

JUNE 20, 2017

1 **Q. Please state your name and business address.**

2 A. My name is Richard J. Macke. My business address is 10710 Town Square Drive NE, Suite
3 201, Minneapolis, Minnesota 55449.

4 **Q. Are you the same Richard J. Macke who supported the Initial Comments of Southern**
5 **Pioneer Electric Company (“Southern Pioneer”) Joined by Kansas Electric**
6 **Cooperatives, Inc. (“KEC”) and Reply Comments of Southern Pioneer filed in this**
7 **Docket?**

8 A. Yes, I am.

9 **Q. By whom and in what capacity are you employed?**

10 A. I am a Vice President and lead the Economics, Rates, and Business Planning Department at
11 Power System Engineering, Inc. (“PSE”), which is headquartered at 1532 W. Broadway,
12 Madison, Wisconsin 53713.

13 **Q. Please describe your responsibilities with PSE.**

14 A. I lead and direct staff in Indiana, Kansas, Kentucky, Minnesota, and Wisconsin who provide
15 economic, financial, and rate-related consulting services to investor-owned, cooperative, and
16 municipal utilities as well as regulators and industry associations. These services include:

- | | |
|----------------------------------------|------------------------------------------------------|
| • Cost of Service Studies | • Market and Load Research |
| • Capital Credit Allocations | • Merger Analysis |
| • Demand Response | • Pole Attachment Charges |
| • Distributed Generation Rates | • Policy and Board Audits |
| • Energy Efficiency | • Power Cost Adjustments |
| • Financial Forecasting | • Rate Consolidation |
| • Individual Customer Profitability | • Retail Rate Design and Analysis |
| • Large Power Contract Rates/Proposals | • Special Fees and Charges |
| • Line Extension Policies/Charges | • Statistical Performance Measurement (Benchmarking) |
| • Load Management Analysis | • Value of Service |
| • Load Forecasting | |

17 **Q. What is your educational background?**

1 A. I graduated from Bethel University in St. Paul, Minnesota in 1996 with a Bachelor of Arts
2 degree in Business, which included an emphasis in Finance and Marketing. In 2007, I received
3 my Masters of Business Administration degree, with an emphasis in Finance and Strategic
4 Management, from the University of Minnesota in Minneapolis, Minnesota. I have also
5 attended numerous industry seminars/courses on cost of service, pricing, valuation, distributed
6 generation, etc.

7 **Q. What is your professional background?**

8 A. From 1996 to 1998, I was employed by PSE in its Minneapolis, Minnesota office as a Financial
9 Analyst in the Utility Planning and Rates Department. My work responsibilities primarily
10 were focused on retail rate studies, including revenue requirements and bundled/unbundled
11 Cost of Service (“COS”) studies. I also provided analyses used to support testimony, mergers
12 and acquisitions analysis, and financial forecasting.

13 From 1998 to 1999, I was employed as a Senior Analyst by Energy & Resource Consulting
14 Group, LLC in Denver, Colorado, a financial, engineering, and management consulting firm.
15 I performed consulting services related to electric, gas, and water rate studies. As part of the
16 Legend Consulting Advisor Team contracted to the City Council of the City of New Orleans,
17 Louisiana, I assisted in various electric and gas utility matters. I also provided general
18 financial, management, and public policy support to clients.

19 I rejoined PSE in 1999; and from 1999 to 2002, I held the position of Rate and Financial
20 Analyst in the Rates and Financial Planning Department. From 2002 to March 2008, I held
21 the position of Senior Rate and Financial Analyst in the Utility Planning and Rate Division.
22 My responsibilities have included performing complex financial analyses, such as rate studies
23 consisting of determination of revenue requirements, bundled and unbundled COS analysis,

1 and rate design. Other responsibilities included performing analysis of special rates and
2 programs, key account analyses, financial forecasting, merger and acquisition analysis,
3 activity-based costing, policy development and evaluation, and other financial analyses for
4 various PSE clients. Additional responsibilities included strategic planning, litigation support,
5 regulatory compliance, capital expenditure and operational assessments, and advisement.
6 From April 2008 to June 2010, I held the position of Leader, Rates and Financial Planning. In
7 July 2010, my title changed to Vice President, Rates and Financial Planning. Since June 2011,
8 I have held the position of Vice President, Economics, Rates, and Business Planning. In this
9 capacity, I continue to provide, amongst other things: (1) rate, financial, and economic
10 consulting services to clients, (2) management and leadership to the Economics, Rates, and
11 Business Planning Department, and (3) management and leadership at the corporate level to
12 PSE through participation on the Executive Committee and Board of Directors.

