

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of)
Kansas City Power & Light Company's)
Request for Authority to Implement) File No. ER-2012-0174
A General Rate Increase for Electric Service)

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

MGE'S STATEMENT OF POSITION

COMES NOW Southern Union Company d/b/a Missouri Gas Energy ("MGE"), by and through counsel, and, for its statement of position in this matter, states as follows to the Missouri Public Service Commission ("Commission"):

1. Pursuant to the Commission ordered procedural schedule and the Commission's Order Granting Motion for Additional Time to File List of Issues, Order of Cross-Examination, Order of Openings, List of Witnesses, and Reconciliation, a List of Issues was filed by the parties on October 11, 2012.
2. MGE has provided direct, rebuttal and surrebuttal testimony in the above-captioned matters pertaining to certain identified issues. In the following paragraphs, MGE will provide its position concerning those issues.
3. MGE takes no position on the other issues set forth in the List of Issues. However, MGE reserves its right, as a party to this proceeding, to fully participate in the evidentiary hearings to be held herein.

KCPL RATE DESIGN ISSUES:

6. Rate Design/Class Cost Of Service Study:

a. How should the class cost of service studies be relied on for determining shifts in customer class revenue responsibilities that are revenue neutral on an overall company basis?

i. What methodology should be used to allocate demand-related (fixed) production costs in KCPL's class cost-of-service study?

ii. What methodology should be used in the CCOS to allocate OSS margins?

MGE Position: The need for revenue-neutral shifts within the Residential class based on KCP&L's class cost of service study is explained in response to Issue 6 f. i below.

b. How should any rate increase be allocated among the various customer classes?

MGE Position: Residential rate adjustments to incorporate any approved Residential revenue increase are explained in Issue 6 f. ii

c. How should rates be designed?

MGE Position: Residential rate design is included in Issue 6 f. and 6 g. below.

d. Should the Commission adopt Staff's proposal to increase by 5% the first energy block rate of the winter All-Electric General Services rates?

MGE Position: MGE takes no position on this issue at this time.

e. Should the Commission adopt Mr. Brubaker's LGS / LP rate design methodology?

MGE Position: MGE takes no position on this issue at this time.

f. Residential rate adjustments:

i. Should current residential rates be adjusted to reflect a revenue neutral shift seasonally and among residential rate schedules in the winter based on KCPL's class cost of service study?

ii. How should any residential rate increase be assigned to rate elements?

MGE Position: Revenue-neutral adjustments to current rates are necessary to remove the continuing inequities in the collection of revenue from Residential customers served on different

rate schedules. These adjustments are based on the KCPL class cost of service (“CCOS”) study. Rate adjustments to incorporate any approved Residential revenue increase should preserve the movement to cost-based revenue assignments achieved with the current rate adjustments. KCPL’s testimony provides no support for its proposed Residential rate changes among rate schedules, and KCPL’s proposed changes exacerbate the continuing inequities in the collection of Residential revenue.

Cummings Direct, page 3, lines 8-16; page 4, line 12 - page 5, line 11; page 8, line 3 - page 13, line 12; page 17, line 1- page 18, line 14; page 23, line 1 - page 24, line 18; page 26, line 1- page 28, line 6; and Schedules FJC-3, FJC-8, and FJC-9.

Cummings Rebuttal, page 2, line 2 – page 4, line 8, and Rebuttal Schedule FJC-1.

Cummings Surrebuttal, page 2, line 15 - page 8, line 10; page 13, line 11 - page 14, line 12.

g. Residential Space Heat services:

i. Should KCPL’s Residential Space Heat services be eliminated?

MGE Position: Ratemaking and policy considerations support the elimination of KCPL’s specially-priced Space Heat services. Neither Ameren Missouri nor The Empire District Electric Company offer such discounted Space Heat services. Currently, two Residential customers can unfairly pay different electricity prices for lighting their homes, operating their televisions and refrigerators, and using other appliances because one customer heats his or her home with electricity and one does not. KCPL’s underpriced Space Heat services have led to imbalanced growth within the Residential class.

Specially-priced Residential Space Heat services are inconsistent with today’s public policy objectives. Offering separate, discounted Residential Space Heat services further blunts customer incentives to conserve electricity used for both heat and non-heat purposes in the winter. The often-presumed benefits of winter electric load additions resulting from the availability of lower-priced Residential Space Heat services ignore the environmental impacts of

the increased winter electricity use. Furthermore, promotion of electricity through the Residential Space Heat services fails to consider that natural gas is more efficient than electricity for space heating purposes.

