

Memo to: MoPSC Staff (Michael Taylor)

From: Dogwood Energy, LLC (Rob Janssen)

Re: EW-2012-0065, Information supplementing October 26, 2011 presentations

November 21, 2011

The recent presentations by Missouri's regulated utilities, as well as RTOs and others, emphasize the impacts of manifold environmental regulations on coal-fired generation plants. These plants are currently the predominant source of generation in Missouri. Therefore, it is important for the Commission to understand these potential impacts, as well as the potential options available for mitigating possible cost increases resulting from such regulations. Similarly, since Dogwood Energy's facility is located in Missouri, we thought that it would also be appropriate for us to provide similar information to you regarding our environmental cost

As you may know, Dogwood Energy's independently-owned, 650 MW natural gas-fired, combined-cycle plant in Pleasant Hill, Missouri, has very minimal regulated environmental emissions. We expect to meet anticipated standards well into the future without any extraordinary changes at the facility. The Dogwood facility already has state-of-the-art emission controls, such as Low NOx burners and Selective Catalytic Reduction (SCR), and as a result, currently controls NOx to four parts per million (4 ppm) or less and has little measurable SO2 emissions. The facility is also extremely efficient, at 50% efficiency in combined-cycle mode. Dogwood has been allocated 63 tons of NOx for 2012 under the Cross-State Air Pollution Rule (CSAPR) and actually produced approximately 27 tons of NOx both in 2010 and year to date in 2011.

Regarding the potential to mitigate compliance costs of various environmental regulations, during their presentations, several utilities referred to reduced output from certain generating units as one possible option. With extremely low emissions rates, the Dogwood facility is one potential alternative source of power that could provide power to fill in the gaps left by output reductions at such Missouri utilities' own facilities. In the past, Dogwood has often been called upon by Missouri utilities to supply additional power during the summer peak season to meet seasonal peak electricity demand that was needed either in addition to the generation available from such utilities own units or in place of generation produced at their own units.

However, looking forward, our situation in the future will not be the same as it has been in the past. In 2012, the municipal utilities and power pools in Kansas and Missouri that have been negotiating with us during the past year will be starting to buy shares of our facility as a solution to load growth and environmental compliance obligations, like CSAPR. Dogwood Energy itself expects that by mid-year 2012, it will only have approximately half of the Dogwood facility's capacity and energy still available for selling power to Missouri utilities that otherwise need to retrofit, reduce output from, or retire their coal plants. By the end of 2012, it is likely that Dogwood Energy will continue to own only approximately one-third of the capacity of the Dogwood facility. While the Dogwood facility itself will obviously continue to reside in Missouri and the state will continue to receive the benefits of the low level of emissions produced by the facility, beyond 2013 or 2014, it is unlikely that the Dogwood facility will have any remaining capacity that has not been sold to a load-serving utility or power pool located in Missouri or an adjacent state.

We will be happy to provide additional information as Staff puts together its report in this matter. Please let us know if you have any questions.