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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR THE AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC AND NATURAL GAS SERVICE TO ELECTRIC AND NATURAL GAS CUSTOMERS IN THE STATE OF IDAHO	))))))))	CASE NO. AVU-E-21-01 CASE NO. AVU-G-21-01 DIRECT TESTIMONY OF KELLY E. MAGALSKY

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

I. INTRODUCTION

Q. Please state your name, business address and present position with Avista Corporation.

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

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

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

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

A. My testimony will provide an overview of the Company's "Customer at the Center" initiative discussed by Company witness Mr. Vermillion, and address the rationale for the projects that we have included in this rate case over the Two-Year Rate Plan effective September 1, 2021 and ending August 31, 2023.

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

A. Yes. I am also sponsoring Exhibit No. 6, Schedule 1 which includes the business cases for Customer Technology projects. This exhibit was prepared under my supervision. A table of contents for my testimony is as follows:

II. CUSTOMER AT THE CENTER INITIATIVE

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

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

Q. What is CX?

A. CX is how customers perceive their interactions with an organization. A customer's perception starts the moment they become aware of our Company and is ultimately the sum of all interactions they have with us. There are three dimensions to CX that are components of an experience that increases customer satisfaction and ultimately creates customer loyalty, as follows:

> Effective: Effective interactions meet the needs of the customer. The product or service must deliver value to customers or the experience will fail fundamentally. Effectiveness is critical even though it is less likely to drive customer loyalty than emotion.
>
> Ease: Easy interactions let customers achieve their goals with minimal effort. When alternative paths to value are harder, ease of doing business creates competitive advantage.
>
> Emotion: The best interactions evoke positive customer emotions and avoid provoking negative emotions. Positive customer emotions can lead to customer retention, enrichment, advocacy, and loyalty.

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

Q. What is the difference between Customer Service and CX?

A. Avista provides incredible customer service, both via our call centers and our field personnel. Avista's recent results from its Voice-of-the-Customer survey resulted in 97% satisfied customers Year-to-date through November 2020, for example. Customer Service focuses on responding to customer problems and finding a solution. However, CX is more proactive and strives to identify and eliminate customer pain points before they happen. This adds value for the customer and can reduce overall costs to serve as well.

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

Illustration No. 1: Customer Experience vs. Customer Service

Q. Why is CX important?

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

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

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

Q. Why should Avista focus on CX now?

A. Due to the looming disruption in the utility sector, customers may face an increasing array of energy choices. Industry disruptors we see happening across our industry include:

- Customer demand for green energy, electric vehicles, etc.
- Renewables
- Legislation and regulations
- Digital Transformation
- Municipalization – cities taking over the energy distribution ownership

- Changing workforce makes it harder to retain talent (e.g. Millennials and Gen Z make up increasing share of employees)
- Community Choice Aggregation

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

Q. What work is being done to support CX?

A. The planning for this work began in earnest in 2019 and continued throughout 2020 and into the future. Six key initiatives were identified as a starting place for improving our CX maturity:

1. Expand Customer Research: 1) establish a documented, sustainable customer research process; and, 2) provide information useful in aligning business decisions, projects and initiatives to customers wants, needs and expectations.

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; 3) delivery 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's expected of them and equip leaders to build in customer experience to their business unit activities.

4. Hiring and New Employee Onboarding: Infuse CX practices and expectations into our hiring methods as well as our new employee training.

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. Delivery of Customer Technology: Deliver enhanced digital self-service channels and other technology tools that meet the evolving needs of our customers.

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

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

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

The second purpose of the Customer Technology work is expanding new capabilities that our customers and users need to both make their tasks easier and more efficient as well as to add new functionality and services. Each system upgrade comes with new enhancements that need to be enabled and/or configured for our users to take advantage of the system improvements. New capabilities can drastically improve business processes and increase efficiencies for all users, employees and customers alike. In addition, as our industry and customers' expectations continue to evolve and expand, the addition of new functionality and services is of increasing importance.

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

1. Customer Facing Technology Program (CFTP)
2. Customer Transactional System (CTS)
3. Customer Experience Platform (CXP)

Q. With regards to these Customer technology programs, what capital additions completed (transferred to plant) in 2020, and expected to be completed through 2023, have been pro formed into the Company's filing?

