

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of KCP&L Greater Missouri)
Operations Company's Request for Authority to) File No. ER-2012-0175
Implement A General Rate Increase for Electric Service)

DOGWOOD ENERGY, LLC'S POSITION STATEMENT

COMES NOW Dogwood Energy, LLC ("Dogwood") and respectfully submits its
Position Statement in this proceeding, as follows:

1. Crossroads: (GMO: Crawford, Hardesty, Ives, Rush & Blunk; Staff: Mantle & Featherstone; GMO Industrials: Meyer)

- a. What should be the value of Crossroads included in rate base?
- b. What amount of accumulated deferred taxes associated with Crossroads should offset the value of Crossroads in rate base?
- c. Should depreciation expense be based upon the authorized gross plant value for Crossroads?
- d. What transmission costs for energy from Crossroads should be included in revenue requirement?

11. FAC (GMO: Rush; Staff: Barnes; CCM&AARP)

d. Should GMO's FAC tariff be clarified to specify that the only transmission costs included in it are those that GMO incurs for purchased power and off-system sales, excluding the transmission costs related to the Crossroads Energy Center?

Dogwood generally supports Staff's position as explained by its witnesses on the issues concerning the Crossroads generation plant in Clarksdale, Mississippi. The Commission resolved these issues in the prior rate case and should not reconsider them.

The Commission has already decided to include the plant in rate base at a surrogate value with regulatory adjustments in an effort to assure that ratepayers do not pay more than prudently incurred costs.

The Commission explained in its prior decision that it was placing a surrogate value on a purported transaction between affiliated parties, in accordance with its rules, because it was not an arms-length free market transaction. (ER-2010-0356, Report and Order, p. 98). Then, the Commission explained that it needed to treat the plant as if it were located in Missouri in order to derive a prudent surrogate value. (Id. p. 99). It stated: **If** [Crossroads is] included in rate base at fair market value, rather than the higher net book value paid to its [GMO's] affiliate, and except for the additional cost of transmission from Mississippi to Missouri ... **then** the Company's [GMO's] decision to add the Crossroads generating facility to the MPS generation fleet [was] prudent and reasonable." (Id., emphasis added). Conversely, the Commission found that a decision to add such a plant at the higher value and at the Mississippi location (i.e. without the Commission's adjustments) would not be prudent and reasonable.

The Commission stated: "It is incomprehensible that GPE [GMO's parent] would pay book value for generating facilities in Mississippi to serve retail customers in and about Kansas City, Missouri. And it is a virtual certainty that GPE management was able to negotiate a price for Aquila that considered the distressed nature of Crossroads as a merchant plant which Aquila Merchant was unable to sell despite trying for several years." (Id. p. 94).

The Commission found and concluded that such a surrogate plant, as if acquired at a discount in Missouri, would be a prudent component of rate base. The Commission did not attribute any prudence to the actual Crossroads plant as it sits in Mississippi at the high values alleged by GMO. (Id.). Rather it found: “Paying the additional transmission costs required to bring energy all the way from Crossroads and including Crossroads at net book value with no disallowances is not just and reasonable.” (Id. p. 91). While the exorbitant costs of transmission from Mississippi should not be included in rates or FAC, there is no basis for including anything beyond the natural gas transportation costs that GMO actually incurs in connection with Crossroads operations.

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CERTIFICATE OF SERVICE

A true and correct copy of the foregoing was emailed, faxed or mailed by U.S. Mail, postage paid, this 12th day of October 2012, to the persons shown on the attached list.

/s/ Carl J. Lumley

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