

## **KARL A. MCDERMOTT, PH. D.** **SPECIAL CONSULTANT**

Karl McDermott is the Ameren Distinguished Professor of Business and Government at the University of Illinois at Springfield and a Special Consultant to National Economic Research Associates, Inc. (NERA). Professor McDermott specializes in public utility regulation and public policies toward the regulation of business. Prior to taking the Ameren Professorship, Dr. McDermott was a Vice-President at NERA where he directed and participated in numerous projects in both the energy and telecommunications areas. His main focus has been the development of performance-based regulation mechanisms and advising clients on strategic regulatory options. Recent projects include evaluating and developing performance-based regulation plans and strategic regulatory options for Commonwealth Edison Company, Wisconsin Electric Power Company, Xcel Energy, Otter Tail Power, Peoples Energy, Louisville Gas and Electric, PowerGen, and Pacificorp. In addition, Dr. McDermott advises clients on competitive electric and gas markets including regulatory policy, generation location decisions, unbundling, tariff design, and corporate reorganization. Representative projects include an examination of essential facilities in the electric industry for the Edison Electric Institute, tariff design and competitive electric generation siting for Southern California Gas Company, and unbundling of metering and billing, competitive declarations of tariffs and procurement options for Commonwealth Edison Company. He has testified before numerous state regulatory commissions and legislatures, as well as before the FCC and FERC and Missouri state court. Dr. McDermott lectures extensively on regulatory reform and restructuring and currently serves as an instructor for National Association of Regulatory Utility Commissioners summer seminars and advanced seminars.

Prior to joining NERA, Dr. McDermott served as Commissioner on the Illinois Commerce Commission during the negotiation of the Illinois restructuring law. He has also assisted the country of Poland since 1994 with their efforts to privatize and restructure their electric supply industry. As a Commissioner, Dr. McDermott also lectured extensively in Eastern Europe and South America on regulatory reform and restructuring.

Dr. McDermott received his Ph.D. in Economics from the University of Illinois at Urbana-Champaign, his M.A. in Public Utility Economics from the University of Wyoming, and his B.A. in Economics from Indiana University of Pennsylvania.

## 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

## Professional Experience

- 2008- **University of Illinois at Springfield**  
Ameren Distinguished Professor of Business and Government
- 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.
- 1998-1999 **McDermott Associates**  
President  
Directed projects in the energy and telecommunications fields focusing on performance-base regulation, electric industry restructuring, and competition policy issues.
- 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. Reviewed and voted on Illinois Bell Price-Cap plan, Peoples Gas PBR and MidAmerican Electric PBR. While a commissioner, made over one-hundred presentations and speeches on telecommunications, electricity, and natural gas industry topics. 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:* In addition to regular Commission duties, 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. While a commissioner, hosted visits with the above-listed countries, as well as Bulgaria, Lithuania, and Estonia.

## **Additional Professional Experience**

- 2001- **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.
- 1985-1998 **Center for Regulatory Studies, Inc.**  
Chairman of the Board
- 1985-1992 **President**  
As a cofounder, involved in all aspects of operations, including fundraising, organization, and program development. Focused on the development of statewide energy planning options for the State of Illinois, the introduction of competition into the natural gas market, environmental issues in Illinois, and competition in the Illinois telecommunications market. Conducted research on the use of competitive bidding and avoided-cost pricing mechanisms to acquire electricity supplies, the role of demand-side management in electricity supply planning, and the use of incentive mechanisms and the role of incentive regulation in our current regulatory environment.
- 1988-1992 **Argonne National Laboratory**  
Research Scientist  
Served as an economic advisor to the office of Fossil Energy at DOE. Helped investigate possible ways to promote development of innovative emission control technologies and Clean Coal Technologies in the electric utility industry, as part of the Presidential Task Force on Regulatory Relief. Assignments also involved the writing of a chapter in the State of Science and Technology Report No. 25 of the National Acid Precipitation Assessment Program (NAPAP) concerning the use of tradable emission permits to control acid rain. In addition, worked on incentive mechanisms to promote clean coal technology and the trading of greenhouse gas emissions. Also performed research on the nature of individual's

risk perception regarding nuclear waste deposits on behalf of the office of Radioactive Civilian Waste Management at the Department of Energy.

