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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-10-01
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-10-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC)	DIRECT TESIMONY
AND NATURAL GAS CUSTOMERS IN THE)	OF
STATE OF IDAHO)	DON F. KOPZCYNKI
)	

FOR AVISTA CORPORATION

(ELECTRIC AND GAS)

1
2 **I. INTRODUCTION**

3 **Q. Please state your name, employer and business**
4 **address.**

5 **A.** My name is Don F. Kopczynski and I am employed as
6 the Vice President of Transmission and Distribution Operations
7 for Avista Utilities, at 1411 East Mission Avenue, Spokane,
8 Washington.

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

11 **A.** Yes. Prior to joining the Company in 1979, I earned
12 a Bachelor of Science Degree in Engineering from the
13 University of Idaho. I have also earned a Master's Degree in
14 Engineering from Washington State University and a Master's
15 Degree in Organizational Leadership from Gonzaga University.
16 Over the past 31 years I have spent approximately 17 years in
17 Energy Delivery, managing Engineering, various aspects of
18 Operations, and Customer Service. In addition, I spent three
19 years managing the Energy Resources Department, including
20 Power Supply, Generation and Production, and Natural Gas
21 Supply. I have worked in the areas of Corporate business
22 analysis and development, and served in a variety of
23 leadership roles in subsidiary operations for Avista Corp. I

1 was appointed General Manager of Energy Delivery in 2003 and
2 Vice President in 2004. I serve on several boards, including
3 the Washington State Electrical Board, Northwest Gas
4 Association, American Gas Association, Common Ground Alliance
5 and the Washington State University Engineering Advisory
6 Board.

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

8 A. I will provide an overview of the Company's electric
9 and natural gas energy delivery facilities and operations. I
10 will also explain some of our efforts to control costs,
11 increase efficiency, and improve customer service, as well as
12 summarize Avista's customer support programs in Idaho. A
13 table of the contents for my testimony is as follows:

14	<u>Description</u>	<u>Page</u>
15	I. Introduction	1
16	II. Overview of Avista's Energy Delivery Service	3
17	III. Cost Control and Efficiency Efforts	7
18	IV. Customer Support Programs	13
19		

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

21 A. Yes. I am sponsoring Exhibit No. 7 Schedule 1 and
22 Schedule 2. Schedule 1 shows the detailed usage and number of
23 customers for each customer class. Schedule 2 is a 2009 study
24 performed at Eastern Washington University addressing heating

1 assistance programs in our service area. These exhibits were
2 prepared under my direction.

3
4 **II. OVERVIEW OF AVISTA'S ENERGY DELIVERY SERVICE**

5 **Q. Please describe Avista Utilities' Idaho electric and**
6 **natural gas utility operations.**

7 A. Avista Utilities operates a vertically-integrated
8 electric system. In addition to the hydroelectric and thermal
9 generating resources described by Company witness Mr. Storro,
10 the Company has approximately 4,052 miles of lines in the
11 following classes in Idaho: 286 miles of 230 kV transmission,
12 604 miles of 115 kV transmission, and 3,162 miles of sub-
13 transmission and distribution line at a variety of voltages.
14 Avista also has 928 miles of distribution underground cable;
15 the predominant distribution voltage is 13.2 kV. Avista owns
16 and maintains 1876 miles of natural gas pipelines (excluding
17 services) in the state of Idaho of which 560 miles are steel
18 and 1316 miles are polyethylene. All of these pipelines are
19 distribution, not transmission, operating at various maximum
20 allowable operating pressures (MAOPs) from 60 psig to 720
21 psig. Avista has 69,337 natural gas service lines in Idaho.
22 A map showing the Company's electric and natural gas service

1 area in Idaho is provided by Mr. Morris at page 2 of Exhibit
2 No. 1.