A. Table No. 1 below provides the pro forma capital additions included in the Company's direct filed case over the Two-Year Rate Plan related to the Customer technology programs, as pro formed and discussed by Company witness Ms. Schultz.

<u>Table No. 1 – Customer at the Center Capital Projects (2020 – 2023)</u>

Customer at the Center Capital Projects (System) In $(000's)				
Business Case Name	**2020**	**2021**	**2022**	**2023(1)**
Customer Service Quality and Reliability				
Customer Facing Technology Program	$ 15,601	$ 5,253	$ 7,475	$ 2,063
Customer Transactional Systems	1,843	3,741	2,755	1,371
Strategic Initiatives	5,164	-	-	-
Customer Experience Platform Program	-	4,339	7,434	-
Total Customer at the Center Capital Projects	**$ 22,608**	**$ 13,333**	**$ 17,664**	**$ 3,434**

(1) Includes system pro forma capital for the period of January 1, 2023 through August 31, 2023.

Each Customer technology program shown in Table No. 1 above is discussed in more detail below. Exhibit No. 6, Schedule 1 includes the business cases for each of the three programs.[1]

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

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

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

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[1] As discussed by Ms. Schultz, the total Idaho electric and natural gas revenue requirement included in this filing associated with all Customer at the Center capital projects included in Table No. 1 above, for Rate Year 1, is approximately $2.08 million and $552,000, respectively; and $678,000 and $180,000, respectively, for Rate Year 2.

When large systems are implemented and software vendors later update those systems, we are required to perform upgrades in order to keep them supported and up to date. CC&B has been continually enhanced to improve the experience for our CSRs and to respond to regulatory and compliance requirements. The majority of this work is included in the *Customer Transactional Systems*.

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

Q. Does the Customer Technology provide any financial benefits?

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

1. An increase in digital self-service will reduce and/or avoid more costly customer phone calls and emails. Illustration No. 2 and Table No. 2 below demonstrate that the number of live customer service agent phone calls and emails has decreased by approximately 45% in the past 10 years from approximately 965,000 in 2009 to approximately 526,690 in 2020. Over the same time period, the number of interactions through digital channels (website, text, IVR, and mobile app) has increased approximately 285% from 2,186,000 in 2009 to approximately 6,227,000 in 2020. This clearly shows a trend toward both increasing customer engagement and interaction with Avista and a customer preference toward self-service. This provides financial benefits to all customers since self-serve interactions are significantly less expensive than live phone calls.

Illustration No. 2: Customer Contacts by Channel

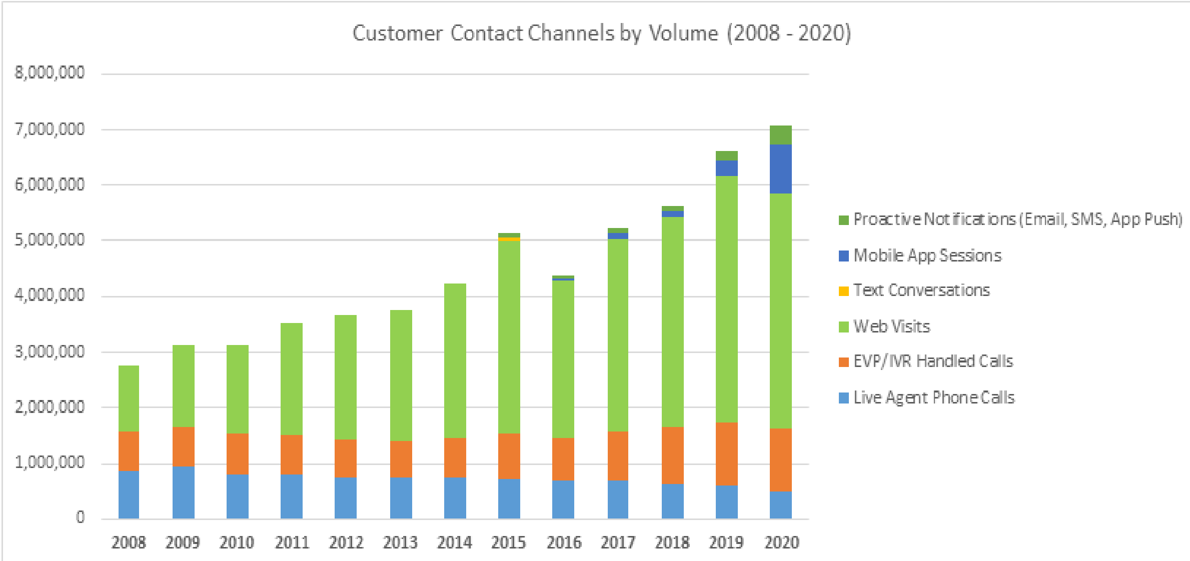


Table No. 2: Customer Contacts by Channel (Data)