13 **Q. Have you previously presented testimony before the Kansas Corporation Commission**
14 **(“KCC” or “Commission”) relative to utility rate design?**

15 A. Yes. I have submitted testimony to the Commission on behalf of:

- 16 • Pioneer Electric Cooperative, Inc. in Docket No. 09- PNRE-563-RTS;
- 17 • Wheatland Electric Cooperative, Inc. in Docket No. 09-WHLE-681-RTS;
- 18 • Mid-Kansas Electric Company, LLC (“Mid-Kansas”) in Docket Nos. 09-MKEE-969-RTS,
19 11- MKEE-439-RTS, 12-MKEE-491-RTS, 12-MKEE-380-RTS, 13-MKEE-452-MIS, and
20 16- MKEE-023-TAR;
- 21 • Southern Pioneer in Docket Nos. 14-SPEE-507-RTS, 15-SPEE-161-RTS, 15-SPEE-519-
22 RTS, 16-SPEE-497-RTS, 16- SPEE-501-TAR, and 17-SPEE-476-TAR;
- 23 • Prairie Land Electric Cooperative, Inc. in Docket No. 16-PLCE-490-TAR;

- 1 • Victory Electric Cooperative Association, Inc. in Docket No. 16-VICE-494-TAR; and
- 2 • Western Cooperative Electric Association in Docket No. 16-WSTE-496-TAR.

3 **Q. Do you have other relevant rate-related experience?**

4 A. Yes. I have directed over 200 rate-related studies for clients in the electric industry. Many
5 times, these projects were conducted for self-regulated electric utilities and or industry
6 organizations. I have also performed rate and COS related analyses used in rate case filings in
7 Iowa, Kansas, Kentucky, Michigan, Minnesota, New Hampshire, and Texas.

8 I regularly conduct seminars and make presentations to utilities, consumers, and industry
9 groups on a variety of topics including: COS, rate change communications, line extension
10 policies, mergers and acquisitions, demand-side management, conservation and energy
11 efficiency, industry trends, and rate design strategic planning.

12 **Q. Do you have experience directly related to Distributed Generation (“DG”) rate design,**
13 **policies, and evaluations?**

14 A. Yes. I have worked on dozens of projects related to DG rate design, policies, and evaluations.
15 Below are some examples of specific experience in these matters.

- 16 • Authored and co-authored papers and case studies for the National Rural Electric
17 Cooperative Association (“NRECA”) on topics of Value of Solar, Fixed Cost Recovery,
18 Rate Design, and Solar Projects and Programs. I also contributed to NRECA’s comments
19 filed with the United States Department of Energy and the National Association of
20 Regulatory Utility Commissioners on matters of value of solar and DG rates.
- 21 • On behalf of the Electric Cooperatives of South Carolina and Central Electric Power
22 Cooperative, Inc., I participated in stakeholder meetings to establish a Value of Distributed

1 Energy Resources (“DER”) methodology.¹ As a result, I filed testimony with and testified
2 before the South Carolina Public Service Commission in support of the settlement
3 methodology submitted by the parties. The South Carolina Public Service Commission
4 approved the submitted settlement agreement and Value of DER methodology.
5 Subsequently, I have assisted a South Carolina utility on two occasions in utilizing the
6 methodology to determine the Value of Solar.