- NARUC Introductory Regulatory Training Program**  
1989-2006 Instructed new public utility commission employees from various state commissions on the basic economic issues confronting regulators.
- Illinois State University, Department of Economics**  
1986-1992 Lecturer in Economics  
Taught both graduate and undergraduate public utility courses, Money and Banking, as well as introductory courses.
- Parkland Community College, Champaign, Illinois**  
1984-1991 Instructor in Economics  
Taught both Principles of Economics I and II.
- University of Illinois, Urbana-Champaign**  
1984-1986 Teaching Assistant  
Taught both Principles of Economics and Introduction to Econometrics. Served as supervisory assistant in charge of coordinating Economics 101 assistants for Professor Fred Gotthiel.
- Illinois Legislature, Select Joint Subcommittee on Regulatory Reform**  
1983-1985 Consultant  
Investigated the effects of the AT&T divestiture and FCC decisions upon Illinois telephone utilities and assisted in identifying issues that require legislative action. Presented issue reports to the telecommunications subcommittee and served on the local exchange subgroup in developing recommendations for a new Illinois Public Utilities Act.
- Department of Energy and Natural Resources, Governor's Sunset Task Force on Utility Regulatory Reform**  
1980-1982 Consultant  
Delivered written and oral reports on the issues of power plant certification, monitoring of construction costs, and allocation of power plant cancellation costs.
- Illinois Commerce Commission, Policy Analysis and Research Division**  
1980-1983 Economic Analyst III  
Conducted research investigating the development and use of incentive mechanisms in utility regulation. Prepared and presented testimony on the use of incentive mechanisms in power plant construction. Conducted research and assisted in developing testimony on the cost of service for electric generation to meet PURPA requirements. Assisted in the development of proposals for PURPA innovative rates projects on productivity and time-of-use pricing; cost-benefit analysis. Assisted in the management of consultants conducting the TOD cost-benefit study. Prepared and presented testimony on the time-of-day pricing

standards to meet the PURPA requirements. Prepared and presented testimony regarding the use of q-ratios in determining rates-of-return for Illinois Bell Telephone Company and testimony regarding appropriate cost and pricing methodology and philosophy for Illinois Bell Telephone Company. Assisted in the investigation of capacity expansion, lifeline rates, efficiency measurement, and impact of deregulation in electric generation, water rate design, and investigated the impact of investment tax credit changes on utilities.

**Ohio State University, National Regulatory Research Institute**

1978-1979

Senior Research Associate

Conducted research in the areas of telecommunication licensee contract fees and cost of service, the effects of budget billing plans on utilities and consumers, as well as methods of monitoring fuel adjustment clauses. Assisted in research regarding marginal and average cost pricing, time-of-use pricing, power plant productivity, and the examination of cost and price differences of Ohio municipal gas rates. Assisted in the management of consultant subcontractors, as well as supervising the presentation of cost and load research seminars.

**Ohio State University, Department of Economics**

Fall 1979

Lecturer in Economics

Taught Macroeconomic Principles.

**Action Computing, Laramie, Wyoming**

1977-1978

Cost Analyst

Developed cost data for competitive pricing of bids for the provision of computer services provided by Action Computing.

**University of Wyoming, Laramie**

1976-1977

Graduate Research Assistant

Assisted professors in conducting research and teaching of Principles of Economics.

## **Honors and Professional Activities**

Distinguished Alumni Award Indiana University of Pennsylvania 2001

Alpha Lambda Delta Outstanding Freshman Teacher Award, University of Illinois, 1986

Thrift Prize, University of Illinois, for paper entitled "The Allocation of Savings: An Investigation of Portfolio Composition of Chicago Households," 1983

President Elect and President, Illinois Economic Association, 1988-1990

Member, Alpha Lambda Delta Honorary Society

Member, American Economic Association

Member, Transportation Public Utilities Group of American Economic Association

Member, Illinois Economic Association

## **Representative Projects**

Evaluation and design of performance based regulation for clients, including Detroit Edison Company (bundled electricity service), Michigan Consolidated Gas (gas distribution), NICOR Gas (gas procurement), Otter Tail Power (bundled electricity service), and Xcel Energy (bundled electricity service), among others.

