

Karl A. McDermott, PhD

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Education

University of Illinois at Urbana-Champaign

Ph.D., Economics, 1990

Major Fields: Monetary theory and Policy, Macroeconomic Theory, and History of Economic Thought

University of Wyoming

M.A., Public Utility Economics, 1978

Major Fields: Public Utility Economics and Industrial Organization Theory

Indiana University of Pennsylvania

B.A., Economics, 1976

Teaching Experience

- 2008- **University of Illinois Springfield**
Ameren Distinguished Professor of Business and Government
Classes taught: Regulation and the American Economy, Economics of Public Utility
Regulation, macro-economics
- 2001-2014 **Michigan State University, Institute for Public Utilities**
Faculty
Invited lecturer at Regulatory Studies Program (“Camp NARUC”) held in East Lansing, Michigan. Lecture topics include performance-based regulation, rate-of-return regulation, infrastructure regulation for developing countries, and gas wholesale markets.
- 1986-1992 **Illinois State University, Department of Economics**
Lecturer in Economics
Taught both graduate and undergraduate public utility courses, Money and Banking, as well as introductory courses.
- 1984-1991 **Parkland Community College, Champaign, Illinois**
Instructor in Economics
Taught both Principles of Economics I and II.

Fall 1979 **The Ohio State University, Department of Economics**
Lecturer in Economics
Taught Macroeconomic Principles.

Professional Experience

2008- **NERA Economic Consulting**
Special Consultant

1999-2008 Vice President
Directs projects in the energy and telecommunications fields. Conducts research in the design and review of performance-based regulation mechanisms. Provides strategic regulatory advice to international and domestic clients. Advises on competitive issues facing regulated firms, including regulatory policy, unbundling, corporate structure, and tariff design.

1992-1998 **Illinois Commerce Commission**
Commissioner
Domestic: Served as Chairman of both the Telecommunications Policy Committee and Electricity Policy Committee. Served on the National Association of Regulatory Utility Commissioners (NARUC) Energy Resources and Environment Committee as the Chairman of its environmental subcommittee. Also served as NARUC representative on the President's Global Climate Change Task Force, the Federal Energy Regulatory Commission's Pipeline Competition Task Force, the National Coal Research council, and as a member of the Harvard Electric Policy Group.

International: Served as part of the United States Energy Association and USAID educational effort in Eastern Europe. Lectured in Argentina, the Czech Republic, Latvia, Poland, Romania, Russia, and Slovakia and participated in two joint USEA/USAID and World Bank seminars in Vienna providing advanced regulatory training.

Representative Publications, Conference Papers, and Reports

"The Home (as a power plant) and its Role in Electric Policy: Past, Present, and Future," *Electricity Journal*, 27(2), 33-42, 2014.

"The Regulatory Dilemma: Getting Over the Fear of Price," *Electricity Journal*, 25(9), 6-13, 2012.

"The Illinois Commerce Commission's Pro Forma Adjustment Rule: An Event Study of Regulatory Decision-Making," *Advances in Business Research, Advances in Business Research*, 3(1), pp.53-62, 2012. (with C. Peterson)

"Cost of Service Regulation in the Investor-owned Electric Utility Industry: A History of Adaptation" Edison Electric Institute, June 2012.

“Rethinking the Implementation of the Prudent Cost Standard,” in *The Line in the Sand: The Shifting Boundary Between Markets and Regulation in Network Industries*, S. Voll and M. King (eds), 2007. (with C. Peterson and R. Hemphill).

“Mergers and Acquisitions in the US Electric Industry: State Regulatory Policies for Reviewing Today’s Deals,” *The Electricity Journal*, 20(1), pp. 8-25, 2007 reprinted in *The Line in the Sand: The Shifting Boundary Between Markets and Regulation in Network Industries*, S. Voll and M. King (eds), 2007 (with C. Peterson).

“Critical Issues in the Regulation of Electric Utilities in Wisconsin,” *Wisconsin Policy Research Institute Report*, 19(3), pp. 1-69, 2006 (with C. Peterson and R. Hemphill).

“The Anatomy of Institutional and Organizational Failure,” in *Obtaining the Best from Regulation and Competition*, M. Crew and M. Spiegel (eds.), Kluwer Academic Publishers, London, UK, 2005, pp. 65-92 (with C. Peterson).

“Is There a Rational Path to Salvaging Competition?” *The Electricity Journal*, 15(2), 2002, pp. 15-30 (with C. Peterson).

“The Essential Role of Earnings Sharing in the Design of Successful Performance-base Regulation Programs,” in *Electricity Pricing in Transition*, A. Faruqui and K. Eakin (eds.), Kluwer Academic Publishers, London, UK, 2002, pp. 315-328 (with C. Peterson).