- 7 • Completed Value of Solar studies for clients in South Carolina, Minnesota, and Wisconsin.
- 8 • Completed evaluations of DG cost recovery and rate design on numerous occasions for
9 clients in Colorado, Kansas, Ohio, Maryland, Minnesota, and Wisconsin.
- 10 • Assisted a Midwestern Generation and Transmission Cooperative assess the net metering
11 policies and practices of its distribution cooperative members for the purposes of creating
12 greater consistency and appropriate compensation.
- 13 • Providing ongoing assistance to a statewide rural electric association and its more than 40
14 electric cooperative members in areas of net metering rules and rates.
- 15 • Presented on numerous occasions to utility management and industry groups on rate design
16 approaches to support DG and achieve ratemaking objectives.

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to support the Non-Unanimous Stipulation and Agreement
19 (“Stipulation”) that has been submitted to the Commission in the Joint Motion to Approve
20 Non-Unanimous Stipulation and Agreement (“Motion”) in this Docket. Parties to this
21 Stipulation and Motion include the Staff of the State Corporation Commission of the State
22 of Kansas (“Staff”), Westar Energy, Inc. and Kansas Gas and Electric Company

¹ Reference South Carolina Public Service Commission Docket No. 2014-246-E.

(collectively, “Westar”), Kansas City Power & Light Company (“KCP&L”), Sunflower Electric Power Corporation (“Sunflower”), Mid-Kansas, Southern Pioneer, KEC, Midwest Energy, Inc. (“Midwest Energy”), Empire District Electric Company (“Empire”), Brightergy, LLC (“Brightergy”), United Wind, Inc. (“United Wind”), and IBEW 304 (referred to collectively as the “Settling Parties” or “Joint Movants”)

I would note that Brightergy and United Wind have chosen not to sign the Stipulation; however, they have indicated that they do not oppose the terms of the Stipulation.

Q. What are you requesting of the Commission?

A. I am requesting that the Commission approve, in full, the Stipulation submitted by the Joint Movants.

INTRODUCTION

Q. Please provide a summary of this docket.

A. Staff filed a Motion to Open Docket on March 11, 2016. Attached to its filing was a Report and Recommendation in support of its motion.

On July 12, 2016, the Commission issued the Order opening this general investigation Docket to examine various issues surrounding rate structure for Kansas DG customers². The Commission ordered that all Kansas electric public utilities subject to the Commission’s jurisdiction over retail rates were automatically made a party to the proceeding and directed such parties to enter an entry of appearance within 30 days from the date of the Order and file comments within 45 days from the date of the Order on how the general investigation should proceed.³

² Order Opening General Investigation, Docket No. 16-GIME-403-GIE, July 12, 2016.

³ *Id.* at Clauses C and D.

1 Entry of Appearances were entered by Westar, KCP&L, Southern Pioneer, and Empire.
2 Petitions to intervene were received and granted to: Sunflower, Mid-Kansas, Midwest
3 Energy, Brightergy, United Wind, IBEW 304, Cromwell Environmental (“Cromwell”),
4 Citizens’ Utility Ratepayer Board (“CURB”), The Alliance for Solar Choice (“TASC”), and
5 Climate and Energy Project (“CEP”).

6 On February 16, 2017, the Commission issued the Order Setting Procedural Schedule.
7 This Order required parties to file Initial Comments and Reply Comments with supporting
8 affidavits by March 17, 2017 and May 5, 2017, respectively. In addition, this Order directed
9 roundtable discussions to be held amongst the parties on March 30, 2017 and April 13, 2017.

10 On April 28, 2017, the parties filed a Joint Motion to Modify Procedural Schedule,
11 requesting that the Commission convert the June 5, 2017 prehearing conference into a
12 settlement conference. The Prehearing Officer approved the request by issuing the Order
13 Modifying Procedural Schedule on May 19, 2017, which established the settlement
14 conference.

15 On June 5, 2017, the parties met to discuss positions and potential settlement terms
16 during the scheduled settlement conference. The majority of the parties were able to reach
17 a general agreement on how the issues raised by the Commission should be addressed. The
18 Stipulation presented by the Joint Movants reflects this agreement. The terms of the
19 Stipulation are also supported by the Initial and Reply Comments filed by the Joint Movants
20 with supporting affidavits in accordance with the Commission’s procedural schedule in the
21 Docket.