Evaluation of damages from coal-fired power plant explosion for Kansas City Power and Light (Hawthorn 5 unit).

Evaluation of prudence of certain distribution investments and O&M costs for Commonwealth Edison Company.

Evaluation of POLR responsibility in state of Illinois for Commonwealth Edison.

Evaluation of market structure options and development of tariff model for Macedonian electric sector.

Evaluation of future options for the reform of the Albanian electric sector.

Evaluation of electric industry structure and proper public policy toward utilities building power plants.

Estimation of potential energy efficiency gains for Wisconsin Electric Power Company (WEPCO) and Wisconsin Public Service Corporation in support of power plant construction.

Evaluation of tariff options for Otter Tail Power Company.

Evaluation of options for unbundled distribution rates and policies toward small-use customer choice for Illinois Power.

Review of gas rate design for peaking service and evaluated electric generation site decisions in California for Southern California Gas Company.

## Publications

“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).

“Performance-Based-Rates Upward Trend to Continue,” in *Natural Gas and Electricity*, 20(6), 2004 (with C. Peterson).

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

“Further State Electric Deregulation can be Guided by Gas Experience,” in *Natural Gas and Electric Power Industries Analysis*, R.E. Willett (ed.), Financial Communications Company, Houston, TX, 2002, pp. 343-372 (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).

“Critical Issues in Consumer States Include Unbundling and Performance-based Regulation,” in *Natural Gas Industry Analysis*, R.E. Willett (ed.), Financial Communications Company, Houston, 2000, 321-343.

“Are Residential Local Exchange Rates Too Low? Drivers to Competition in the Local Exchange Market and the Impact of Inefficient Prices,” in *Expanding Competition in Regulated Industries*, M. Crew (ed.), Kluwer Academic Publishers, Boston/Dordrecht/London, 2000, 149-168 (with A. Ros).

*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).

“Pipeline Regulation Must go to One Extreme or Another,” in *Natural Gas*, 15(9), April, 1999.

“Is There a Rational Path to Implementing Competition?” in *The Electricity Journal*, 9(1), Jan-Feb 1996.

“Changing Regulatory Incentives,” in *Reinventing Electric Utility Regulation*, G. Enholm and J. Robert Malko (Eds.), Public Utility Reports, Inc. Vienna, VA 1995.

“The Evolution of the “Investment Systems:” Keynes’ Theory of Employment and Money Revisited,” in *Review of Social Economy*, 51(1), Spring 1993.

Discussant. “The Urban Ozone Abatement Problem,” in *Cost Effective Control of Urban Smog*. R. Kosobud, W. Testa, and D. Hansan (Eds.) Federal Reserve Bank of Chicago. November 1993.

“Strategic Use of Incentive Mechanisms as a Regulatory Policy Tool,” in *The Electricity Journal*. 5(10), December 1992.

“Electric Utilities: Control Cost Reducing Methods,” Chapter 7 in *Technologies and Other Measures for Controlling Emissions: Performance, Costs and Applicability*, David South (ed.). National Acid Precipitation Assessment Program, State-of-Science/Technology Report, 25 January 1990.

“The Quantity Theory of Money of J. M. Keynes: From the Indian Currency to the General Theory” in *Perspectives on the History of Economics Thought*. D., Walker (ed.), Edward Edgar Publishing Co., Brookfield, VT, 1989 (with C. Marme).

*Computer Assisted Regulatory Analysis and Its Potential Application to the Colorado Public Utilities Commission*. The National Regulatory Research Institute, 1979 (with M. S. Gerber).

*Towards an Analysis of Telephone License Contracts and Measured Rates*. The National Regulatory Research Institute, 1979 (with A. G. Buckalew, and D. Z. Czamanski).

*Budget Billing Plans for Electric and Gas Utilities: An Analysis and Some Recommendations for Change*. The National Regulatory Research Institute, 1979 (with J-M Guldman and C. Odle).

## Conference Papers

*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.

*Mergers and Acquisitions in the Electric Industry: A Review of State Regulatory Policies*, presented at Center for Research in Regulated Industries, Rutgers University, conference held in Sky Top, PA, May 2005 (with C. Peterson).

*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).