Essential Facilities, Economic Efficiency, and a Mandate to Share: A Policy Premier, Edison Electric Institute, January 2000 (with K. Gordon, W. Taylor, and A. Ros).

The Determinants of Electric Utility Capital Structure: Re-Examining the Turbulent 1980s, presented at Center for Research in Regulated Industries, Rutgers University, Annual Western Advanced Regulatory Conference, Monterey, CA, June 2011. (with C. Peterson)

The Determinants of Commission Revenue Requirement Decisions: A Case Study of Illinois Energy Utilities, presented at Center for Research in Regulated Industries, Rutgers University, Annual Western Advanced Regulatory Conference, Monterey, CA, June 2011. (with C. Peterson and A. Everette)

Prudence: The Regulators Strike Back: A Prequel to the Revenge of the Regulator, presented at Center for Research in Regulated Industries, Rutgers University, conference held in San Diego, CA, June 2005.

The Anatomy of Institutional and Organizational Failure: Economic Reform and the Search for Institutional Equilibrium in Regulated Network Industries, preliminary draft presented at Research Seminar on Public Utilities, Center for Research in Regulated Industries, Rutgers University, October 2003 (with C. Peterson).

Distributed Resource Investment in Albania: Regulatory Options for Introducing Commercial Incentives and Promoting Solutions to Meeting Electricity Demand, white paper prepared for the law firm of Pierce Atwood under contract with United States Agency for International Development, January 2003 (with C. Peterson).

Restructuring Options for the Electric Sector in Macedonia, Report 1 and 2; prepared for the law firm of Pierce Atwood under contract with United States Agency for International Development, 2002 (with C. Peterson and R. Zarumba; report is proprietary).

Representative Testimony

Circuit court of Jackson County Missouri, *Kansas City Power and Light Company, Kansas Gas and Electric Company, Kansas Electric Power Cooperative, and Wolf Creek Nuclear Operating Corporation v. ABB Inc., et. al.* Case No. 1316-CV09206. Expert report and testimony on behalf of Kansas City Power and Light Company calculating the damages from the forced outage of Wolf Creek Nuclear power station, November 2014.

Regulatory Commission of Alaska, In the Matter of the Revenue Requirement and Transmission Tariff Designated as TA364-8 Filed by CHUGACH ELECTRIC ASSOCIATION, INC. Case U-13-007, 2013. Expert testimony filed on behalf of Chugach Electric on pricing transmission services.

Virginia Corporation Commission, Application of Appalachian Power Company For approval of transactions to acquire interests in the Amos and Mitchell generation plants and to merge with Wheeling Power Company Case No. PUE-2012-00141, direct and rebuttal testimony on economic evaluation of the transfer of generation assets to affiliated utility on behalf of Appalachian Power Company. 2013

Illinois Commerce Commission, Rock Island Clean Line LLC Petition for an Order granting Rock Island Clean Line a Certificate of Public Convenience and Necessity pursuant to Section 8-406 of the Public Utilities Act as a Transmission Public Utility and to Construct, Operate and Maintain an Electric Transmission Line and Authorizing and Directing Rock Island Clean Line pursuant to Section 8-503 of the Public Utilities Act to Construct an Electric Transmission Line, Docket No. 12-0560, expert direct, rebuttal, and sur-rebuttal testimony concerning the effect on electric competition of a proposed transmission line from Iowa to Illinois, 2013.

Indiana Utility Regulatory Commission, Cause No. 44339, expert rebuttal testimony on behalf of Indianapolis Power and Light concerning regulatory policy toward alternative cost recovery. 2013.

West Virginia Public Service Commission, Petition for the Commission's consent and approval of Appalachian Power Company consummating an arrangement for the transfer to it of 1647 MW of generating capacity presently owned by Ohio Power Company, an affiliate, pursuant to W. Va. Code, 924-2-12, and associated agreements, Case Nos. 11-1775-E-P and 12-1655-E-PC direct and rebuttal testimony on economic evaluation of the transfer of generation assets to affiliated utility on behalf of Appalachian Power Company. 2013

Alabama Public Service Commission, In Re: Alabama Gas Company ("Alagasco"): Public Proceeding Regarding Rate RSE, Docket Nos. 18046 and 18328. Oral testimony before the Commission on behalf of Alagasco concerning regulatory policy toward alternative rate treatment.