3 As detailed in the Company's 2009 Electric Integrated
4 Resource Plan, Avista expects retail electric sales growth to
5 average 1.7% annually for the next ten years and 1.7% over the
6 next twenty years in Avista's service territory, primarily due
7 to increased population and business growth. In 2008, Avista
8 had 4,493 new electric customer connections¹ and 3,350 for
9 2009. A copy of the Company's 2009 Electric IRP has been
10 attached as Exhibit No. 4 Schedule 1 to Mr. Storro's
11 testimony.

12 Also, based on Avista's 2009 Natural Gas Integrated
13 Resource Plan, in Idaho/Washington the number of customers
14 were projected to increase at an average annual rate of 2.2%,
15 with demand growing at a compounded average annual rate of
16 1.0%. New natural gas customer connections were 4,797 in 2008
17 and 3,362 in 2009. A copy of the Company's 2009 Natural Gas
18 IRP has been attached as Exhibit No. 11, Schedule 2 to Mr.
19 Christie's testimony.

¹ A new customer connection as defined by Avista is when a customer receives a bill for the first time at a particular premise/location.

1 **Q. How many customers are served by Avista Utilities in**
2 **Idaho?**

3 A. Of the Company's 356,620 electric and 316,350
4 natural gas customers (as of December 31, 2009), 122,358 and
5 74,006, respectively, were Idaho customers. Avista's largest
6 electric customer in Idaho is Clearwater Paper, located in
7 Lewiston, Idaho.

8 **Q. Please describe the Company's operations centers**
9 **that support electric and natural gas customers in Idaho.**

10 A. The Company has construction offices in Grangeville,
11 Orofino, Lewiston-Clarkston, Moscow-Pullman, Kellogg, St.
12 Maries, Coeur d'Alene, Sandpoint and Bonner's Ferry, and
13 customer contact center operations in Lewiston and Coeur
14 d'Alene. Avista's four customer contact centers in Coeur
15 d'Alene, Lewiston, Spokane, and Medford, Oregon are networked,
16 allowing the full pool of regular and part-time employees to
17 respond to customer calls in all jurisdictions.

18 **Q. What construction and maintenance programs does the**
19 **Company have in place to maintain natural gas and electric**
20 **facilities?**

21 A. The Company utilizes seasonal and regular crews for
22 natural gas and electric construction, including new and
23 reconstructed lines, damage repair, and connecting new

1 customers. The Company employs contract crews and temporary
2 and part-time employees to meet customer needs during the peak
3 construction season. The Company also has several maintenance
4 programs to maintain the reliability of our electric and
5 natural gas infrastructure. On the electric side, this
6 includes the Company's asset management program (including
7 wood pole inspection and replacement), vegetation management,
8 electric transmission line inspection and reconstruction.
9 Company witness Mr. Kinney discusses this program in more
10 detail.

11 Regarding natural gas operations, ongoing maintenance
12 focuses on valve and regulator stations, atmospheric and
13 underground corrosion protection, and leak surveys. Natural
14 gas operations performs necessary maintenance required by the
15 US Department of Transportation Pipeline Safety Regulations,
16 49 CFR, Part 192. Emergency valves are inspected and
17 maintained to make sure they are accessible for operation,
18 they turn satisfactorily, and are identified properly.
19 Atmospheric Corrosion Inspection is performed on all of our
20 above-ground piping facilities at least every three years. To
21 levelize the workload, approximately one third of our system
22 is maintained annually. Piping is inspected to assure it is
23 coated properly to protect against corrosion. Underground

1 corrosion protection surveys are performed annually on
2 underground steel piping. Rectifiers that induce current onto
3 the pipe to supply corrosion protection are inspected six
4 times per year. Additionally, whenever a buried steel
5 pipeline is exposed, crews inspect the pipe for coating
6 deterioration and external corrosion.

7 Finally, leak Surveys are performed at differing
8 intervals, with facilities in more populated "business
9 districts" inspected annually, and those in less populated
10 residential areas are inspected every five years.

