

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION FOR APPROVAL OF)
ELECTRIC ENERGY EFFICIENCY AND)
LOAD MANAGEMENT PROGRAMS)
AND PROGRAM COST TARIFF RIDERS)
PURSUANT TO THE NEW MEXICO)
PUBLIC UTILITY ACT AND EFFICIENT)
USE OF ENERGY ACT,)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
Applicant.)

Case No. 07-____-UT

DIRECT TESTIMONY

of

JAMES M. BAGLEY

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
Commission or NMPRC	New Mexico Public Regulation Commission
EUEA	New Mexico Efficient Use of Energy Act, as amended by Senate Bill 418, Sections 62-17-1 through 62-17-11 NMSA 1978
Plan	Energy Efficiency and Load Management Plan
Rule	NMPRC Energy Efficiency Rule, 17.7.2 NMAC
SPS	Southwestern Public Service Company
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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of
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I. INTRODUCTION AND QUALIFICATIONS

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James M. Bagley. My business address is 600 S. Tyler Street, Amarillo, Texas.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am employed by Xcel Energy Services Inc., the service company subsidiary of Xcel Energy Inc. (“Xcel Energy”), as Manager, Regulatory Administration.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying in support of Southwestern Public Service Company (“SPS”), which is an electric utility operating company that is wholly owned by Xcel Energy.

Q. PLEASE BRIEFLY OUTLINE YOUR DUTIES AS MANAGER, REGULATORY ADMINISTRATION.

A. I manage the day-to-day operations of the Regulatory Administration department. I lead a team of employees who manage all aspects of a regulatory case, including evaluation, preparation, processing, and implementation of regulatory filings, which includes the coordination and preparation of regulatory testimony, exhibits, data requests, rulemaking comments, and reports for filing with the commissions that regulate SPS. I advise all levels of management on case progression, and

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1 recommend alternative strategies for processing cases. I represent the Regulatory
2 Administration department and SPS before regulatory agencies and with
3 intervenors.

4 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

5 A. I graduated from West Texas State University in 1979 with a Bachelor of
6 Business Administration, with an emphasis in accounting.

7 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

8 A. I began working for SPS in the Financial and Regulatory Accounting department
9 in January 1980 as a fuel accountant. In addition to accounting for the fuel used
10 for generating the electricity used by the SPS power plants, I was involved in the
11 financial reporting to regulatory agencies, as well as supplying accounting
12 information to the Rate Department for regulatory proceedings. In July 1983, I
13 transferred to the Revenue and Billing Department to assist in the implementation
14 of a new customer billing system. In November 1986, I was promoted to
15 Supervisor of the Amarillo District Office, where I supervised all aspects of
16 customer service. In February 1992, I was promoted to a mid-management
17 position, overseeing all aspects of customer service for the Panhandle Division,
18 which included the customer service offices in the Texas Panhandle, the
19 Oklahoma Panhandle, and Elkhart, Kansas. In May 1997, I accepted a position in

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1 the Regulatory Administration department, and was promoted to Manager of the
2 Regulatory Administration department in April 2005.

3 **Q. HAVE YOU ATTENDED OR TAKEN ANY SPECIAL COURSES OR**
4 **SEMINARS RELATING TO PUBLIC UTILITIES?**

5 A. Yes. I have attended the Practical Skills for the Changing Electric, Natural Gas
6 and Telecommunications Industries course sponsored by New Mexico State
7 University's Center for Public Utilities.

8 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AUTHORITIES?**

9 A. Yes. I have filed testimony with the New Mexico Public Regulation Commission
10 ("NMPRC" or "Commission"), the Public Utility Commission of Texas, the
11 Oklahoma Corporation Commission, and the Kansas Corporation Commission.

12 **II.**

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ASSIGNMENT AND INTRODUCTION OF WITNESSES

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Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY WITH RESPECT TO SPS'S APPLICATION?

A. I will provide an overview of SPS and its previous efforts in promoting and implementing energy efficiency programs in New Mexico. I will also provide an overview of SPS's 2008 Energy Efficiency and Load Management Plan ("Plan") and associated programs. Finally, I will discuss the costs to be recovered through the proposed Energy Efficiency Tariff Rider.

