

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of The Empire District Electric)
Company's 2012 Update Summary Report Being) Case No. EO-2012-0294
Filed Pursuant to Rule 4 CSR 240-22.080)

COMMENTS OF DOGWOOD ENERGY, LLC REGARDING
EMPIRE ANNUAL IRP UPDATE REPORT

COMES NOW Dogwood Energy, LLC ("Dogwood"), pursuant to 4 CSR 240-22.080 and Commission Order Approving Agreement issued on December 21, 2011 in File No. EE-2012-0095 and File No. EE-2012-0040, and submits its Comments regarding the annual IRP update that Empire District Electric Company ("Empire") submitted to stakeholders at a workshop held on March 27, 2012, as follows:

1. On April 27, 2011 the Commission issued its Order Approving Nonunanimous Stipulation and Agreement and Accepting Integrated Resource Plan in Case No. EO-2011-0066, regarding Empire's 2010 IRP ("Stipulation Approval Order").
2. Among other aspects of the approved agreement, based on concerns raised by Dogwood, Empire agreed to address issues concerning the information it relies upon in evaluating supply-side solutions to future capacity needs, effective evaluation of purchase power alternatives, integration and reliability associated with the use of intermittent generation, and consideration of covariant risks.
3. At the annual update workshop, Empire acknowledged that it had not yet addressed these issues.
4. Additionally, Empire stated that for purposes of the annual update it had not reexamined any alternatives from its 2010 IRP, but rather had only adjusted the timing of various components of the preferred plan identified therein.

5. A principal component of Empire's adjusted preferred plan involves a costly conversion of the Riverton 12 combustion turbine generating unit to a combined cycle facility, adding 108 MW to Empire's supply portfolio. As adjusted, that conversion would now occur in 2016. Preparatory steps would include conversion of the Riverton 7 and 8 plants from operating primarily on coal to natural gas in late 2013. Subsequent to the Riverton 12 conversion, plants 7, 8 and 9 would be retired, removing 104 MW from Empire's supply portfolio.
6. As required by the Commission's Stipulation Approval Order, Empire should obtain more comprehensive information on its supply alternatives, fully examine purchase power and other supply alternatives, and improve its assessment of integration of intermittent supply sources such as wind and its overall risk evaluation process.
7. To that end, on April 18, 2012, Dogwood sent a thorough proposal to Empire describing a currently available option to purchase a share of its remaining majority ownership in the Dogwood Energy Facility, a combined cycle plant in Pleasant Hill, Missouri, involving up to 100 MW (or even more) of the plant's capacity, at a cost significantly less than the cost of new construction. Dogwood recently closed on such sales to three other utilities serving load in Kansas and Missouri for a total of 27.5% ownership in the Dogwood Energy Facility and has implemented joint ownership and operation of the Dogwood Energy Facility with its new co-owners.
8. An ownership position for Empire in the Dogwood Energy Facility represents a definitive alternative, free of the construction and other risks inherent in the contemplated conversion of the Riverton 12 unit to combined cycle. Dogwood's proposal presents a far less costly and more efficient alternative means of adding an

additional 100 MW of capacity in the form of a gas-fueled combined cycle facility to Empire's fleet of plants, and it can be made available in late 2013, obviating the need to continue to operate Riverton units 7, 8 and 9 for three additional years until a conversion of Riverton 12 to combined cycle could be completed, according to Empire.

9. There have been dramatic reductions in gas prices since Empire developed its IRP - far beyond anything anticipated - as well as significant declines in load forecasts. Such changes underscore the advantages of options such as the existing Dogwood plant versus riskier and more expensive construction projects. Taking advantage of an existing plant as soon as practicable, rather than waiting until new construction can be planned, developed and completed, offers much greater flexibility, both in terms of immediate availability as well as cost savings that preserve financial resources to address other needs down the road. This is equally true from the perspective of taking advantage of current, historically low interest rates for financing acquisitions of generating capacity, which may not be available for construction of generating facilities taking another five years to complete.
10. Further, since Empire's Preferred Plan also indicates a need for an additional 250 MW of combined cycle capacity in 2019, any planning and analysis performed to date by Empire on conversion of Riverton 12 to combined cycle operation would not be wasted, since it could be evaluated for Empire's 2019 combined cycle capacity addition. However, Dogwood Energy believes that it is prudent for utilities to evaluate their ability to purchase existing, uncommitted generation capacity available to them prior to committing to invest in and construct new generating facilities, which

is the case with the Dogwood Energy Facility capacity being made available to Empire for acquisition and ownership.

11. Consistent with Staff's Revised Report submitted herein, Empire should confirm its commitment and plan to address these issues in the ongoing stakeholder process and future Chapter 22 filings, consistent with prior Commission directives.

WHEREFORE, Dogwood respectfully submits the foregoing comments regarding Empire's Annual Update.

CURTIS, HEINZ,
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CERTIFICATE OF SERVICE

A true and correct copy of the foregoing document was either mailed, faxed, or emailed this 26th day of April 2012, to the persons listed below service list.

/s/ Carl J. Lumley

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