Customer Contacts	2009 (10 Years ago)	2017	2018	2019	2020
Self-Service Contacts Handled by Channel	69%	85%	88%	90%	**92%**
Web Visits	1,451,840	3,466,919	3,770,243	4,406,233	**4,209,265**
Mobile App Sessions	--	107,462	104,786	282,974	**859,348**
Text Conversations	--	3,566	4,691	8,665	**12,460**
IVR Handled Calls	735,938	875,424	1,029,601	1,144,645	**1,145,869**
Live Customer Contacts Handled by Channe	31%	15%	12%	10%	**8%**
Phone Calls (CSR)	930,585	693,863	626,910	615,229	**491,774**
Emails (CSR) *	35,555	75,620	23,877	31,274	**34,920**
Total Contacts	**3,153,918**	**5,222,854**	**5,560,108**	**6,489,020**	**6,753,636**

* Data for Emails (CSR) in 2020 is through November.

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 able to answer customer questions in the first conversation. The amount of transfers to other employees will be reduced and the amount of additional calls the customer will need to make will also be reduced.

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

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

<u>Customer Transactional Systems (CTS)</u>

Q. What are the primary purposes of the Customer Transactional Systems (CTS)?

A. The CTS includes the systems used to support the day to day operational needs of our customers, internal users, third party partners and our regulators. Primarily this includes the maintenance, regular upgrades and enhancements for the following internal and external functionality required to support core functions needed to operate our utility business:

- Collection and storage of meter reads and meter data (Meter Data Management or MDM)
- Customer Billing (Oracle Customer Care & Billing)
- Head End Metering Systems
- Energy and Agency Assistance Programs
- Rate Design and Rate modeling tools
- Customer Energy Efficiency (iEnergy)

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

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

Q. Why is this work required now?

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

Q. What customer capabilities are enabled through this technology?

A. Customer bills are generated, and payments are accounted for in CC&B. Meter information (meter reads) is stored in the metering systems and used to generate customer bills. Any type of activity that is needed at a customer's premise is also flagged in this system and sent to field personnel to respond to these types of requests. Energy efficiency information (like rebates and amount of energy saved) is tracked in the Nexant iEnergy system.

Q. What were the CTS pro forma capital additions completed in 2020, and expected to be completed through 2023, you are supporting in this rate case?

A. Approximately $1.8 million in CTS projects are expected to be transferred to plant in 2020; which include various enhancements to CC&B and MDM. In future years, enhancements to CC&B and MDM will continue and we are expecting to transfer approximately $3.7 million, $2.7 million, and $1.3 million in 2021, 2022, and 2023 respectively.

<u>Customer Facing Technology Program (CFTP)</u>

Q. What are the primary purposes of the Customer Facing Technology Program (CFTP)?

A. The CFTP builds upon the systems discussed in the CTS section above and encompasses Avista's inbound and outbound communication channels and systems that our customers use to interact with us as well as our transactional 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 have changed in that companies are 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. In addition to existing customers desiring to work with Avista in digital ways, new customers reach adulthood every year and the expectations for self-service and digital engagement will continue to increase as these new tech-savvy generations become our customers. 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.

Avista's digital channels are experiencing increasing usage year over year. If the digital channels become stagnant and are not enhanced to accommodate adjusted customer behavior, customer satisfaction will decline, resulting in increased calls to the call center and increases in costs to serve our entire customer base.