Customers now served on the specially-priced Residential Space Heat schedules should be moved to the General Use schedule. This recommendation meets the rate design considerations that KCPL identifies as critical to the Company.

Cummings Direct, page 4, lines 1-4; page 13, line 14 - page 16, line 17; page 19, line 3 - page 21, line 2; page 23, line 9 -- page 24, line 5; page 25, lines 1-18; and Schedules FJC-8 and JC-9.

Cummings Rebuttal, page 5, lines 4-9.

Cummings Surrebuttal, page 8, line 14 - page 13, line 7; page 15, line 3 - p. 22, line 14; page 23, lines 19 - 22, and Surrebuttal Schedules FJC-1, FJC-2, and FJC-3.

ii. In the alternative, should KCPL's Residential Space Heat services be scheduled for elimination in a subsequent rate case by freezing their availability in this case?

MGE Position: If the Commission prefers to take a more gradual approach in eliminating the specially-priced Space Heat services, MGE alternatively recommends that the Commission: (1) adjust current rates to incorporate the recommended current revenue shifts described above; (2) indicate its intent to eliminate all specially priced Space Heat services; (3) freeze the Space Heat - One Meter schedule, as it did for Space Heat - 2 Meters schedule in 2007; and, (4) require tariff language regarding availability to ensure the effectiveness of freezing the schedules and to simplify their subsequent elimination as proposed by MGE witness Cummings. Each of these parts of this alternative recommendation is necessary if the services are to be eliminated in a subsequent rate case. Merely freezing the prospective availability of the schedules in this case is not sufficient to address the current inequities.

Cummings Direct, page 4, lines 4-10; page 21, line 4 - page 22, line 21; page 24, lines 7-12; and Schedules FJC-8 and FJC-9.

iii. Should the Commission adopt Staff's proposal to increase by 5% the first block of the residential space heating rates?

MGE Position: Staff's recommended winter revenue-neutral shift toward Residential Space Heat services does not go far enough in correcting current inequities. The current winter rate block differentials for Residential Space Heat services should be maintained in implementing the revenue shift and incorporating any approved Residential revenue increase.

Cummings Direct, page 4, line 12 - page 5, line 11; page 17, line 5 - page 18, line 14; page 23, line 3 - page 24, line 18; page 26, line 3 - page 27, line 3; Schedules FJC-3, FJC-8, and FJC-9.

Cummings Rebuttal, page 2, line 14 - page 5, line 2 and Rebuttal Schedule FJC-1.

GMO RATE DESIGN ISSUES:

7. Rate Design/Class Cost of Service Study:

a. How should the class cost of service studies be relied on for determining shifts in customer class revenue responsibilities that are revenue neutral on an overall company basis?

MGE Position: The need for revenue-neutral shifts within the Residential class based on GMO's class cost of service studies for MPS and L&P is included in the Residential Rate adjustments issue, part d. (i.) below.

b. How should any rate increase be allocated among the various customer classes?

MGE Position: Residential rate adjustments to incorporate any approved Residential revenue for GMO-MPS and GMO-L&P increase are included in the Residential Rate adjustments issue, part d. (ii.) below.

c. How should rates be designed?

MGE Position: Residential rate design for MPS and L&P is included in Residential rate adjustments and Residential Space Heating services issues below.

d. Residential rate adjustments:

i. Should current Residential rates be adjusted to reflect a revenue neutral shift seasonally and among Residential rate schedules in the winter based on GMO's class cost of service study?

ii. How should any Residential rate increase be assigned to rate elements?

MGE Position: Revenue-neutral adjustments to current rates are necessary to remove the continuing inequities in the collection of revenue from MPS and L&P Residential customers served on different rate schedules. These adjustments are based on the GMO class cost of service ("CCOS") studies. Rate adjustments to incorporate any approved Residential revenue increase for MPS and L&P should preserve the movement to cost-based revenue assignments achieved with the current rate adjustments. GMO's testimony provides no support for its proposed Residential rate changes among rate schedules, and GMO's proposed changes exacerbate the continuing inequities in the collection of Residential revenue.

Cummings Direct, page 3, lines 10-18; page 4, line 10 - page 5, line 12; page 9, line 3 - page 15, line 10; page 19, line 13 - page 20, line 23; page 25, line 1 - page 27, line 11; page 28, line 11 - page 29, line 17; and Schedules FJC-3A, FJC-3B, FJC-8A, FJC 8B, FJC-9A and FJC-9B.

Cummings Rebuttal, page 3, line 1 - page 5, line 12; and Rebuttal Schedule FJC-1.

