers in Washington.

A. The Company has construction offices in Spokane, Colville, Chewelah, Othello, Ritzville, Pullman, Deer Park, and Davenport. Avista's four customer contact centers in Spokane, Washington, Coeur d'Alene and, Lewiston, Idaho, and Medford, Oregon are networked, allowing the full pool of regular and part-time employees to respond to customer calls in all jurisdictions.

Q. What construction and maintenance programs does the Company have in place to maintain gas and electric facilities?

A. Avista Utilities utilizes Company seasonal and regular crews for gas and electric construction, including new and reconstructed lines, damage repair, and connecting new customers. The Company employs contract crews and temporary and part-time employees to meet customer needs during the peak construction season. The Company also has several maintenance programs to maintain the reliability of our electric and gas infrastructure. On the

electric side, this includes underground cable replacement, wood pole inspection and replacement, vegetation management, electric transmission line inspection and reconstruction. Regarding natural gas operations, ongoing maintenance focuses on valve and regulator stations, atmospheric corrosion protection, and leak surveys.

III. CUSTOMER SERVICE PROGRAMS

Q. Please explain the customer service programs that Avista provides for its customers in Washington.

A. Avista Utilities offers a number of programs for its Washington customers, such as energy efficiency programs, the Low Income Rate Assistance Program (LIRAP), Project Share for emergency assistance to customers, a Customer Assistance Referral and Evaluation Service (CARES) program, senior energy outreach, level pay plans, and payment arrangements. Some of these programs will serve to mitigate the impact on customers of the proposed rate increase.

Q. Please describe Avista Utilities' demand-side management (DSM), or energy efficiency, programs.

A. The Company's innovative Energy Efficiency Tariff Rider is celebrating its twelfth anniversary. The tariff rider, the country's first distribution charge to fund DSM and now replicated in many other states, has provided consistent funding for the delivery of energy efficiency services. Company Witness Mr. Folsom will provide more detail about Avista Utilities' energy efficiency services.

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

A. The low-income rate assistance program, proposed by the Company and approved by the Washington Commission in 2001, collects approximately $3 million (gas and electric combined) per year through electric and natural gas tariff surcharges on Schedules 91 and 191.

These funds are distributed by community action agencies in a manner similar to the Federal and State-sponsored Low Income Heating Energy Assistance Program (LIHEAP). The purpose of the LIRAP program is to reduce the energy cost burden among those customers least able to pay energy bills.

Q. Please describe the recent results of the Company's Project Share efforts?

A. Project Share is a community-funded program Avista sponsors to provide one-time emergency support to families in the Company's region. Avista customers and shareholders help support the fund with a voluntary contribution that is distributed through local community action agencies to customers in need. Grants are available to those in need without regard to their heating source. Avista Utilities has consistently had relatively high per-customer contributions when compared to other utilities with Project Share programs. Avista Utilities' customers donated $351,345 on a system basis in 2006, of which $209,414 was directed to Washington Community Action Agencies. In addition, the Company contributed $150,000 to Washington customers in 2006.

Q. Does the Company offer a bill-averaging program?

A. Yes. Comfort Level Billing helps smooth out the seasonal highs and lows of customers' energy usage and is the Company's option to pay the same bill amount each month of the year. This allows customers to more easily budget for energy bills and it also avoids higher winter bills. This program has been well-received by participating customers. Over 40,932, or 16%, of Washington electric and natural gas customers are on Comfort Level Billing.

In addition, the Company's Contact Center Representatives work with customers to set up payment arrangements to pay energy bills. In 2006, 66,127 Washington customers were provided with over 175,369 such payment arrangements.

Q. Please summarize Avista's CARES program.

A. In Washington, Avista is currently working with over 3,312 special needs customers in the CARES program. Specially trained representatives provide referrals to area agencies and churches for customers with special needs for help with housing, utilities, medical assistance, etc.

In the 2005/2006 heating season, 19,958 Washington customers received $7,329,966 in various forms of energy assistance (Avista LIRAP, Federal LIHEAP program, Project Share, and local community funds). This program and the partnerships we have formed have been invaluable to customers who often have nowhere else to go for help.

Q. How does Avista address special needs of its elderly customer population?

A. As part of its Low Income Rate Assistance Program, Avista has created a Senior Energy Outreach Program that is designed to assist senior customers (age 60 or above). Company representatives have found that the senior population in need may be less inclined to seek assistance. This program, administered by the Company's CARES representatives in partnership with participating LIRAP agencies, provides a maximum grant of $300 to eligible seniors (those within 200% of the federal poverty level) through a simplified certification process.

IV. SYSTEMS IMPROVEMENTS

A. Interactive Voice Response System (IVR)

Q. Please briefly describe Avista's efforts related to customer service automation.

A. Avista's Interactive Voice Response System (IVR) has been in service since November 1997. Initially, it was installed as a way to offer customers the ability to notify the

Company during an electric outage and hear messages regarding outages. Implementation of the IVR was a direct result of the ice storm that customers in Avista's territory endured in 1996. During that storm, many customers had a difficult time connecting with Avista Customer Service Representatives to report their outage and receive information.