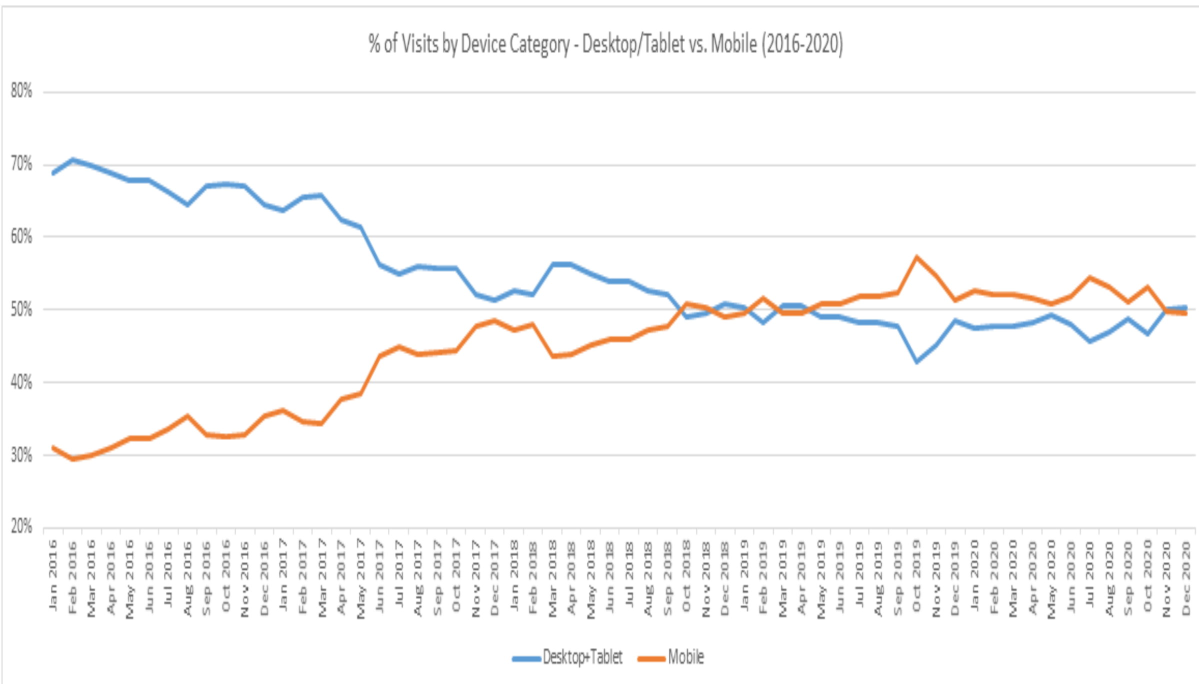
Q. Please describe the technology systems and associated technology included in the CFTP.

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

Avista's digital channels are the primary ways our customers choose to interact with our Company. These channels provide ways for our customers to self-serve and complete their transaction or request. Self-service is a common trend across all industries and continues to be a choice many customers are electing to make for many interactions with any business including utilities. As highlighted above, customers are increasingly choosing self-service channels to gain information and complete transactions and we anticipate that this trend will continue. Further, customers provide feedback after using the digital channels and Avista utilizes this customer feedback to define enhancements that are required to make the customers' self-service tools easier to use and more efficient to access and accomplish tasks.