*The Efficiency of the Inefficient Firm Standard in Setting Network Access Charges*, prepared for 20th Annual Advanced Workshop in Regulation and Competition, Rutgers University, May 25, 2001 (with C. Peterson).

*Designing the New Regulatory Compact: The Role of Market Processes in the Design of Dynamic Incentives*, presented at *Incentive Regulation: Making it Work*, Advanced Workshop in Regulation and Competition, Rutgers University, January 19, 2001 (with C. Peterson).

*The Use of Nontraditional Universal Service Programs in a Competitive Local Exchange Market*, presented at the National Association of Regulatory Commissioners Biennial Conference, 1996 (with C. Schieber).

*Incentive Mechanisms as a Strategic Option for Acid Rain Compliance*, presented to the Future of Incentive Regulation in the Electric Utility Industry, November 1991 (with D. W. South and K.A. Bailey).

*Role of Emission Allowances in Utility Compliance Decisions*, presented at the Eighth Annual International Pittsburgh Coal Conference, October 1991 (with D. W. South and K. A. Bailey).

*Clean Coal Technology and Emissions Trading: Is There a Future for High Sulfur Coal Under the Clean Air Act Amendments of 1990?* P. R. Dugan, D. R. Quigley, Y. A. Attia (eds.), Processing and Utilization of High Sulfur Coals IV, proceedings of the Fourth International Conference on Processing and Utilization of High Sulfur Coals, Idaho Falls, ID, sponsored by the U.S. Department of Energy, et al., Elsevier Science Publishing Co. Inc., New York, NY (with K. A. Bailey and D.W. South).

*Incentive Mechanisms as a Strategic Option in the Design of Regulatory Policies*, presented at National Association of Regulatory Utility Commissioners, Committee on Electricity, Subcommittee on Strategic Issues, San Francisco, July 1991 (with D. W. South).

*Achieving Efficiency Through Emissions Trading: Paradoxes, Misconceptions and Market Performance*, presented at National Association of Regulatory Utility Commissioners, Committee on Electricity, Subcommittee on Environment and Efficiency, San Francisco, July 1991 (with D. W. South).

*To Mitigate or Not To Mitigate: Regulatory Treatment of Emissions Trading Decisions and Its Effect on Marketplace Incentives*, presented at 84th Annual Meeting and Exhibition, Air and Waste Management Association, Vancouver, British Columbia, June 1991 (with D. W. South).

*Regulatory Incentives: A Means to Accelerate Clean Coal Technology Adoption for Acid Rain Compliance*, presented at Compliance and Emissions Trading Strategies: Facing Acid Rain Tradeoffs, Center for Regulatory Studies, Chicago, IL, June 1991 (with D. W. South).

*Implementing Emissions Trading: Regulatory and Compliance Planning Issues*, presented at the Workshop on Implementing the Electric Utility Provisions of the Clean Air Act Amendments of 1990: Midwestern State Public Utility Commission Issues, National Regulatory Research Institute, Chicago, IL, May 1991 (with D. W. South).

*Clean Coal Technology and Acid Rain Compliance: An Examination of Alternative Incentive Proposals*, presented at the American Power Conference, Chicago, IL, April 1991 (with D. W. South).

*Emissions Trading: Implications for Regulatory Policy*, presented at the 20th Annual Meeting of the Illinois Economic Association, Chicago, IL, October 1990 (with D. W. South).

*The Future of Clean Coal Technology: An Evaluation of the Proposed CCT Incentives in S. 1630*, presented at the 20th Annual Meeting of the Illinois Economic Association, Chicago, IL, October 1990 (with D. W. South).

*The Future of Clean Coal Technology: An Evaluation of the Proposed Incentives in S. 1630*, presented at the Seventh Annual International Pittsburgh Coal Conference, Pittsburgh, PA, September 1990 (with D. W. South).

*The Future of Clean Coal Technology: An Evaluation of the Proposed Incentives in S. 1630*, presented at the Seventh NARUC Biennial Regulatory Information Conference, Columbus, OH, September 1990 (with D. W. South).

*Emissions Trading: Implications for Regulatory Policy*, presented at the Seventh NARUC Biennial Regulatory Information Conference, Columbus, OH, September 1990 (with D. W. South).

