

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Application of Aquila,)	
Inc., d/b/a Aquila Networks - MPS and Aquila)	Case No. EO-2008-0046
Networks - L&P for Authority to Transfer)	
Operational Control of Certain Transmission)	
Assets to the Midwest Independent Transmission)	
System Operator, Inc.)	

DOGWOOD ENERGY, LLC'S POSITION STATEMENT

COMES NOW Dogwood Energy, LLC ("Dogwood"), pursuant to Commission order and for its Position Statement regarding the previously-submitted List of Issues states to the Commission as follows:

1. Is “not detrimental to the public interest” the appropriate standard for the Commission to use in making its determinations in this case?

Yes. If the Commission determines that Aquila’s proposal to transfer operational control of certain transmission assets to the Midwest ISO is detrimental to the public interest, then it must reject the proposal under Section 393.190 RSMo. See, e.g., *Fee Trunk Sewer, Inc. v. Litz*, 596 SW2d 466, 468 (Mo App 1980); *Environmental Utilities, LLC v. PSC*, 219 SW3d 256, 265 (Mo App 2007).

2. Should the Commission determine that Aquila’s application to join MISO is not detrimental to the public interest? What considerations should the Commission take into account in making its determination?

The Commission should reject Aquila’s application to transfer control of transmission assets to MISO because it would be detrimental to the public interest. In addition to reasons identified by other parties, in its pre-filed testimony Dogwood shows:

- Aquila is already substantially involved with SPP; it is in the SPP transmission footprint, all point-to-point service requests are processed through SPP; and SPP provides Aquila with tariff administration, OASIS administration, available transmission capacity and total transmission capacity calculations, scheduling agent, and regional transmission planning. Aquila obtains all these services from SPP because it is beneficial for it to do so.
- Aquila only obtains security coordination from MISO.
- SPP will afford Aquila full benefits of RTO membership. Contrary to the testimony of MISO and Independence witnesses, SPP operates a real-time energy market that is substantially similar to other RTOs and that provides region-wide, security constrained, economic dispatch for all generating facilities within its footprint. SPP also plans to soon implement day-ahead energy and ancillary services markets. The short-term absence of these features should not be a defining consideration given the long-term benefits of SPP membership. As Dr. Lesser explains, SPP delivers significant value to Aquila that should not be ignored as Independence witness Volpe proposes.
- Aquila is heavily interconnected with SPP members, with total tie-line capacity more than five times¹ as large as capacity on tie-lines that interconnect Aquila with MISO members (consisting solely of interconnections with MISO-member AmerenUE and through non-member AECI). This greater interconnectivity with SPP members is the primary driver for the substantially greater net benefits of SPP membership identified in the CRA cost/benefit analysis submitted by Aquila with its application.²
- Full membership in SPP will ensure more efficient transmission operations and robust access to transmission and power supplies in the region in which Aquila operates. In contrast, membership in MISO would result in substantial cost impediments such as wheeling charges and increased control area generation displacement expenses.³
- Risks associated with seams issues would be substantially less if Aquila became a full member of SPP rather than joining MISO.

¹ There are seven times more connections with SPP members than MISO members.

² Mr. Janssen's testimony shows that there is no basis for MISO witness Pfeifenberger's assertion that the CRA study overstates benefits of SPP membership based on the generating output of Dogwood's generating facility. Mr. Pfeifenberger failed to take into account interruptions in such output from 2005 to early 2007. Mr. Janssen's testimony also shows that, contrary to assertions by Independence witness Volpe, SPP's administrative costs are, and will remain, less than MISO's costs. Dr. Lesser's testimony explains that the CRA study properly includes uplift costs (revenue sufficiency guarantees) of all MISO members, contrary to Mr. Pfeifenberger's critique. Dr. Lesser's testimony also shows that Mr. Volpe's criticisms of the CRA study are unfounded.

³ Mr. Janssen explains in his testimony that the relative size of MISO and SPP markets is not a factor due to the limits imposed by transmission congestion.

- Aquila membership in MISO would impose substantial risks due to lack of transmission interconnectivity. And those risks would increase if AmerenUE were to withdraw from MISO, because Aquila would then be “islanded” and MISO would not be able to effectively or efficiently operate an energy market within Aquila under any conditions.
- Aquila membership in MISO could lead to higher production costs.
- The proposed acquisition of Aquila by KCP&L’s parent would make SPP membership even more beneficial, given KCP&L’s current SPP membership. Many identified merger synergies could only be achieved if the two companies were members of the same RTO. Transmission seam issues would be avoided, with reduced flowgates, simplified management of transmission capacity, and increased flexibility of power transactions. Costs would be reduced for governance, market development, transmission planning and expansion, reliability standards development, and tariff administration. Savings would be realized from participation in a single regional transmission tariff, with simplified administration and minimized FERC proceedings. Consistency would be maintained across both companies for coordinated transmission cost sharing, lower administrative costs, and more congruent investment structures. Consistent retail rate structures would be facilitated, as would more effective transmission planning and expansion. Inefficient, redundant and conflicting solutions could be better avoided. Potential conflicts in joint operations of generating units would be avoided. Consistent development and adherence to bulk power reliability standards and criteria would also be facilitated.
- Aquila has met its stale commitments to MISO by making and prosecuting its application in this case. The inefficiencies, costs and delays that would be involved in severing current ties with SPP and joining MISO would be substantial, and would increase further if Aquila then left MISO to rejoin SPP.
- Overall, based on the foregoing factors, ratepayers would face higher rates if Aquila were allowed to join MISO rather than solidify its current relationship with SPP.

3. If the Commission approves Aquila’s application to join MISO, should the Commission make its approval subject to certain conditions? If so, what are the conditions?