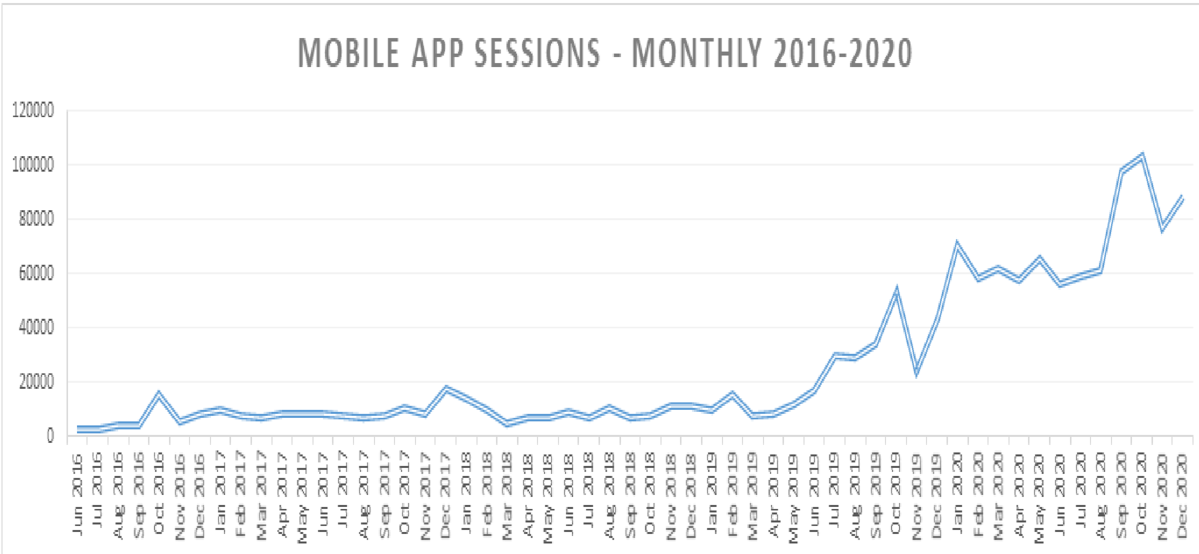
In addition, customers are increasingly choosing to interact through mobile devices as evidenced by the fact that our percent of visits from a mobile device exceeded desktop and tablet combined in 2018 for the first time ever and continues to grow. This requires Avista to not only manage a desktop website, but we have also invested to make our website mobile enabled and are continuing to increase functionality on our mobile app. We fully anticipate that this trend will continue and the percent of mobile visits, currently about 52%, will continue to increase. However, we also know that desktop usage will remain for customers that choose that channel; therefore, we will need to continue to maintain and operate our desktop channels as we do today. Illustration No. 3 below highlights the total visits to MyAvista.com over the past nearly five years.

<u>Illustration No. 3: Totals Visits by Access Method</u>

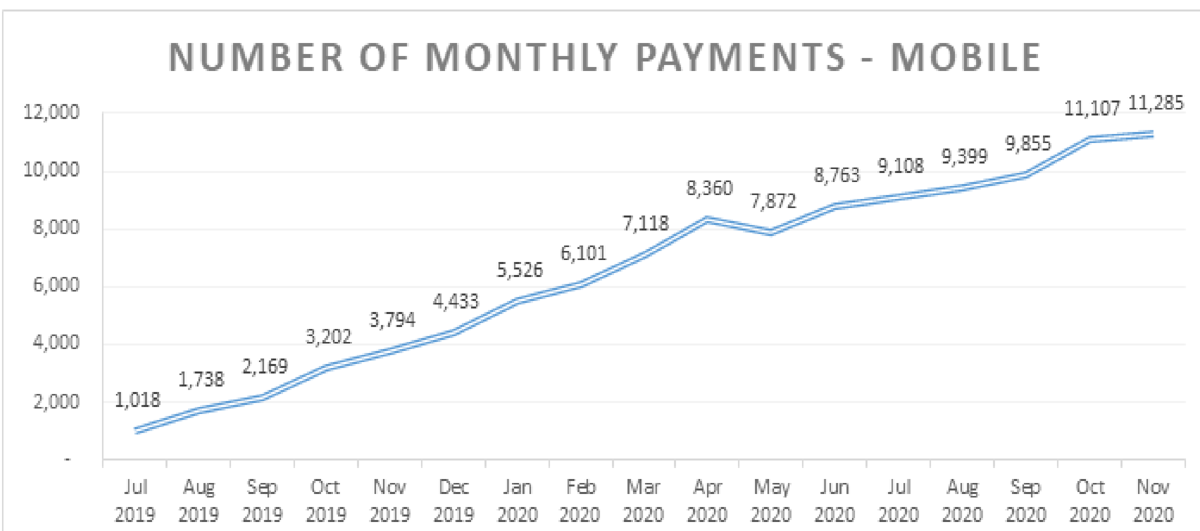


Another useful example of this trend is the quickly increasing usage of our mobile app. Our app was initially launched in 2016 with only the ability to view, report and check the status of outages. Since then we have added the ability for customers to view their bill, make a payment, and manage alerts. As seen in Illustrations No. 4 and 5 below, usage of the mobile app continues to grow, and we intend to continue to add services to the functionality included on our mobile app. We expect that this growth trend toward mobile usage will continue or possibly even accelerate as customer preferences continue to shift toward mobile use as a preferred channel.