TERMS OF THE STIPULATION

Q. Please discuss the terms of the Stipulation.

A. The Stipulation sets forth nine (9) findings that the Settling Parties are asking the Commission to confirm. These terms are listed in paras. 9 to 17 of the Stipulation. The main subjects addressed by these terms include: 1) the underlying challenge in appropriately charging DG customers utilizing traditional, two-part rate design, 2) the various valid rate design approaches that utilities may use to ensure appropriate and equitable cost recovery from DG customers, 3) request that rates for DG customers be based upon cost of service studies and that no further studies are necessary for the purpose of this docket or any future utility-specific rate case dockets regarding DG rate design, and 4) a conclusion that this docket is an appropriate time for the Commission to provide guidance on these matters in order to set clear expectations that will allow for the development of a sustainable DG marketplace in Kansas.

In addition, the Stipulation includes terms related to customer education (para. 12), the scope of a value of resource study in the event the Commission determines such a study is required in a future proceeding (para. 14), grandfathering (para. 16), and limited applicability to cooperatives that have elected to be self-regulated (para. 17).

Q. Do the terms of the Stipulation meet the goals of this docket?

A. Yes. As noted previously, this docket was opened by the Commission in order to conduct “[a] general investigation to examine various issues surrounding rate structure for distributed generation customers.”⁴ In the Order Opening General Investigation, it is also stated, “The Commission desires a thorough and thoughtful discussion of the appropriate

⁴ *Id* at Clause A.

1 rate structure for DG including the quantifiable costs and quantifiable benefits of DG.”⁵ In
2 my opinion, the record in this docket provides ample details concerning the investigation
3 into issues surrounding rate structures for DG customers and is therefore sufficient for the
4 Commission to take action by adopting the Stipulation. The Stipulation itself is the product
5 of substantial discussions that have occurred amongst the parties on the topic of the
6 appropriate rate structure for DG, including the quantifiable costs and quantifiable benefits
7 of DG. The scope of investigation ordered by the Commission has been completed, and the
8 Stipulation represents the negotiated terms between the majority of the parties, where all
9 had substantial opportunity to contribute to the discussion by offering initial comments,
10 reply comments, and participating in roundtable discussions and in settlement negotiations.

11 **Q. Should the Commission approve the Stipulation in its entirety?**

12 A. Yes. The approval of the Stipulation sufficiently addresses the scope for the Docket as
13 ordered by the Commission. It represents compromises negotiated by the majority of the
14 parties, is based upon the evidence filed by the parties, and will provide valuable guidance
15 as it relates to the setting of rates for DG customers in future utility-specific rate
16 applications.

17 **Q. Are you aware of the factors that the Commission requires to be addressed for**
18 **approval of a settlement by the Commission?**

19 A. Yes, I am. My understanding is that the Settling Parties are to address these five factors in
20 testimony supporting a non-unanimous settlement agreement:

- 21 i. Whether there was an opportunity for the opposing parties to be heard on their
22 reasons for opposition to the settlement agreement;

⁵ *Id* at paragraph 10.

- 1 ii. Whether the settlement agreement is supported by substantial competent
- 2 evidence;
- 3 iii. Whether the settlement agreement conforms with applicable law;
- 4 iv. Whether the settlement agreement results in just and reasonable rates; and
- 5 v. Whether the results of the settlement agreement are in the public interest.

6 **Q. Was there an opportunity for all parties, including those that are not signatories to the**
7 **Stipulation, to be heard?**

8 A. Yes. Every party to this proceeding has had the opportunity, with ample notice, to (i) offer
9 their opinions to the Commission on how this general investigation should proceed, (ii) file
10 Initial Comments, (iii) submit Reply Comments, (iv) participate in two roundtable meetings,
11 (v) participate in the settlement conference, and (vi) participate in a follow-up settlement
12 conference call. Each of these opportunities were afforded to all parties with adequate
13 notice, including those entities that are not signatories to the Stipulation.

