

August 20, 2003

Mr. Steve Bryant  
Assistant Superintendent  
Salem R-80 Schools  
1400 W. Third  
Salem, MO 65560

RE: Cornerstone Energy

Dear Mr. Bryant:

I received your August 19, 2003 facsimile regarding Cornerstone Energy's offer to sell natural gas to the Salem R-80 schools. You inquired about the legitimacy of Cornerstone Energy. This firm has not filed for certification with the Missouri Public Service Commission (Commission) to provide energy services under Missouri State Statute section 393.299 RSMo 2000. Further, the Commission has no information regarding Cornerstone Energy's financial capabilities or customer service record in regard to the sale of natural gas.

We did research your request and found that Cornerstone Energy is certified as an alternative gas supplier in the state of Michigan. I have attached a copy of the Michigan Commission's order regarding Cornerstone Energy for whatever value you may derive in deciding how to proceed with its offer. Although the Michigan information may not be applicable to the firm's Missouri operation, this information may allow you to make more specific inquiries of Cornerstone to the extent you wish additional data.

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The firm's failure to file with the Commission for certification as a Missouri energy services provider prevents the Commission from providing a more thorough analysis for you. I hope this response will assist you in evaluating the Cornerstone Energy proposal.

Kindest regards,

Robert E. Schallenberg  
Director of Utility Services

RES:tmc

Attachment

c: Division Directors w/attachment

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
CORNERSTONE ENERGY, INC., d/b/a	)	Case No. U-13823
CORNERSTONE ENERGY MARKETING, INC.,	)	
for a license as an alternative gas supplier.	)	
_____	)	

At the July 23, 2003 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman  
Hon. David A. Svanda, Commissioner  
Hon. Robert B. Nelson, Commissioner

**OPINION AND ORDER**

On April 1, 2003, Cornerstone Energy, Inc., d/b/a Cornerstone Energy Marketing, Inc., (Cornerstone) submitted a request, pursuant to Public Act 634 of 2002 (Act 634), MCL 460.9 et seq., for a license to operate as an alternative gas supplier (AGS) in Michigan. In so doing, Cornerstone submitted information designed to show its compliance with the requirements for an AGS license under Act 634 and the Commission's March 12, 2003 order in Case No. U-13694, which established a licensing procedure for AGSs.

Act 634 requires the Commission to ensure that alternative gas suppliers have the necessary financial, managerial, and technical capabilities to serve customers in Michigan. AGSs are also required to maintain an office within the state. Additionally, by the March 12, 2003 order in Case No. U-13694, the Commission Staff (Staff) is responsible for review of the application and for making a recommendation regarding a license for an applicant.

The Staff reviewed the information submitted by Cornerstone and has recommended that Cornerstone should be granted a license to operate as an AGS. With respect to its financial capability, Cornerstone provided the Staff with a letter of credit in the amount of \$100,000. Such letters of credit provide the Commission with some independent assurance regarding the financial capability of a firm without a proven track record.<sup>1</sup> Additionally, Cornerstone, a recent entrant to the AGS market, provided a pro-forma income statement in lieu of two years of financial documentation. Moreover, although Cornerstone is a start-up firm, the Commission notes that it has a customer base in other states, which was acquired from Aquila, Inc., d/b/a Aquila Networks-MGU, when that company disposed of various assets.

The Staff also points out that Cornerstone's executive officers have significant experience in the industry, which is supported by the biographical information included in the Staff's June 17, 2003 transmittal to the Commission.

Act 634 requires Cornerstone to maintain an office in Michigan. The Commission finds that Cornerstone has complied with that requirement. The Commission has discretion to determine what constitutes an appropriate structure and service from the Michigan office. In this regard, the Commission understands that many corporations choose to locate their main headquarters outside the boundaries of Michigan and that it would be unreasonable to require that all services provided to Michigan customers by Cornerstone must be rendered by and from its Michigan office. Rather, the Commission observes that Cornerstone provided an outline of its proposed customer inquiry resolution procedures to the Staff that describes the degree of involvement that its Michigan office will have in customer inquiries. This process includes Michigan-based personnel for dealing with

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<sup>1</sup> The March 12, 2003 order in Case No. U-13694 indicated that an AGS could also meet the financial capability criteria by providing proof that it enjoyed a BBB or better rating from a major credit rating agency.

complaints or inquiries that require a Michigan contact and location. The Commission finds Cornerstone's proposal for managing customer complaints and inquiries is a reasonable and acceptable arrangement.

Based on all of the circumstances, the Commission finds that Cornerstone's request to be licensed as an AGS is reasonable and in the public interest, and should be approved. Granting Cornerstone's request for an AGS license will expand the opportunities for competition. However, the grant of the license is conditioned on compliance with all applicable provisions of Act 634 and the Commission's orders and administrative rules. Failure to comply with any of these provisions may result in revocation of the license or other penalties.

The Commission FINDS that:

a. Jurisdiction is pursuant to 2002 PA 634, MCL 460.9 et seq.; 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

b. Cornerstone has satisfied the statutory requirements to obtain a license as an AGS.

THEREFORE, IT IS ORDERED that:

A. Cornerstone Energy, Inc., d/b/a Cornerstone Energy Marketing, Inc., is granted a license as an alternative gas supplier.

B. Cornerstone Energy, Inc., d/b/a Cornerstone Energy Marketing, Inc., shall comply with the regulatory requirements specified in Public Act 634 of 2002, MCL 460.0 et seq., and the Commission's orders and administrative rules for gas customer choice programs approved by the Commission.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of July 23, 2003.

/s/ Robert W. Kehres  
Its Acting Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Case No. U-13823

Suggested Minute:

“Adopt and issue order dated July 23, 2003 granting Cornerstone Energy, Inc., d/b/a Cornerstone Energy Marketing, Inc., a license as an alternative gas supplier, as set forth in the order.”