Q. WHO ARE THE OTHER SPS DIRECT WITNESSES IN THIS CASE AND WHAT ARE THEIR AREAS OF TESTIMONY?

A. Direct testimony supporting SPS's application and request for approval of its Plan and associated programs will be provided by the following witnesses:

- Debra L. Sundin – Describes SPS's proposed portfolio of energy efficiency programs; provides details regarding program design and administration and proposed energy and demand savings goals and budgets; identifies disincentives to offering energy efficiency and load management programs; and presents SPS's proposal to mitigate such disincentives.
- Daniel S. Ahrens – Describes SPS's proposed energy efficiency rate design and Energy Efficiency Tariff Rider for recovery of its energy efficiency and load management program costs; discusses SPS's proposal to mitigate disincentives to energy efficiency and load management programs through the recovery of a percentage of the future shared savings under the Energy Efficiency Tariff Rider;

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1 and discusses the proposed mechanism to track program
2 costs and revenues.

3 **III.**

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SPS AND ITS PAST ENERGY EFFICIENCY PROGRAMS

Q. PLEASE GENERALLY DESCRIBE SPS.

A. SPS is headquartered in Amarillo, Texas, and has its New Mexico division operations based in Roswell, New Mexico. SPS is a fully integrated generation, transmission and distribution electric utility that serves approximately 390,000 customers in a 52,000 square-mile area of eastern and southeastern New Mexico, and the Panhandle and the South Plains of Texas. SPS serves approximately 108,000 residential, commercial, and industrial customers in New Mexico.

SPS's service area extends approximately 400 miles from north to south and 200 miles from east to west. In New Mexico, the communities served at retail by SPS are shown in Table 1.

Table 1: New Mexico Communities Served by SPS

Artesia	Hobbs	Otis
Carlsbad	Jal	Portales
Clovis	Lake Arthur	Roswell
Dexter	Loving	Texico
Eunice	Malaga	Tucumcari
Hagerman	Monument	White City

SPS's service territory in both New Mexico and Texas is primarily agricultural, with large areas of oil and gas production. The agricultural areas are mostly irrigated by pumping from natural underground water supplies. Crops include corn, grain sorghums, soybeans, and peanuts. There is also a large

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1 investment in cattle feeding, and more recently, dairy operations, in the service
2 territory.

3 Oil and natural gas production is the major industrial activity in SPS's
4 service territory in both New Mexico and Texas. In addition, potash mining
5 facilities also represent significant industrial load in southeastern New Mexico.
6 Finally, the growth of wind energy in the SPS service area is also bringing new
7 economic development opportunities to the region.

8 The breakdown of SPS New Mexico 2006 retail sales by revenue class is
9 shown in Table 2.

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Table 2: 2006 New Mexico Retail Sales Mix

Revenue Class	Megawatt- hours (MWh)	Percent
Residential Service	915,412	23.5%
Small Commercial	110,220	2.8%
Small Industrial	990,138	25.4%
Large Industrial	1,732,600	44.4%
Municipal and School	120,063	3.1%
Street and Area Lighting	31,219	0.8%
Total	3,899,652	

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1 **Q. PLEASE SUMMARIZE ENERGY EFFICIENCY AND CONSERVATION**
2 **PROGRAMS ADMINISTERED BY SPS IN NEW MEXICO IN THE PAST.**

3 A. SPS has offered voluntary energy conservation programs in its New Mexico
4 service territory since 1980. SPS’s efforts began with heat pump and efficient
5 central air conditioning rebates and expanded to commercial lighting and
6 customized rebates in 2002. Beginning in 2005, SPS distributed free packages of
7 compact fluorescent light bulbs to low-income customers through the state Low-
8 Income Home Energy Assistance Program agencies in our service territory. SPS
9 also regularly sends energy efficiency information to customers in English and
10 Spanish through bill inserts and separate mailings. In anticipation of impending
11 rulemaking on the Efficient Use of Energy Act, as amended (Sections 62-17-1
12 through 62-17-11 NMSA 1978, “EUEA”), SPS scaled down its energy efficiency
13 programs in 2006.

14 In addition to formal rebate and incentive programs, SPS maintains a large
15 database of energy information on its website (www.xcelenergy.com). Customers
16 and the general public are able to access information on the latest technologies
17 and practices available for saving energy. Residential customers can access
18 information on energy saving tips, low/no cost ways to save, an online energy
19 assessment, and appliance energy calculators. Business customers can keep up-

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1 to-date on new technologies and access one of several energy advisor or energy
2 assessment tools.