11
12 **III. COST CONTROL AND EFFICIENCY EFFORTS**
13

14 **Q. Given the current and near-term economic conditions,**
15 **what actions or specific measures has the Company undertaken**
16 **to control costs and mitigate the requested rate increase?**

17 A. As Mr. Morris noted in his testimony, following the
18 energy crisis of 2000/2001, we cut our operating expenses as
19 we worked toward regaining an investment grade credit rating.
20 Since that time we have continued to pay particular attention
21 to limiting the growth in these costs, while meeting important
22 reliability and environmental compliance requirements, and
23 preserving a high level of customer satisfaction.

1 The measures listed below are among some of the most
2 recent actions we have taken to mitigate the impact of
3 increased costs on our customers:

4
5 **1. Limitations on Capital Spending.** For both 2009 and 2010
6 Avista approved a lower capital budget than was
7 requested by the Company's Engineering and Operations
8 personnel. The Capital Prioritization Committee
9 reduced the list of projects to be completed by
10 approximately \$60 million in 2009, and we have limited
11 our near-term capital budget to approximately \$210
12 million annually.

13
14 **2. Hiring Restriction.** The Company continues to operate
15 under a hiring restriction which requires approval by
16 the Chairman/President/CEO, CFO, and Sr. VP for Human
17 Resources for all replacement or new hire positions.

18
19 **3. Improvements and Efficiency Initiatives.** Avista
20 Utilities has undertaken a number of improvements and
21 efficiency initiatives throughout our service area that
22 are focused on either increasing customer service and
23 satisfaction, or increasing productivity and reducing
24 operating costs. These measures have served to
25 mitigate the impact on customers of the proposed rate
26 increase. In regard to Information Services, Avista
27 has been, and continues to be, focused on cost
28 effective solutions that meet our customers' needs.
29 One way to meet a growing customer demand for
30 transaction choices is through the appropriate use of
31 technology. Most recently, Avista has focused on
32 reducing customer transaction costs through the use of
33 technology, such as the Outage Management Tool (OMT)
34 which enables a customer to report outages without
35 talking to a representative.

36
37
38 **Q. Did the Company initiate a number of cost management**
39 **initiatives in the years just prior to the recent downturn in**
40 **the economy?**

1 A. Yes. Avista's efforts to control its costs have not
2 been prompted solely by the most recent downturn in the
3 economy. We have continually revisited our costs and
4 operating practices over time in order to mitigate price
5 increases for our customers. A sampling of other measures
6 that we had already taken prior to the downturn in the economy
7 include the following:

- 8
9 • Retirees are now picking up the full premium
10 increases on the health insurance coverage. A few
11 years ago retirees under age 65 were paying 10% of
12 the health insurance premiums and now they pay 50%
13 on average.
- 14
15 • The Defined Benefit Pension Plan's benefit
16 formulas were reduced (approximately 28%) for all
17 new hires effective January 1, 2006 and forward.
18 This applies to all new hires except those in the
19 IBEW Local #77 Bargaining Unit.
- 20
21 • Bargaining units wages were kept in line with
22 neighboring investor-owned utilities and PUDs.
- 23
24 • Normally Avista will bring on about 15 to 18
25 temporary groundsmen in the Spring to assist in
26 the construction work for the remainder of the
27 year. This pool of people helps us manage through
28 the construction season with new developments that
29 take place from April to December. We use this
30 pool of people to select upcoming line apprentices
31 in anticipation of future retirements. Due to the
32 downturn in the economy and the lack of new
33 construction projects, the Company decided to not
34 hire temporary groundsmen for the year unless a
35 specific project would dictate a need for one or
36 two people. The savings for 2009 was
37 approximately \$700,000. Assuming a more normal
38 construction season in 2010, we will be back to

1 our normal practice and bring on the groundsmen
2 for the construction season. Therefore, the
3 savings to the Company is short term versus
4 annual on-going savings.
5