<u>Illustration No. 4: Monthly Mobile App Sessions</u>



<u>Illustration No. 5: Monthly Payments Made via Mobile App (June 2019 – Nov. 2020)</u>



Q. What customer capabilities are enabled through the CFTP technology?

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;
- Enhancing the outage map to include additional outage information; and,
- New functionality for business customers to help them manage their energy use.

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

Q. What are the CFTP pro forma 2020 capital additions, and expected to be completed through 2023, you are supporting in this rate case?

A. Approximately $15.6 million in CFTP projects are expected to be transferred to plant in 2020 as shown below:

Table No. 3 – CFTP Transfers to Plant[2]

Customer Facing Technology Projects In $(000's)	2020
CC&B/MDM Upgrade	$4,398
CXP: Design & Deployment	$5,479
Digital Channel Features	$3,739
Energy Management (Budget) Alerts (WA)	$758
MyAvista.com - Automated Testing	$199
Sitecore Upgrade (MyAvista.com platform)	$1,028
Total Customer Facing Technology Transfers to Plant	$15,601

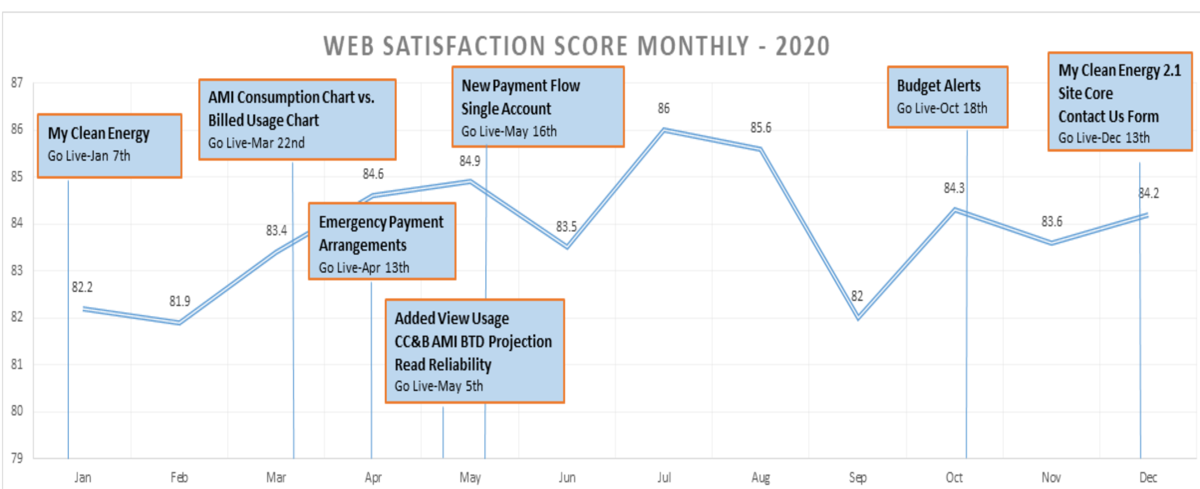
[2] As discussed by Ms. Schultz, after completion of the revenue requirement proposed in this filing, it was determined that "Energy Management (Budget) Alerts" project shown in Table No. 3 above, should have been excluded from her Pro Forma Capital Additions 2020 EOP Adjustment 3.08 as a Washington only project. A portion of this project was allocated to Idaho electric and natural gas in error. Correction of this error will reduce Idaho net rate base by approximately $153,000 for electric and $41,000 for natural gas. This will result in a reduction to the Company's proposed Idaho electric and natural gas revenue requirements of approximately $48,000 and $13,000, respectively.

In 2021 through 2023 we expect to continue to enhance our digital channels by performing user experience enhancements to existing features and providing new and improved tools for our customers in the customer facing channels. An additional upgrade to the Sitecore platform and call center applications are also expected. Mobile usage by our customers continues to soar resulting in additional enhancements to our mobile app in 2021 and 2022. Incremental CFTP projects expected to transfer to plant in 2021, 2022 and 2023 total $5.253 million, $7.475 million and $2.063 million, respectively.