*Alternatives to Rate of Return Regulation in the Telephone Industry: A Survey of the New Incentive Mechanism Proposals*. Illinois Economic Association, October 1988.

*Market Structures in the Local Communication Market: Fact and Fiction*, presented at the Intra-MSA Telecommunication Conference, September 1988.

*The Quantity Theory of Money of J. M. Keynes: From the Tract to the General Theory*. Proceedings of the 14th Annual Meeting of the History of Economics Society, June 1987 (with C. Marme).

*Competitive Pricing and the Local Telephone Service Market: Some Problems of Balancing Equity and Efficiency*. Illinois Economic Association, October 1986.

*The Impact of Self-Selective Tariffs in Telecommunications Markets: The Design of an Experiment*. Proceedings of the Fifth NARUC Biennial Regulatory Conference, September 1986 (with M. J. Morey and K. Costello).

*An Incentive Plan to Control Power Plant Construction Costs.* Third NARUC Biennial Information Conference, September 1982.

*The Measurement of Efficiency and the Application of Incentives to Regulated Industries.* Proceedings of the Second NARUC Biennial Regulatory Information Conference, September 1980 (with K. Costello).

## Reports

*Summary of Finding and User Guide: Tariff Model for the Macedonian Electric Sector,* prepared for the Ministry of Economy, Republic of Macedonia, under contract with United States Agency for International Development, November 2003 (with Carl Peterson and Ralph Zarumba; report is currently being reviewed and is proprietary).

*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 Carl 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 Carl Peterson and Ralph Zarumba; report is proprietary).

*Introducing Competition into the Albanian Electric Sector,* white paper prepared for the law firm of Pierce Atwood under contract with United States Agency for International Development, 2001 (with Carl Peterson).

*Examination of Incentive Mechanisms for Innovative Technologies Applicable to Utility and Nonutility Power Generators,* Environmental Assessment and Information Sciences Division, Argonne National Laboratory, publication ANL/EAIS/TM-2, August 1993.

*Avoided Cost Pricing: Theoretical Issues and Problems in Estimation.* Prepared for the Illinois Department of Energy and Natural Resources, June 1990.

*Least-Cost Planning in the Natural Gas Industry: An Overview of the Issues.* Prepared for the Illinois Department of Energy and Natural Resources, December 1989.

*Equity Issues in a Least-Cost Planning Environment.* Prepared for the Illinois Department of Energy and Natural Resources, October 1989.

*An Analysis of Prudency Evaluation Within a Least-Cost Planning Framework: The Case of Natural Gas Planning.* Prepared for the Illinois Department of Energy and Natural Resources, October 1989.

*Consumer Choice Under Risk and Uncertainty: The Role of Risk Perceptions as a Causal Factor in Consumer Decisionmaking.* Prepared for the Energy and Environmental Systems Division, Argonne National Laboratory for U.S. DOE Office of Civilian Radioactive Waste Management, April 1989.

*The Effects of Alternative Definitions of the Obligation to Serve on the Least-Cost Plans of Local Gas Distribution Companies.* A Report for the Northern Illinois Alliance to Support Least-Cost Utility Planning, February 1989.

*A Complete and Economic Study on Proposed IPCB Regulation R89-9: Waste Prohibitions.* Prepared for the Illinois Department of Energy and Natural Resources (with J. L. Carlson, M. J. Morey, R. C. Hemphill, and W. Mikucki).

*The Role of Prices and the Pricing System Within the Regulatory Process.* Prepared for the Illinois Department of Energy and Natural Resources, October 1986.

*An Evaluation of the Minimization of Total Regional Requirements as an Objective in State-Wide Utility Planning Process.* For the Illinois Department of Energy and Natural Resources, November 1986.

*The Economic Incentives Provided by Section 9-215, Excess Capacity Rule of Proposed Illinois Public Utility Act.* A Memorandum to the Joint Committee, June 1985.

*An Analysis of the Issue of Cross-Subsidization in the Local Telephone Market.* Prepared for the Joint Committee on Public Utility Regulation, May 1985.

*A Survey of State Regulatory Actions and Legislative Developments Resulting from the Divestiture of AT&T.* Prepared for the Joint Committee on Public Utility Regulations, Illinois State Legislature, March 1985.