6 • Additionally, regarding our natural gas
7 operations, approximately 10% of our natural gas
8 construction workforces are classified as
9 "seasonal." Seasonal and temporary employees are
10 let go at the end of the construction season and
11 brought back in March or April as construction
12 starts to ramp up. In 2009, we delayed bringing
13 back these employees due to the downturn in
14 construction and won't re-employ these workers
15 unless construction activity improves. Again,
16 these saving occurred in 2009 and are not
17 anticipated to carry over into 2010 unless the
18 economy and construction continues to be slow.
19

20 • Starting in 2007 the Company has also realized
21 further efficiencies in employee training:
22

- 23 ◦ Shortened the natural gas apprenticeship time by
24 12 to 18 months by bringing in advance standing
25 employees who already have the skills and
26 abilities;
- 27 ◦ Reduced the annual natural gas refresher training
28 required by PHMSA for Operator Qualification
29 through the use of on-line training programs by
30 one full day, and eliminated additional instructor
31 travel time and expense during the remainder of
32 the year. Estimated savings are approx 150 gas
33 employees at 8 hours. The trainer savings for the
34 remainder of the year is 20+ travel days for each
35 of the instructors;
- 36 ◦ Combined different apprentice training programs in
37 the generation and electric areas to save over 100
38 hours of instructor time;
- 39 ◦ Utilized retired craft employees for pre-
40 apprentice line school and other apprentice
41 program training, saving benefit costs and
42 utilizing flexible hours;
- 43 ◦ Provided an on-site physical therapist to shorten
44 medical treatment time for employees as well as
45 reduce time away from work for medical

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appointments.

- The Company has increased shift coverage company-wide for natural gas and electric servicemen for after (normal) hour's calls. This provides for more prompt call response at lower cost (straight time versus overtime).

These programs are just examples of the extensive efforts of Avista to identify and implement efficiency measures and/or productivity across the organization, while continuing to provide quality service to customers.

Avista also has a number of ongoing process improvement measures related to customer service that have provided savings and efficiencies as described below.

- Avista's Customer Service Analyst Team constantly challenges themselves to find ways to improve the business without compromising customer satisfaction. Initiatives such as automating address returns with the US Postal Service, reviewing collection notice parameters, implementing email management processes, improving system response time, designing a comprehensive screen view, ebill promotions and other miscellaneous improvements resulted in over \$1 million of productivity savings from 2004-2009. Examples included within the \$1 million in savings include options that give customer more choices such as:
 - E-bill - 66,582 customers enrolled - Savings \$.50 per bill per month.
 - Web payment process - reduced company cost from \$.80 to \$.10 per transaction - 50,000 transactions per month.

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• In mid-2009, Avista implemented its new Enterprise Voice Portal (EVP) System. The new EVP system replaced the Company's old Integrated Voice Response (IVR) system, installed in 1997, which was no longer being supported by the vendor. The old IVR and new EVP systems handled 735,000 customer calls in 2009 (approximate offset of 38 FTE's). This is 43.3% of the total inbound calls into Avista. For the first two months in 2010, the EVP system handled 124,682 calls; this represents 47.3% of inbound calls to Avista. The new EVP system has several new features that will increase customer self service capabilities and improve customer satisfaction.

The following table shows that the avoided labor savings from the IVR/EVP system from 1998 through 2009 totals \$17.5 million:

Year	NR/EVE Handled Calls	FTE Equivalent	Approximate Labor Savings	Significant Changes
1998	84,889	5.1	\$ 270,416	Added Account Recap self-service
1999	158,353	9.6	\$ 504,437	
2000	214,828	13.0	\$ 684,339	
2001	294,609	17.8	\$ 938,483	Added Payment Arrangement self-service
2002	343,120	20.7	\$ 1,093,016	
2003	443,195	26.7	\$ 1,411,807	Added Electronic Payment self-service
2004	402,071	24.3	\$ 1,280,805	
2005	530,748	22.0	\$ 1,854,079	Enhanced Payment Arrangement self-service
2006	600,730	34.2	\$ 2,098,550	
2007	624,823	30.5	\$ 2,182,715	
2008	682,797	36.2	\$ 2,348,822	
2009	735,938	38.9	\$ 2,880,167	New EVP Implementation June, 2009