Q. How is the CFTP providing benefits to customers?

A. Web customer satisfaction continues to rise over time. In 2020 alone, the satisfaction increased from 82.2 in January to 84.2 in December. The investments made are having a positive impact on the customers' experience using the digital channels. A high satisfaction score means that customers can find what they need in a timely fashion and can complete their task with no help from CSRs. Illustration No. 6 below shows the web satisfaction scores by month in 2020.

<u>**Illustration No. 6: 2020 Monthly Web Satisfaction Scores**</u>



Q. What costs savings are associated with the CFTP work?

A. Cost savings with the CFTP are associated with avoided phone calls to our call center instead of being handled through a lower cost self-serve digital channel. Based on the 2019 average cost per call of $7.76, the savings for avoided calls could be quite significant. In 2019, we had 5,842,517 self-service interactions (see Table No. 2 above) which includes the summation of all website visits, mobile app sessions, text conversations, and IVR handled calls. If our digital channels did not exist, then undoubtedly a portion of the self-service interactions would have instead been completed by a phone call to the call center. If, for instance, 25 percent of the self-service interactions were completed via phone calls into our Contact Center, it would have cost roughly $11.3 million ($7.76 x 5,842,517 x 0.25). The range of costs could be as high as roughly $45 million ($7.76 x 5,842,517) if all current self-service interactions were completed by phone. Any savings referenced in the hypothetical examples above, though, are already embedded in our test year, as those calls did not actually happen (they were avoided, due to technology).

<u>Customer Experience Platform (CXP)</u>

Q. What are the primary purposes of the Customer Experience Platform (CXP)?

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

The CXP will create a single interface and provide a consistent and comprehensive view of each customer, their preferences, past interactions, communications, and history with Avista. This reduces confusion across departments, allows our employees to handle an entire situation and answer customer questions without having to transfer a call or tell the customer we will need to get back to them. This also allows our customers to not have to repeat information with various employees of Avista about a single situation as all interactions will be logged and made available to employees. This platform brings our employees and our customers together by providing a single lens into each individual customer and their interactions with us. Ultimately, this will enable Avista to better understand each customer as an individual while understanding their unique situation, history, and preferences which will allow us to provide the personalized and proactive service that customers desire.

Q. How did you select the CXP?

A. A request for proposal (RFP) was conducted to select the system(s) for CXP which would include underlying technology to accomplish the objectives of the overall CXP program. The RFP was sent to three vendors that fit most of the business requirements: Oracle, Microsoft, and Salesforce. The RFP was initiated in January 2018 and a vendor was selected in March 2018. Salesforce was the selected vendor through the RFP and the master agreement was signed with them in October 2018.

Q. How has the CXP been delivered?

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

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

A. Through the implementation of the CXP, our customers will feel like we know them better due to the targeted personalization the CXP will give us. Customers will no longer have to give information multiple times along their journey. We will increase the number of channels available to customers and ensure that the experience across those channels is consistent. The CXP will also transition a customer's experience from one channel to another.

The CXP will provide a full omni-channel experience for our customers. The goal is to create a better CX and drive better relationships with our customers across multiple points of contact. Rather than working in parallel, communication channels and their supporting resources will be designed and orchestrated to cooperate. For example, if a customer had a question after looking at their bill on MyAvista.com, and they pick up the phone and call a CSR, the CSR will know that they were just browsing the billing section on the website. By knowing this, they can predict what the customer will be asking and can lessen the amount of time on the phone with the customer while at the same time providing a better customer experience.

Presently, the Company's systems and how our employees transact within those systems are siloed in nature. A specific department tends to use systems that are separate and specialized to the job that department is performing. For example, Customer Service's primary role is to help customers and answer account related questions. CSRs can help a customer with their bill, process a payment, create a payment arrangement, analyze a customer's usage, and create an activity for a field person to perform. A CSR does not have knowledge of where the field personnel is located, or how much availability our field personnel may have to meet with the customer.

Another capability is that customer communications like email, outbound phone calls, and text alerts are not fully visible to our CSR's and field personnel; information that could be of tremendous value during a customer interaction. In summary, CXP will bring all the disparate and distinct customer information together to provide a more holistic or 360-degree view of the customer. Illustrations No. 7 and No. 8 below provide a summary of the CXP benefits and a depiction for how the CXP will be integrated.