Cummings Surrebuttal, page 2, line 16 - page 9, line 2.

a. Residential Space Heating services:

i. Should GMO's Residential Space Heating services be eliminated?

MGE Position: Ratemaking and policy considerations support the elimination of MPS' and L&P's specially-priced Residential Space Heating services. Neither Ameren Missouri nor The Empire District Electric Company offer such discounted Space Heating services. Currently, two Residential customers can unfairly pay different electricity prices for lighting their homes, operating their televisions and refrigerators, and using other appliances because one customer heats his or her home with electricity and one does not. MPS' and L&P's underpriced Space Heating services have led to imbalanced growth within the Residential class for MPS and L&P.

Specially-priced Residential Space Heating services are inconsistent with today's public policy objectives. Offering separate, discounted Residential Space Heating services further blunts customer incentives to conserve electricity used for both heat and non-heat purposes in the winter. The often-presumed benefits of winter electric load additions resulting from the availability of lower-priced Residential Space Heating services ignore the environmental impacts of the increased winter electricity use. Furthermore, promotion of electricity through the Residential Space Heating services fails to consider that natural gas is more efficient than electricity for space heating purposes.

Customers now served on the specially-priced MPS and L&P Residential Space Heating schedules should be moved to the MPS and L&P General Use schedule. This recommendation meets the rate design considerations that GMO identifies as critical to the Company.

Cummings Direct, page 4, lines 4-10; page 15, line 12 - page 19, line 7; page 21, line 3 - page 23, line 2; page 25, line 11 - page 26, line 17; and Schedules FJC-8A, FJC-8B, FJC-9A, and FJC-9B.

Cummings Rebuttal, page 6, lines 6-12.

Cummings Surrebuttal, page 9, line 6 - page 14, line 7; page 16, line 3-- page 24, line 10; page 26, lines 9-11; and Surrebuttal Schedules FJC-1, FJC-2, and FJC-3.

ii. In the alternative, should GMO's Residential Space Heating services be scheduled for elimination in a subsequent rate case by freezing their availability in this case?

MGE Position: If the Commission prefers to take a more gradual approach in eliminating the specially-priced Space Heating services, MGE alternatively recommends that the Commission: (1) adjust current rates to incorporate the recommended current revenue shifts described above; (2) indicate its intent to eliminate MPS and L&P specially priced Space Heating services; (3) freeze the MPS and L&P Space Heating services, as it did for the GMO Space/Water Heating schedule in 1995; and, (4) require tariff language regarding availability to ensure the

effectiveness of freezing the schedules and to simplify their subsequent elimination as proposed by MGE witness Cummings. Each of these parts of this alternative recommendation is necessary if the services are to be eliminated in a subsequent rate case. Merely freezing the prospective availability of the schedules in this case is not sufficient to address the current inequities.

Cummings Direct, page 4, lines 1-8; page 23, line 4 - page 24, line 17; page 27, lines 1-4; and Schedules FJC-8A, FJC-8B, FJC-9A, and FJC-9B.

iii. Should the Commission adopt Staff's proposal to increase the residential space heating rates?

MGE Position: Staff's recommended winter revenue-neutral shift toward L&P's Residential Space Heating service does not go far enough in correcting current inequities. A winter revenue-neutral shift toward MPS' Residential Space Heating service is also needed. The current winter rate block differentials for Residential Space Heating services should be maintained in implementing the revenue shift and incorporating any approved Residential revenue increase.

Cummings Direct, page 4, line 10 - page 5, line 12; page 19, line 13 - page 20, line 23; page 24, line 3 - page 28, line 9; page 28, line 13 - page 29, line 17; and Schedules FJC-3A, FJC-3B, FJC-8A, FJC-8B, FJC-9A, and FJC-9B.

Cummings Rebuttal, page 3, line 1 - page 6, line 12 and Rebuttal Schedule FJC-1.

e. Should the Commission adopt the Staff's proposal to increase the nonresidential space heating rates?

MGE Position: MGE takes no position on this issue at this time.

f. Should GMO be required to conduct a comprehensive study on the impacts of its retail customers of eliminating the MPS and L&P rate districts and implementing company-wide uniform rate classes?

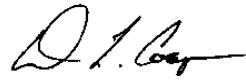
MGE Position: MGE takes no position on this issue at this time.

g. Should GMO be required to conduct a class cost of service study to determine the differences in its cost of service for each of the classes of MPS and L&P customers?

MGE Position: MGE takes no position on this issue at this time.

WHEREFORE, MGE respectfully requests that the Commission consider this Statement of Position and, thereafter, issue such orders as it should find to be just and reasonable.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 12th day of October, 2012, to:

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