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IV. CUSTOMER SUPPORT PROGRAMS

Q. Please explain the customer support programs that Avista provides for its customers in Idaho.

A. Avista Utilities offers a number of programs for its Idaho customers, such as energy efficiency programs, Project Share for emergency assistance to customers, a Customer Assistance Referral and Evaluation Service (CARES)

1 program, level pay plans, and payment arrangements. Some of
2 these programs will serve to mitigate the impact on customers
3 of the proposed rate increase.

4 Avista Utilities actively participated in the energy
5 affordability workshops in Case No. GNR-U-08-01. In that case,
6 workshop participants explored ways to address energy
7 affordability and the ability of customers to pay energy
8 bills. The Company worked with Staff and other interested
9 stakeholders to support legislation in the previous session
10 that would have allowed the Commission to adopt programs such
11 as the Company's Low Income Rate Assistance Program (LIRAP) as
12 is currently in place in Washington and Oregon. That measure
13 failed, however after many weeks of various meetings, and
14 achieving agreement on numerous amendments to the original
15 bill, a revised bill was nit reintroduced in the current
16 session.

17 However, the Company and other stakeholders hope to
18 possibly introduce a revised bill in the next session.

19 Avista is also actively involved in supporting community
20 human services programs that provide tools and resources for
21 individuals and families who face challenges in meeting the
22 basic costs of living, which includes the cost of energy.
23 Through philanthropic contributions and employee community

1 outreach efforts, we support programs that address basic
2 needs. Avista is a strong supporter of United Way in Idaho,
3 providing corporate and employee support for the human
4 services agencies in our service territories.

5 **Q. Has the Company done any recent research with regard**
6 **to seniors and limited income customers it serves?**

7 A. Yes. Avista, along with the low income and senior
8 advocates, has long sought to understand the reach and
9 effectiveness of energy assistance and energy efficiency
10 programs. The challenge has been how to estimate with more
11 certainty the level of need for the purpose of assessing
12 program size and design. Having more definitive data on the
13 type of unmet need could also inform policy discussions
14 related to programs that serve to provide direct grant
15 assistance or programs that reduce energy use, such as energy
16 efficiency or energy conservation education.

17 In 2009, Avista commissioned a Study by the Institute for
18 Public Policy and Economic Analysis at Eastern Washington
19 University. This is attached as Exhibit No.7, Schedule 2. The
20 purpose of the study was "Assessing Heating Assistance
21 Programs in Spokane County".² Even though this study was

² "Assessing Heating Assistance Programs in Spokane County", Institute for Public Policy & Economic Analysis
(Grant Forsyth, PhD, D. Patrick Jones, PhD, and Mark Wagner). January 2010.

1 limited to Spokane County, we believe the results may have
2 application to other parts of our service area.

3 As noted in that report, the study examined "the recent
4 experience of the two largest heating assistance programs in
5 Spokane County: the federal Low Income Home Energy Assistance
6 Program (LIHEAP) and the Avista Utilities' tariff-funded Low
7 Income Rate Assistance Program (LIRAP) in Washington. The
8 study's central goal was to assess the reach of these programs
9 among the eligible population."³ The study provided the
10 following key findings:

- 11 1. The average heating burden (heating costs divided by
12 total household income) for a household in the US is
13 1.3%.⁴
- 14 2. The average heating burden for households in Spokane
15 County is 1.4%, very close to the US average.⁵
- 16 3. The average gross heating burden for low-income
17 customers (defined as those customers assisted by
18 Spokane Neighborhood Action Programs, or SNAP, which
19 uses the 125% of the federal poverty guideline) is
20 6.1%.⁶

³ id., Page 1

⁴ id., Page 2

⁵ id., Page 2

⁶ id., Page 3

1 4. The average net heating burden for low-income customers
2 is 1.4% (net being defined as heating costs less energy
3 grants, divided by total income).⁷

4 5. In 2009, the report shows that 30% of eligible
5 households were assisted by SNAP. This is much higher
6 than the national average of 16%.⁸

7
8 In short, this report demonstrates that limited income
9 customers served by SNAP have a net energy (heating) burden
10 that is not much different than the average household in
11 Spokane County.