As additional self-service functions were added since 1997, customer use and acceptance of the IVR has grown. Currently, nearly 40% of customers use the IVR for self-service, which includes outage reporting and messaging, accepting payments, making payment arrangements, hearing account information and other information such as pay station, heating assistance locations, and Private Branch Exchange (PBX) functions. In 2006, customers used the system to conduct other business, such as electronic payments (over 102,000 in 2006) and obtaining account balances (over 111,000 in 2006) and payment arrangements (over 71,000 in 2006).

Q. Does Avista have plans to replace its current IVR system?

A. Yes, three years ago, Nortel (manufacturer of Avista's IVR) announced the end of the operating system. Therefore, the technology is now frozen and new functionality will be difficult or impossible to add to the current platform. Replacement parts and continued support from third party vendors is still available, while the hardware, however, will be 10 years old in November 2007. Avista needs to refresh this technology as a way to guarantee the continued ability for customers to self-serve. Additional functionality and self-service opportunities that the Company wishes to offer customers is not available with the current system. Avista plans to offer customers the ability to self-serve or partially self-serve for the purpose of closing their account, moving their account from one address to another, or opening a new account.

Q. What is the new platform chosen by Avista?

A. The Company is collaborating with Intervoice, a leading IVR manufacturer with several Utility customers. The new platform will offer customers the same functionality as the current IVR, but will use Voice Recognition as the main interface between customers and machine. Touch-tone entry will still be available; however, research indicates that:

- "Customers perceive companies using speech provide better service[1]",
- "Nine out of ten consumers felt additional value with speech applications[2]",
- "70 percent plus of customers agree that speech self service systems are easy to understand and use[3]"
- "80% prefer speech recognition over touch-tone[4]" and;
- In addition, "Speech recognition calls are 40% faster on average than touch-tone calls because customers don't have to listen to lists of menu options."[5]

The IVR will continue to allow the same number of customers to concurrently utilize the system for self-service. Redundant hardware will be located in two locations for disaster recovery and the hardware and software will be managed by Intervoice. Self-service on the IVR will still be available to customers twenty-four hours a day, seven days a week.

Q. When will the new IVR system be available for customers and how much will the new IVR project cost?

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[1] Statistic provided by Accenture in their Detailed Management Deliverable to Avista, April 2005, Forrester 2003
[2] Statistic provided by Accenture in their Detailed Management Deliverable to Avista, April 2005, Michelson & Associates, Inc. 2003
[3] Statistic provided by Accenture in their Detailed Management Deliverable to Avista, April 2005, Harris Interactive Research 2003
[4] Statistic provided by Accenture in their Detailed Management Deliverable to Avista, April 2005, Nuance 2002
[5] Statistic provided by Accenture in their Detailed Management Deliverable to Avista, April 2005, Kelsey Group, Wall Street Journal, 1/21/03

A. The new IVR system is currently scheduled to be available for customers by the end of 2007. The budget for the IVR project is approximately 1.7 million dollars (system). This project cost has not been included in this general rate case, but will be addressed in a future proceeding.

B. Mobile Dispatch

Q. Please describe the Company's Mobile Dispatch Operation.

A. In June 2006, the implementation of wireless laptop computers with mobile maps (Mobile Dispatch) was deployed to all Avista gas servicemen. Mobile Dispatch automatically dispatches work orders to Avista servicemen throughout the day through wireless technology to laptop computers mounted in Avista service trucks. Prior to Mobile Dispatch, orders were created in Avista's work management system and printed at the local construction offices. Employees in each office would sort, assign and dispatch (via phone, pager, fax or in person) orders each morning. The field employees would work with the orders and call in the completed work periodically throughout the day or simply turn-in the stack of completed orders at the end of the day. The completed orders were manually completed by back-office employees who entered the information regarding the order back into the work management system.

The paper processes made it nearly impossible to track the status of individual orders and fieldworkers throughout each day. It was also very difficult for the Dispatchers to keep up with the volume of paper being sent out each morning, changes to the orders that occurred during the day, and completed orders returned at the end of the shift.

Mobile Dispatch has automated the order creation, modification and completion process. With the new technology, orders are created in the work management system and are

automatically dispatched to the correct field worker based on the order's Latitude/Longitude position and the person assigned to work orders in that area. Once a field employee has been identified, the order is sent through wireless technology to the laptop computer mounted in Avista's service truck. The order is then reviewed by the employee for specific information needed to complete the work. The order status is transmitted back to the dispatch center, as the employee indicates they are en route, on-site, and/or have completed the work. The completed order is transmitted back to the work management system where it is closed automatically.

A mobile mapping system is also loaded onto each laptop computer. The maps provide the field employees instant access to facility information necessary to complete their work safely and efficiently. They can also add facility data such as new service points or repair locations which are transmitted wireless back to the corporate Geographic Information System (GIS) mapping system. This helps insure that the facility data in the GIS system is up-to-date and accurate.