*A Memorandum to the Telecommunications Policy Working Group on the Concepts of Competing, Competition and Market Structure,* September 1984.

*The Evolution of Competition in the Telephone Industry and the Critical Issues Facing the Illinois Legislature on the Deregulation of Telephone Service.* Prepared for the Select Joint Subcommittee on Regulatory Reform, July 1984.

*The Review of Existing Power Plant Certificates, Monitoring of Power Plant Costs and the Allocation of Power Plant Cancellation Costs.* Presented to the Sunset Task Force on Utility Regulatory Reform, January 1984.

*Utility Efficiency Report Subtask IX - Final Report in Incentive Mechanisms.* Prepared for the Illinois Commerce Commission, May 1981.

*Utility Efficiency Report Subtask IV - Evaluation and Choice of Incentive Mechanisms.* Illinois Commerce Commission for the U.S. Department of Energy, July 1980.

*Utility Efficiency Report Subtask II - Review of Existing Incentive Mechanisms.* Illinois Commerce Commission for the U.S. Department of Energy, March 1980.

*Estimating Fuel Prices, a Memorandum to the Virginia State Corporation Commission* with K. Kelly, National Regulatory Research Institute, 1979.

*Summary of Regulatory Commission Activities on Power Plant Productivity.* The National Regulatory Research Institute draft report for the U.S. Department of Energy, 1979.

## **Unpublished Papers**

*Electric Industry Evolution in Eastern Europe After 1990*, Working Paper, NERA Economic Consulting, Chicago, IL, November 2002 (with C. Peterson).

*Designing the New Regulatory Contract: Using the Market Process to Design Regulatory Mechanisms*, Draft Paper, NERA Economic Consulting, Chicago, IL, November 2000.

*Decentralization vs. Coordination: An Examination of the Options for Deregulating the Electric Supply Industry*, June 1985.

*Applied Fairness Theory: The Case of Allocating Canceled Power Plant Costs*, October 1983.

*Towards Developing a Framework for Evaluating Incentive Mechanisms, Performance Measures and Institutional Choice in Deregulation*, August 1981.

*An Overview of the Theories of Regulation and Pricing Policies for Regulated Industries.* The National Regulatory Institute, 1979.

*A Critique of the Averch-Johnson Bias and a Test of Some Alternative Hypotheses.* Master Thesis submitted to the Graduate School of the University of Wyoming, July 1978.

## **Presentations**

*Performance-Based Regulation and the Stand-Alone Distribution System*, Distribution System Planning, Maintenance and Reliability Conference, Denver, November 2000.

*The Moral Obligation to Regulate Intelligently.* Presented to the NARUC Telecommunications Staff Sub-Committee at the 112<sup>th</sup> Annual NARUC Convention, San Diego, November 2000.

*Concepts of Utility Regulation for Developing Countries*, 42<sup>nd</sup> Annual Regulatory Studies Program, Institute for Public Utilities, Michigan State University, August 2000.

*The Essential Role of Earnings Sharing in the Design of Successful Performance-Based Regulation*, Presented at EPRI's International Energy Pricing Conference, Washington, D.C. July 2000.

*Transmission Pricing: Distance-sensitive, but not Pancaked.* Presented at the EEI Transmission Pricing Conference, Washington, D.C., July 2000.

*Telecommunications Rate Rebalancing*. Presented to the NARUC Telecommunications Staff Sub-Committee at the NARUC Convention, Los Angeles, July 2000.

*Coal, Energy and Clean Air: Challenges and Opportunities*, facilitator, Illinois Department of Economic Development and Community Affairs and the Illinois Environmental Agency, Decatur, Illinois, July 2000.

*PBR Strategy Seminar*, Illinois Power Company, April 2000.

*Strategic Application of Distributed Resources*, Illinois Power Company, April 2000.

*PBR Strategy Seminar*, with Jeff Makhholm, Georgia Power Company, April 2000.

*Codes of Conduct for The Electric Industry*, presented on behalf of the Edison Electric Institute at the Commissioner Liaison Committee meeting, NARUC Winter Meeting, Washington, D.C., March 2000.

*Mergers and Acquisitions: Assessing the Trends in the Electric and Gas Industries*, Presentation to the Midwest Energy Bar Association, Kansas City, March 2000.