3 The following table summarizes SPS's energy efficiency achievements in
4 New Mexico over the last five years.

5 **Table 3: 2002-2006 Historical Energy Efficiency Achievements**
6 **in New Mexico**

Year	Customer kW Saved	Customer kWh Saved	Participants	Budget
2002	3,614	5,266,000	869	\$1,200,000
2003	2,260	5,145,400	1,075	\$900,000
2004	2,643	8,028,528	1,311	\$1,200,000
2005	2,771	5,684,304	1,360	\$1,300,000
2006	1,350	4,268,424	55	\$700,000

7
8 SPS's Plan continues SPS's commitment to energy conservation in New Mexico.
9 Since 2002, SPS has voluntarily invested over \$5 million dollars resulting in
10 approximately 28 GWh of electric energy savings, and 12 MW of electric demand
11 savings in its New Mexico service territory.

12 **IV.**

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OVERVIEW OF SPS'S APPLICATION

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Q. PLEASE PROVIDE AN OVERVIEW OF SPS'S APPLICATION.

A. SPS is filing this Application seeking approval of its Plan and associated programs in accordance with the EUEA, and the New Mexico Public Regulation Commission's ("Commission" or "NMPRC") Energy Efficiency Rule (17.7.2 NMAC, "Rule"). SPS has maintained an obligation to its customers and the environment by voluntarily offering conservation and load management programs in its service territories prior to this mandated Rule. Following Commission approval of SPS's Plan and the associated programs, SPS will be marketing and offering eight separate, targeted programs throughout its New Mexico service territory to four customer segments - Residential, Low-Income, Business, and Large Customers.

Q. WHAT APPROVALS DOES SPS SEEK IN THIS CASE?

A. SPS requests that the Commission grant the following approvals and authorizations: (1) approval of SPS's proposed Plan and associated programs that will be implemented in 2008; (2) approval of SPS's recovery of Plan costs through the proposed tariff rider and proposal to annually true up cost recovery under the tariff rider; (3) authorization for and approval of SPS's proposed mechanism to mitigate disincentives or barriers that exist for SPS's expenditures on energy efficiency and load management; and (4) all other approvals,

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1 authorizations and actions that may be required under the EUEA, the Rule, and
2 New Mexico Public Utility Act (Sections 62-3-1 et seq., NMSA 1978) for SPS to
3 implement its proposed Plan and tariff rider.

4 **Q. PLEASE SUMMARIZE THE PROGRAMS THAT WILL BE OFFERED IN**
5 **THE 2008 PLAN.**

6 A. SPS is proposing to initially offer the following eight energy efficiency programs:

- 7 1. Residential Air-Source Heat Pump Rebates;
- 8 2. Residential Home Lighting;
- 9 3. Residential LivingWise®;
- 10 4. Low-Income;
- 11 5. Business Cooling Efficiency;
- 12 6. Business Custom Efficiency;
- 13 7. Business Lighting Efficiency; and
- 14 8. Large Customer.

15 SPS's Plan, which is attached to the Direct Testimony of Debra L. Sundin,
16 describes each of the proposed programs in detail, including the targeted customer
17 segment and participation goals, energy and demand savings goals, proposed
18 budgets, program administration, marketing and outreach plans, and measurement
19 and verification plans.

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1 **Q. WHAT ARE SPS’S OBJECTIVES IN OFFERING THESE PROGRAMS?**

2 A. 17.7.2 NMAC establishes the overall objectives and requirements for a utility’s
3 energy efficiency programs. SPS’s overall objective is to assist customers with
4 energy efficiency participation that will in-turn help them decrease their energy
5 and demand, thus lowering their energy costs. SPS has relied upon state
6 jurisdictional statutory and regulatory requirements, as well as its own past
7 experience along with its affiliated operating companies’ past experience in
8 implementing and managing conservation and load management programs to
9 develop this Plan. SPS recognizes the continued need and opportunity for
10 education and conservation choices for New Mexico customers.

11 **Q. WHICH CUSTOMERS ARE ELIGIBLE TO PARTICIPATE IN THESE**
12 **PROGRAMS?**

13 A. All residential, low-income, business, and industrial customers served by SPS in
14 New Mexico are eligible to participate in one or more of SPS’s proposed energy
15 efficiency programs.

16 **Q. DID SPS REVIEW THE RULE IMPLEMENTING THE EUEA?**

17 A. Yes. SPS is providing a list of compliance points from the Rule, as well as where
18 they are addressed in SPS’s filing, in Attachment JMB -1.

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1 **Q. DO SPS’S PLAN AND ASSOCIATED PROGRAMS COMPLY WITH THE**
2 **REQUIREMENTS OF RULE?**

3 A. Yes. SPS’s Plan specifically focuses on 2008 program offerings and provides
4 first-year projected savings. SPS considers its proposed Plan the first step in
5 meeting the statutory goal of a five percent reduction in total retail sales, adjusted
6 for load growth by 2020. Ms. Sundin discusses the Plan and projected savings in
7 more detail in her testimony.

