

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

In the Matter of Missouri Gas Energy's Tariffs)	
Increasing Rates for Gas Service Provided to)	<u>Case No. GR-2006-0422</u>
Customers in the Company's Missouri Service)	Tariff File No. YG-2006-0845
Area.)	

CORNERSTONE'S RESPONSE TO ORDER DIRECTING FILING

COMES NOW Cornerstone Energy, Inc. ("Cornerstone"), pursuant to Commission Rule 4 CSR 240-2.080 and in Response to Order Directing Filing issued by the Missouri Public Service Commission ("Commission") on August 15, 2006, states as follows:

1. On August 15, 2006, the Commission issued its Order Directing Filing which directed Cornerstone to file a pleading by August 21, 2006, which addressed the following:

"To better understand Cornerstone's contemplated role in this rate case, the Commission will require Cornerstone to state with specificity its anticipated level of participation in this matter; e.g., whether Cornerstone intends to present any expert witnesses on rate design. Further, the Commission will require Cornerstone to state what information will be brought to light by its participation that will not be revealed by current parties to this matter." (Order Directing Filing, p. 1)

2. In response to the Commission's Order Directing Filing, Cornerstone respectfully states that, if its intervention is granted, Cornerstone intends to conduct discovery in this proceeding and investigate the possibility that MGE's minimum threshold for the availability of transportation service contained in MGE's existing tariff could be reduced to allow more commercial and industrial customers to have transportation services available to them. As explained in "CEI's Response to Objections

of MGE and Staff to Its Intervention” filed on August 10, 2006, MGE has established a minimum threshold of “15,000 Ccf in any one month of a 12-month billing period” for the provision of large volume and transportation services for customers served on the MGE local distribution system in this case. (See MGE Tariff, P.S.C. MO. No. 1, Third Revised Sheet No. 40). However, MGE’s minimum threshold for the availability of transportation service is higher than similar thresholds approved for other local distribution companies in Missouri. Such minimum thresholds for the availability of transportation services are common and vary in the tariffs of the local distribution companies regulated in Missouri. For example, the Commission has already approved lower minimum thresholds for the availability of transportation services than those utilized by MGE for Empire Gas and Union Electric Company.

2. At this stage of the proceeding, Cornerstone anticipates that it will sponsor the expert testimony of Richard Haubensak, an outside consultant for Cornerstone, to present Cornerstone’s rate design recommendations in this case. At this early stage of the case, it is not possible to state exactly what recommendations Cornerstone will suggest, but Cornerstone anticipates that it will recommend that MGE’s existing threshold for the availability of transportation services should be reduced, to some extent, to allow more commercial and industrial customers to utilize MGE’s transportation services. It is Cornerstone’s hope that any issues related to the minimum threshold for the availability of transportation services may be resolved among the parties without the need for litigation of these issues.

3. Cornerstone is unaware of any current party to this proceeding which has a particular interest in expanding the availability of transportation services in MGE’s

service area. As a major marketer of natural gas to industrial and commercial customers on MGE's Missouri natural gas distribution system, Cornerstone, however, is aware of firm sales customers in MGE's service area that have an interest in transportation services, if they are available to them. It is also in Cornerstone's interest to be able to provide its gas marketing services to a wider range of customers in MGE's service area. Cornerstone provides valuable natural gas supply and price risk management services to its customers located on the aforementioned system and Cornerstone and its customers rely heavily on the transportation tariff rate and the performance of the operator of the natural gas distribution system in question to provide this service. Finally, as stated in Cornerstone's previous filings in this case, Cornerstone does not believe that other parties to this proceeding will adequately protect Cornerstone's interests.

If Cornerstone's intervention is permitted, Cornerstone will accept the approved procedural schedule as it stands at this time without seeking to delay the case. As a result, there will be not prejudice to any party if Cornerstone's request for intervention is granted.

WHEREFORE, Cornerstone Energy, Inc. respectfully requests the Commission to grant its Application to Intervene Out of Time, together with any further and/or additional relief the Commission deems just and proper.

Respectfully submitted,

/s / James M. Fischer

James M. Fischer #27543

Larry W. Dority #25617

FISCHER & DORITY, P.C.

101 Madison, Suite 400

Jefferson City, MO 65101

Telephone: (573) 636-6758

Fax: (573) 636-0383

Email: jfischerpc@aol.com

lwdority@sprintmail.com

Attorneys for Cornerstone Energy, Inc.

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, transmitted by e-mail or mailed, First Class, postage prepaid, this 17th day of August, 2006, to all parties of record in this proceeding.

/s/ James M. Fischer

James M. Fischer