14 **Q. Is the Stipulation supported by substantial competent evidence?**

15 A. Yes. The record in this case is substantial, with terms of the Stipulation wholly supported
16 by the Initial and Reply Comments of the Joint Movants, where the latter were submitted
17 by individuals that have direct and substantial experience with ratemaking and DG issues
18 within Kansas and throughout the United States.

19 **Q. Does the Stipulation conform with applicable law?**

20 A. While I am not an attorney, I am advised by legal counsel of KEC and Southern Pioneer
21 that the Stipulation conforms with applicable law.

22 **Q. Will the Stipulation result in just and reasonable rates?**

1 A. The Stipulation does not result in the adoption of specific rates in this policy-setting
2 proceeding. Setting of actual rates based on the policy adopted in this Docket will be
3 addressed in future utility-specific rate case filings. However, the terms of the Stipulation
4 require that the rates for DG customers be set according to a COS study, which is a well-
5 accepted standard of evaluating and ensuring just and reasonable rates not only in Kansas
6 but throughout the United States. On that basis, I would conclude that the Stipulation will
7 result in just and reasonable rates.

8 **Q. Are the results of the Stipulation consistent with the public interest?**

9 A. Yes. By ensuring that rates for both DG and non-DG customers are COS-based and just
10 and reasonable, the public interest is served. The public interest is also served by the terms
11 of the Stipulation aimed at customer education programs and grandfathering. As a general
12 matter, I believe that the Commission's approval of the Stipulation will provide important
13 guidance to utilities, Staff, consumer advocates, developers, DG customers, non-DG
14 customers, and the industry in general, as it relates to the evolution of ratemaking necessary
15 to support the sustainable development of DG in Kansas.

16 I anticipate that the guidance provided by approval of the Stipulation will help mitigate
17 protracted litigation before the Commission on acceptable rate designs that utilities may
18 implement. The limited resources of Staff, CURB, and other parties will be conserved if
19 expensive litigation can be avoided, providing administrative efficiency, which is a well-
20 established public policy goal.

21 Conversely, denying the Stipulation will lead to ongoing uncertainty, litigation, and
22 likely further studies, creating unjustifiable costs that would put an unnecessary burden on
23 Kansas ratepayers. Therefore, the Joint Movants, as already noted in their filed comments,

1 suggest that any further study or delay does not appear to be in the public interest and is
2 unwarranted.

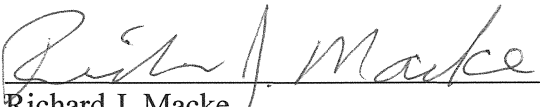
3 **Q. Does this conclude your testimony?**

4 A. Yes, it does.

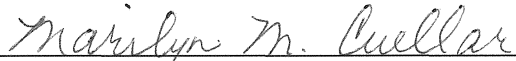
VERIFICATION OF RICHARD J. MACKE

STATE OF MINNESOTA)
)
COUNTY OF Anoka) ss:

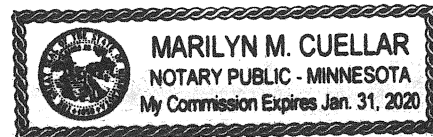
Richard J. Macke, being first duly sworn, deposes and says that he is the Richard J. Macke referred to in the foregoing document entitled "Testimony in Support of Stipulation and Agreement Prepared by Richard J. Macke, Vice President, Economics, Rates and Business Planning Power System Engineering, Inc., on Behalf of Kansas Electric Cooperatives and Southern Pioneer Electric Company" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.


Richard J. Macke

SUBSCRIBED AND SWORN to before me this 20th day of June, 2017.


Notary Public

My Commission expires: 1/31/20



CERTIFICATE OF SERVICE

I do hereby certify that on the 20th day of June, 2017, I electronically filed via the Kansas Corporation Commission's Electronic Filing System a true and correct copy of the above and foregoing Testimony with a copy emailed to all parties of record.

/s/ Lindsay A. Shepard

Lindsay A. Shepard