Dispatchers have complete information for each order and a field employee's status. They have the ability to manage and redistribute work real-time by simply dragging and dropping orders from one field employee to another. The orders instantly move from the originally-assigned laptop to the newly-assigned laptop.

In addition, the project will address common gas/electric processes such as timekeeping, appointment booking, and locating. Functionality to support electric meter shop work processes will also be addressed.

Q. What benefits does Mobile Dispatch provide?

A. Successful implementation of streamlined work processes and supporting technology for the business processes described above will allow Avista to achieve a number of financial and customer service benefits including:

- Increased field productivity via efficient order routing and elimination of paper processes;
- Improved dispatcher productivity with efficient order assignment, dispatching, monitoring and closing processes;
- Enhanced customer service with improved appointment booking capability and reliability;
- Reduced costs required to perform an equal amount of work – labor and vehicle costs; and
- Improved safety in the field with alerts and follow-up on workers.

The reduction in operating costs are used to offset all or a portion of the investment in technology to achieve these efficiencies and service enhancements. Mobile Dispatch costs have not been included in this general rate case.

C. Outage Management System

Q. Please describe Avista's Outage Management System (OMS).

A. Avista's Outage Management System is linked to the Company's Geographic Information System (GIS mapping system). It allows Avista's distribution facilities to be linked to individual customer service points in a three phase computer based model. The connectivity provides analysis tools to determine outage areas and affected protective devices. Switching points within the computer based model enable semi-real time reconfiguration of Avista's distribution system. This system substantially reduced the time necessary to restore service to customers during the December 2006 wind storm.

Q. What are the benefits of the Outage Management System to the Company and the customer?

A. Customers can report outages quickly by calling Avista's contact center or speaking to the Company's IVR. All customer calls are plotted in the GIS mapping system and tied to outage incidents, dramatically reducing the chance they would be missed or forgotten. Quick identification of affected protective devices reduces the customer outage time.

Customer outages are quickly identified geographically through the GIS mapping system. This reduces the analysis time to determine the protective device that has operated. Crews and other resources can be assigned and managed at the incident level and can be dispatched directly to the problem, reducing the outage time. Protective devices can be maintained in GIS providing an ongoing system configuration that is current and up to date. This allows immediate recognition of switching options to minimize the customers affected by an outage. Accurate outage data can be collected for all incidents providing feedback to improve reliability and outage statistics can be monitored real time to indicate the severity of major events and assist in resource planning.

V. TRANSMISSION

Q. Please briefly describe Avista's Transmission upgrade projects.

A. Avista's transmission upgrade plan spans a five year period starting in 2003 and will add over 100 circuit miles of 230 kV transmission line to the system and will increase the capacity of another 50 miles of transmission line. The upgrade project includes constructing two new 230 kV substations and reconstructing three existing transmission substations. Related projects at six 230 kV substations are necessary to meet capacity requirements, upgrade protective relaying systems and to meet regional and national reliability standards. In total,

Avista will perform work in eleven of its thirteen 230 kV substations or 85% of its system. The life-to-date, actual cost of 230 kV Upgrade Project through December 31, 2006, is $102,469,100. In 2007, Avista plans to spend an additional $28,410,000 to fully commission the project. Company witness Mr. Kinney will provide further explanation of these projects.

Q. What is the status of ColumbiaGrid and what is Avista's involvement?

A. In 2006 Avista elected to fund the ColumbiaGrid RTO development effort. It is a regional organization whose purpose is to enhance transmission system reliability and efficiency, provide cost-effective regional transmission planning, reduce transmission system congestion, and support effective market monitoring within the Northwest and the entire Western interconnection. ColumbiaGrid has been formed as a Washington non-profit corporation and its initial Board of Directors were elected in August 2006. ColumbiaGrid's current members include Avista, the Bonneville Power Administration, Public Utility District No. 1 of Chelan County, Public Utility District No. 2 of Grant County, Puget Sound Energy, Seattle City Light and Tacoma Power.

ColumbiaGrid is in the process of offering its first functional agreement, the *Planning and Expansion Functional Agreement*, in accordance with its Articles of Incorporation and By-laws. This agreement provides for an ongoing funding mechanism for a ColumbiaGrid planning staff, a comprehensive coordinated planning process, and a means to facilitate the implementation of biennial transmission expansion plans through follow-on contracts for the construction of transmission facilities. Avista has actively participated in the development of this Agreement. This Agreement was approved by the Federal Energy Regulatory Commission ("FERC") on April 3, 2007.

ColumbiaGrid is also developing additional functional agreements, to include the potential for a common regional OASIS (Open Access Same-time Information System) and an agreement for reliability improvements. The status of these efforts can be found on the ColumbiaGrid website at www.columbiagrid.org. Company witness Mr. Kinney further discusses ColumbiaGrid Planning and Development and the costs included in this general rate case.

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

A. Yes.