<u>Illustration No. 7: CXP Benefits</u>

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

Illustration No. 8: Depiction of How the CXP is Integrated

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

- Account management for large customers;
- Provide mobile tools for employees in the field to have the full view of the customer at their fingertips;
- Electronic signature for contracts being signed with customers;
- Chat functionality;
- Allow employees to see what communication customers are receiving;
- Electric vehicle customer relationship management;
- Automated workflow to resolve a customer inquiry; and,
- More personalized communication that is specific and more relevant to their individual needs and interests.

Q. What are the CXP pro forma 2020 capital additions, and expected to be completed through 2023, you are supporting in this rate case?

A. Approximately $5.2 million in CXP projects are expected to be transferred to plant in 2020, which consists of the implementation of primary CXP features. In 2021 and 2022 we will continue to enhance the CXP by providing new tools to our employees frequently.

Table No. 4

Customer Experience Platform Projects In $(000's)	2020	2021	2022
CXP Implementation of Primary Features (Strategic Initiatives)	$5,164		
CXP Features		$4,339	$7,434

Q. What cost savings are associated with the CXP project?

A. The new tools deployed will enable employees and customers alike to lessen the amount of time they are spending tracking down and dealing with an issue they need resolved. The cost savings associated with the CXP work are as follows and discussed in further detail below:

Table No. 5: Estimated CXP Cost Savings

Activity	Savings	Cost Savings	Frequency
Call Deflection	10% reduction	$407,000	Annual
Case Resolution Time	10% reduction	$116,000	Annual
Increased Productivity	7.5% time savings	$200,000	Annual
Efficient Onboarding	20% time savings	$118,000	Annual

The cost savings reflected in the above table are conservative estimates, based on research that Salesforce (software vendor) conducts across all of their customers' industries. For example, Salesforce's research estimates that their customers could achieve a 17% reduction in call deflection; however, we are estimating only a 10% reduction in call deflection to ensure the estimated cost savings are not overstated. Each area of savings is further described below:

1. Providing better tools to employees and increasing efficiency in these tools will reduce the amount of time it takes to resolve a customer issue.

   a) Call Deflection: Deflect 10% of the number of calls placed into our call center

- Average of 525,000 calls into the call center
- Cost per call is $7.76
- 52,500 calls deflected equates to a potential $407,000 in annual cost savings

b) Case Resolution Time: Reduce the amount of time it takes to resolve a customer case/issue by 10%
- Average case resolution time is 6.5 minutes
- 10% reduction in each call = 2,686 hours saved = $116,000 in annual savings

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

a) Increased Productivity: Streamlined tasks in the CXP will save time for employees
- Call center representatives will save 3 hours per week
- Total annual savings of $200,000
- Other employees will save 1 hour per week

b) Efficient Onboarding: Onboarding new employees will take 20% less time
- Annual cost reduction of $118,000

Q. Are the annual savings you reference above "hard" savings in that the Company's costs will be lower by those levels in the rate year?

A. No, they are not what I would term hard savings, and therefore Company witness Ms. Andrews has not incorporated the Idaho-portion of those estimates into the Company's revenue requirement. For example, when we state reductions in calls into the Contact Center, one must remember that the Company is also growing, adding more customers every day. Further, the calls that do tend to escalate from self-service channels to live CSR help can be more complicated. In the end, this investment will not necessarily reduce the number of CSRs the Company employs, however it will reduce the number of new CSRs we would have to employ, absent CXP.

Q. Are there incremental operating and maintenance expenses to support the Customer Technology investments described above?

A. Yes, there are. The Company will incur an incremental $1,339,980 in additional operating and maintenance expense to support CXP technology (this is an incremental increase from the 2019 level of expense). As discussed earlier, this initial phase of work includes foundational aspects to get the system up and running for the very first user group. This is an ongoing software expense that will be incurred annually in lieu of Avista bearing the technology infrastructure investment, software maintenance, and technology advancement costs. In addition, the Software as a Service (SaaS) solution vendor costs include on-going maintenance, support, and future upgrades; the amount of labor required to support a SaaS solution is much less than a traditional on-premise solution. The Company weighed options for a SaaS model versus a traditional on-premise model; the SaaS solution met the majority of the business requirements where the on-premise solution did not. Idaho's' share of this expense has been included by Ms. Andrews in her Pro Forma studies.

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

A. Yes, it does.