12 **Q. How will the results of this Study be distributed**
13 **and used?**

14 A. The study results are being provided to
15 organizations and individuals that have involvement and
16 interest in energy assistance or energy efficiency programs
17 for these population sectors. Organizations include Community
18 Action Agencies, State and Federal legislators, low-income and
19 senior advocate organizations, and other interested
20 organizations.

21 **Q. What is the Company doing to help customers manage**
22 **their energy bills?**

⁷ id., Page 3

⁸ id., Page 3

1 A. In addition to the many efforts the Company has made
2 to control costs and improve operating efficiencies, the
3 Company works hard to build lasting ways to help customers in
4 managing their energy bills. Avista is committed to reducing
5 the burden of energy prices for our customers most affected by
6 rising energy prices, including low income individuals and
7 families, seniors, disabled and vulnerable customers. To
8 increase our customers' ability to pay, the Company focuses on
9 actions and programs in four primary areas: 1) advocacy for
10 energy assistance programs providing direct financial
11 assistance; 2) low income and senior outreach programs; 3)
12 energy efficiency and energy conservation education and 4)
13 support of community programs that increase customers' ability
14 to pay basic costs of living. The following are examples of
15 these outreach programs to customers:

- 16 • Gatekeepers Program: Avista has implemented the
17 Gatekeepers Program, a program that trains field
18 personnel to be aware of signs that a customer may be
19 having difficulty with daily living tasks (e.g., paper or
20 mail not collected, disheveled appearance, etc). The
21 CARES representatives conducted training of company-wide
22 field personnel who come into contact with residential
23 customers on a regular basis. In the event employees
24 identify a customer having difficulty, the employee is
25 asked to notify the CARES representatives who would
26 contact appropriate community resources for assistance.
27
- 28 • Senior Energy Outreach: Avista has developed specific
29 strategic outreach efforts to reach our more vulnerable

1 customers (seniors and disabled customers) with energy
2 efficiency information that emphasizes comfort and
3 safety.
4

- 5 • Senior Publications: Avista has created a one-page
6 advertisement that has been placed in senior resource
7 directories and targeted senior publications to reach
8 seniors with information about energy efficiency, Comfort
9 Level Billing, Avista CARES and energy assistance. A
10 brochure with the same information has also been created
11 for distribution through senior meal delivery programs
12 and other senior home-care programs.
13
- 14 • Power to Conserve: In partnership with KREM television,
15 a half-hour television program is annually developed that
16 covers low-cost and no-cost ways to save energy at home.
17 The goal of the program is to help limited income seniors
18 and other vulnerable populations with their energy bills
19 by providing home energy conservation education. The
20 program provides helpful energy conservation tips,
21 information on community resources and ways for customers
22 to manage their energy bills. A DVD of the program has
23 also been produced which is included as part of energy
24 conservation kits provided in senior conservation
25 workshops.
26
- 27 • Every Little Bit House: In partnership with KREM
28 television, the long-running "Power to Conserve" program
29 was updated to profile energy efficiency work done on an
30 actual Avista customer's home utilizing the low income
31 weatherization program provided by SNAP. The program
32 utilizes a series of commercial vignettes that are
33 specifically targeted to provide helpful energy
34 conservation tips, information on community resources and
35 ways for customers to manage their energy bills. Its
36 primary target audience is limited income, senior and
37 vulnerable customers.
38
39

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