8 **Q. WHAT ARE THE REPORTING REQUIREMENTS UNDER THE RULE?**

9 A. The Rule specifies that utilities with fewer than 250,000 customers (such as SPS)
10 shall file an annual report by August 1st of the year following program offerings.
11 SPS will file its first annual report by August 1, 2008, to revise its Energy
12 Efficiency Tariff Rider to recover projected 2009 project costs. The August 1,
13 2009, annual report will report on its 2008 program activities and will include:

- 14 • Actual expenditures and achievements of the preceding calendar year;
- 15 • True-up of the tracking mechanism and calculation of new tariff rider; and
- 16 • Calculation and request for recovery of the shareholders’ portion of the
17 shared savings proposed to mitigate disincentives to energy efficiency and
18 load management programs (to be included in Energy Efficiency Tariff
19 Rider).
20 Rider).
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COST RECOVERY

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2 **Q. DOES THE EUEA AND RULE ALLOW A UTILITY COMPANY TO**
3 **RECOVER THE COSTS ASSOCIATED WITH IMPLEMENTING ITS**
4 **PROPOSED PLAN AND ASSOCIATED PROGRAMS?**

5 A. Yes. The EUEA and the Rule allow a utility that undertakes cost-effective energy
6 efficiency and load management programs to recover the costs of all the programs
7 implemented through an approved tariff rider.

8 **Q. HOW DID SPS DECIDE WHICH PROGRAM COSTS SHOULD BE**
9 **INCLUDED IN THE TARIFF RIDER?**

10 A. SPS identified the program costs that are specific to developing and implementing
11 the programs, including the direct costs of the programs themselves and the
12 ongoing costs of running the programs.

13 **Q. WHAT ARE SOME EXAMPLES OF THE SPECIFIC COSTS THAT WILL**
14 **BE INCLUDED IN THE TARIFF RIDER?**

15 A. The costs included in the tariff rider will be those program costs incurred by SPS
16 that are solely related to the energy efficiency and/or load management programs
17 identified in the Plan. Examples of specific costs that will be recovered through
18 the tariff rider include: (1) the labor and benefits costs associated with an SPS
19 Energy Efficiency Program Representative dedicated and assigned to assisting

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1 customers that participate in one or more of the proposed energy efficiency
2 programs; (2) the cost of contractors hired to help develop the programs; and (3)
3 the expenses associated with a third-party administrators. In addition, the tariff
4 rider will include tangible program costs including the cost of compact
5 fluorescent light bulbs, ENERGY STAR refrigerators, the LivingWise® Activity
6 Kits, and customer rebates.

7 **Q. HOW WILL SPS TRACK THE PROGRAM COSTS THAT IT WILL**
8 **RECOVER THROUGH THE TARIFF RIDER?**

9 A. SPS has set up a deferred account to track the program costs in order to keep them
10 separate from expenses to be recovered through base rates. Refer to the Direct
11 Testimony of Daniel S. Ahrens for a detailed discussion of the tracking
12 mechanism and SPS's proposal for regulatory review and approval of the direct
13 costs associated with implementing SPS's Plan and associated programs.

14 **Q. HAVE THE PROGRAM COSTS IDENTIFIED IN SPS'S PLAN BEEN**
15 **APPROPRIATELY SEGREGATED FROM COSTS INCLUDED IN SPS'S**
16 **PENDING ELECTRIC RATE CASE?**

17 A. Yes. The proposed tariff rider includes only budgeted program costs for 2007 and
18 2008. The cost-of-service study in SPS's pending rate case (Case No.
19 07-00319-UT) is based on a historic test year ending December 31, 2006. SPS

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1 has requested recovery of all expenses incurred through the end of calendar year
2 2006 associated with its past energy efficiency programs in its pending rate case.
3 There is no double recovery of costs.

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VI.

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CONCLUSION

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**Q. WAS ATTACHMENT JMB-1 PREPARED BY YOU OR UNDER YOUR
CONTROL?**

3

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A. Yes.

5

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

6

A. Yes

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF POTTER)

James M. Bagley being first duly sworn on oath, deposes and states that he is the witness identified in the foregoing prepared testimony, that he has read the testimony and is familiar with its contents, and that the facts set forth are true to the best of his knowledge, information, and belief.

James M. Bagley

Subscribed and sworn to before me this _____ day of September, 2007.

Notary Public
My Commission Expires: _____