*Telecommunications Industry in the Aftermath of TA96: Creating a Consistent Regulatory Framework amidst the Complexities of the Contemporary Marketplace*, Presented to the NARUC Telecommunications Staff Sub-Committee at the NARUC Annual Convention, San Antonio, November 1999.

*Cost Allocation for Affiliate Transactions*, presented on behalf of the Edison Electric Institute at the Joint Meeting of the Finance and Technology, Gas and Electric Committees, NARUC Summer Meeting, San Francisco, July 1999.

*Avoided Cost Calculation Methodologies*, presentation to Energy Sector Representatives of Romania and Bulgaria, Bucharest, Romania, Fall 1999.

*RTO and ISOs: Restructuring Options*, presentation to Energy Sector Representatives of Romania and Bulgaria, Sinaia, Romania, Summer 1999.

*Convergence: The Utility of the Future*, Presented to Wisconsin Electric Company and Wisconsin Gas merger transition team, 1999.

*A Conflict of Paradigms: The Future Role of State Regulation of the Natural Gas Industry*. Presented to the Midwest Gas Association, November 6, 1991.

*Exit and Entry: Who Will Bear the Risk in a Competitive Natural Gas Industry*. Presented at the conference "At the Crossroads: Restructuring the Natural Gas Industry," held by the Center for Regulatory Studies, October 1991.

*“To Serve Man” - The Golden Rule or a Visit to the Twilight Zone: How to Reconcile the Obligation to Serve with Competitive Market Forces.* Presented to the Gas Policy Committee of the Illinois Commerce Commission, April 16, 1991.

*Regulatory Treatment of Emissions Trading Decisions and Their Effect on Marketplace Incentives* with D. W. South Presented at the Notice of Inquiry Public Hearing, Illinois Commerce Commission, March 1991.

*The National Energy Strategy: Impacts on the Farm Sector.* Presented to the Illinois Farm Bureau Leadership Conference, February 1991.

*Emissions Trading in the CAAA of 1990: Regulatory, Compliance Planning and Implementation Issues* with D. W. South. Presented to the Illinois Commerce Commission, January 1991.

*Obligations to Serve and Competition in the Natural Gas Industry.* Luncheon presentation at the conference “Assessing the Competitiveness of the Natural Gas Industry,” held by the Center for Regulatory Studies, October 1990.

*Pricing in an Age of Opportunism: The Cost of Being a Provider of Last Resort.* Presented at the conference “Natural Gas Supply Planning: The Implications for Planning Pricing and Competition,” held by the Center for Regulatory Studies, March 1990.

*Public Utility Issues: Long and Short-Term Impacts.* Presented to the Illinois Farm Bureau Leadership Conference, February 1990.

*Uncertainty in the Least-Cost Planning Process: The Case of Natural Gas.* Presented at the conference “Issues in Least Cost Planning in the Natural Gas Industry,” held by the Center for Regulatory Studies, December 21, 1989.

While at the Illinois Commerce Commission, Dr. McDermott gave over one-hundred presentations on a variety of topics in the telecommunications, electricity and natural gas industries.

## **Testimony**

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 the damages from the explosion of its Hawthorn 5 coal-fired generation unit, October 2007.

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.

Oregon Public Utility Commission, UM 1121, Direct, Rebuttal and Surrebuttal Testimony on Behalf of Oregon Electric concerning public policy treatment of proposed purchase of Portland General Electric, 2004.

North Dakota Public Service Commission, Case No. PU-04-578, Testimony on behalf of Northern States Power d/b/a Xcel Energy Inc. on reasonable cost of equity for North Dakota natural gas operations, 2004.

Michigan Public Service Commission, Case No. U-13898, Direct Testimony on behalf of Michigan Consolidated Gas Company concerning the application of performance-based regulation, Fall 2003.

Michigan Public Service Commission, Case No. U-13808, Direct Testimony on behalf of Detroit Edison Company concerning the application of performance-based regulation. Fall 2003.

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.

Illinois Commerce Commission, Docket No. 01-0423, Phase II, Direct, Rebuttal and Surrebuttal Testimony on behalf of Commonwealth Edison Company concerning the prudence of certain distribution related investments and operating costs, Spring 2003.

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