Kentucky Public Service Commission, Application of Kentucky Power Company In Connection With The Transfer Of An Undivided Fifty Percent Interest In The Mitchell Generating Station And Certain Related Relief, Case No. 2012-00578, direct and rebuttal testimony on economic evaluation of the transfer of generation assets to affiliated utility on behalf of Kentucky Power Company. 2013

In the Circuit Court of Cook County, Illinois, County Department, Law Division, *The People of the State of Illinois ex rel. Leon A. Greenblatt III, v. Commonwealth Edison Company*, Case No. 2007 L 004293. Expert testimony concerning the application of regulatory principles to avoided cost pricing of purchases by an electric utility from solid waste generation facilities in Illinois. 2012

Illinois Commerce Commission, American Transmission Company LLC Application for a Certificate of Public Convenience and Necessity, pursuant to Section 8-406.1 of the Illinois Public Utilities Act as a Transmission Public Utility to construct, operate, and maintain a new 345,000 volt electric transmission line in Lake County, Illinois, Docket No. 11-0661, expert testimony concerning the effect on electric competition of a proposed transmission line from Wisconsin to Illinois, Fall 2011.

Missouri Public Service Commission, *Proposed General Increase in Rates*, Missouri-American Water Company, Docket Nos. WR-2011-0337 and SR-201-0338, Testimony on standard tariff pricing of water services. June 2011.

Illinois Commerce Commission, *Proposed General Increase in Rates*, Commonwealth Edison Company, Docket No. 10-0527, Expert testimony on behalf of the National Resources Defense Council regarding electric decoupling. November 2010.

Wyoming Public Service Commission, *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 20000-368-EA-10, Expert testimony on public interest standard for fuel adjustment mechanism, 2010.

Regulatory Commission of Alaska, *In the Matter of the Petition filed by Chugach Electric Association, Inc. for Advance Determination of Prudence for Southcentral Power Project*, U-10-41, June 2010. Expert testimony regarding preapproval of generation investment by state public utility commissions in the United States.

Utah Public Service Commission, *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 09-035-15, *Phase I and Phase II*. Expert testimony on public interest standard for fuel adjustment mechanism, 2009.

Illinois Commerce Commission, *In Re: Enbridge Pipeline (Illinois) L.L.C.* Expert testimony on the proper test for issuing a certificate of public convenience and necessity for an oil common carrier by pipeline. January 2008.

United States District Court for the Western District of Missouri, Western Division, *Travelers Property Casualty Co. v. National Union Insurance Co*, Case No. 4:06-CV-00946-REL. Expert report and testimony on behalf of Kansas City Power and Light Company calculating damages from transformer failure.

Wyoming Public Service Commission, Docket No. 20000-277-ER-07, Direct Testimony on behalf of Rocky Mountain Power on merits of utilizing marginal cost for pricing electric service to new large load customers, June 2007.

North Dakota Public Service Commission, Case No. PU-06-525, Direct and Rebuttal Testimony on behalf of Northern States Power d/b/a Xcel Energy Inc. on reasonable cost of equity for North Dakota natural gas operations, 2006-7.

Circuit court of Jackson County Missouri, *Kansas City Power and Light Company v. Bibb Associates, et. al.* Case No. 01CV207987. Expert report and testimony on behalf of Kansas City Power and Light Company calculating the damages from the explosion of its Hawthorn 5 coal-fired generation unit, 2003-2004.

Public Service Commission of Wisconsin, Docket No. 05-CE-130, Direct, Rebuttal and Surrebuttal Testimony on behalf of Wisconsin Electric Power Company regarding energy efficiency and power plant construction, 2003.

Federal Energy Regulatory Commission, Docket No. EL99-90-000, *City of Wichita, Kansas v. Western Resources, Inc.* Direct testimony on behalf of the City of Topeka, Kansas focusing on cost causation issues and rate parity, September 2000.

California Public Utilities Commission, Application A.00-06-032, Direct and rebuttal testimony on behalf of Southern California Gas Company regarding the appropriateness of peaking rate for gas services, Fall 2000.

Kentucky Public Service Commission, Case No. 2000-095, Testimony on behalf of LG&E Corp. regarding approval of a merger, March 15, 2000.

South Dakota Public Utilities Commission, Docket No. NG98-010, Testimony on behalf of MidAmerican Energy Company for continuation of its incentive gas supply procurement program, June 1999.

Iowa Utilities Board, Docket No. RPU-94-3, Request for Confidential Treatment on behalf of MidAmerican Energy Company, April 7, 1999.

Federal Communications Commission, CC Docket No. 99-24, Affidavit and Reply Affidavit of Karl McDermott and William E. Taylor on behalf of Bell Atlantic Telephone Companies for forbearance from regulation as dominant carriers in Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Washington, DC, Vermont, and Virginia, January 20, 1999 and April 8, 1999.

Dr. McDermott's full CV is available upon request.