While Dogwood recommends that the Commission reject Aquila’s application to transfer control of transmission assets to MISO and instead order Aquila to solidify its current relationship with SPP, in the alternative, if the Commission were to approve Aquila’s

application, then in addition to appropriate conditions proposed by other parties, the Commission should also:

- Require MISO to enter into a seams agreement with AECI that adequately addresses congestion management and parallel power flows over the AECI system between Aquila and MISO, including reciprocal coordination of flowgates;
- Require MISO to enhance its seams agreement with SPP to include a market-to-market Interregional Coordination Process (“ICP”) that includes provisions for efficient and effective congestion management across the SPP-MISO seam that would allow congestion to be solved by the lowest-cost resource regardless of the RTO in which is it located; and
- Require MISO to investigate and report back to this Commission regarding the potential for incorporating the market-based congestion management efficiencies inherent in the ICP into the MISO-AECI seams agreement no later than one year after the issuance of the Commission’s final order in this proceeding.

While the foregoing conditions would be critical in the event the Commission deemed it proper to allow Aquila to join MISO, at bottom Aquila’s full membership in SPP would still result in substantially better congestion management and overall net public benefits. Even with the foregoing conditions, Aquila membership in MISO would impose substantial risks due to lack of transmission interconnectivity. And those risks would increase if AmerenUE withdraws from MISO, because Aquila would then be “islanded” and MISO would not be able to effectively or efficiently operate an energy market within Aquila under any conditions.

4. In making its determination whether to grant Aquila’s application to join MISO, should the commission compare Aquila’s membership in MISO to other alternatives? If so, what are the alternatives and what do the comparisons of the alternatives show?

The Commission should compare Aquila’s proposal to join MISO to the alternative of Aquila solidifying its current relationship with SPP by becoming a full member. As

discussed under issue 2, this comparison demonstrates that the SPP alternative is substantially more beneficial to the public, and therefore that the MISO alternative would be detrimental to the public interest.

The Commission should not consider any “stand-alone” alternative, under which Aquila would not be a member of any RTO, because the uncontroverted evidence shows that Aquila is already heavily involved with SPP and that the benefits of RTO membership are substantial.

5. To what extent should the Commission take into account the following in its determination of whether or not to approve Aquila’s application to join MISO?

The Commission is required to consider all relevant factors in making its determination in this case. As discussed in Dogwood’s position statement on issue 2, such an analysis shows that it would be detrimental to the public interest to approve Aquila’s application to join MISO. Further, such analysis shows that Aquila should be required to solidify its current relationship with SPP and become a full member. Regarding the specific items identified in this issue 5:

a. The CRA International, Inc. cost-benefit study sponsored by Aquila;

The Commission should consider this item. As discussed under issue 2, on its face the CRA study shows that there are substantially greater net benefits if Aquila becomes a full member of SPP. As explained by Dr. Lesser, given various critiques, at worst the study by itself is inconclusive.

b. Cost-benefit analyses sponsored by parties other than Aquila;

The Commission should consider this item. As explained by Dr. Lesser, other cost-benefit “studies” at most demonstrate that the CRA study is inconclusive. None demonstrate that MISO membership would be more beneficial to the public. Dr. Lesser discusses in detail the flaws of the incomplete cost-benefit analysis presented by MISO and Independence witnesses.

c. Costs and/or benefits not included in the CRA International cost-benefit study sponsored by Aquila or cost-benefit analyses sponsored by parties other than Aquila;

The Commission should consider this item. As discussed under issue 2, an analysis of all relevant factors shows that full membership in SPP is in the public interest and membership in MISO would be detrimental to the public interest.

d. Aquila’s current relationships with MISO and SPP;

As discussed under issue 2, the Commission should take into account the disparity between Aquila’s current extensive relationships with SPP and its limited relationship with MISO.

e. Differences in the development of electricity markets between MISO and SPP;

As explained by Mr. Janssen’s testimony, other witnesses erroneously describe purported differences between the SPP and MISO electricity

markets. The Commission should, however, consider accurate descriptions regarding the current status of and future plans for these markets.

f. The proposed acquisition of Aquila by Great Plains Energy that is the subject of Case No. EM-2007-0374;

The Commission should consider this item. As discussed under issue 2, approval of the proposed acquisition of Aquila by GPE would make SPP membership all the more beneficial to the public as compared to MISO membership.

g. Union Electric Company's continuing membership in MISO;

The Commission should consider this item. As discussed under issue 2, discontinuance of AmerenUE's membership in MISO would make MISO membership for Aquila all the more detrimental to the public interest.

h. Aquila's obligation to MISO made in FERC Docket No. ER02-871 to file and support Aquila's application to join MISO.

The Commission should not consider this item at all. Aquila has met its stale commitments to MISO by making and prosecuting its application in this case. The inefficiencies, costs and delays that would be involved in severing current ties with SPP and joining MISO would be substantial, and would increase further if Aquila then left MISO to rejoin SPP.

6. If the Commission authorizes Aquila to join MISO, should the Commission determine now whether all future FERC-approved administrative fees Aquila is assessed by MISO and all future costs Aquila incurs from MISO in making prudent purchases of capacity and/or energy to serve its bundled retail load should be considered to be prudently incurred expenses for purposes of including them in Aquila's cost of service in Aquila's next general electric rate case before this Commission?

Dogwood does not take a position on this issue.

Respectfully submitted,

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Certificate of Service

A true and correct copy of the foregoing was served upon the parties identified on the attached service list on this 18th day of March, 2008, by either placing same in the U.S. Mail, postage paid, by fax or email transmission.

/s/ Carl J. Lumley

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