

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

In the matter of the Application of Southern Union )  
Company d/b/a Missouri Gas Energy for authority )  
to acquire directly or indirectly, up to and )  
including one hundred percent (100%) of the )  
equity interests of Panhandle Eastern Pipeline )  
Company, including its subsidiaries, and to take )  
all other actions reasonably necessary to effectuate )  
said transaction. )

Case No. GM-2003-0238

**PUBLIC COUNSEL'S REPLY TO SOUTHERN UNION COMPANY'S  
MOTION FOR EXPEDITED TREATMENT**

COMES NOW the Office of the Public Counsel ("Public Counsel") and, for its Reply to Southern Union Company's ("SUC") Motion for Expedited Treatment states as follows:

1. Late in the afternoon on January 13, 2003, SUC filed its Application for authority to acquire directly or indirectly up to and including one hundred percent (100%) of the equity interests in Panhandle Eastern Pipeline Company, including its subsidiaries and to take all other action reasonably necessary to effectuate said transaction. SUC has requested expedited treatment seeking an order by the Commission approving SUC's Application no later than thirty days from the date the application was filed. (SUC Motion for Expedited Treatment ¶2) Thus, SUC has requested this Commission approve its Application no later than February 12, 2003.

2. Although Public Counsel is not opposed to providing this Application an expedited review, Public Counsel is opposed to SUC's specific request that this Commission issue an order approving SUC's Application no later than February 12, 2003. Such an expedited timeframe to review this Application is wholly inappropriate given the possible public detriment that could result if this Application is approved.

3. This Application raises serious issues that need to be investigated and resolved prior to this Commission giving its approval to this Application. Specifically, this Application raises serious issues with respect to the affiliate transaction that would take place between Missouri Gas Energy and Panhandle Eastern Pipeline should this Application be approved. Currently, Missouri Gas Energy is a customer of Panhandle Eastern Pipeline and approximately five (5%) percent of its load used to serve Missouri Gas Energy customers is transported to the Kansas City area by Panhandle Eastern.

4. A cursory review of Appendix 8 to SUC's Application reveals that SUC has not recommended any safeguards with respect to affiliate transactions between MGE and Panhandle Eastern. As this Commission is well aware, Missouri Gas Energy is not obligated to follow the Commission's affiliate transaction rules due to the stay of the effectiveness of those rules issued by the Circuit Court of Cole County.

5. Moreover, SUC's proposed schedule would not even give the parties enough time to conduct one round of discovery prior to a hearing recognizing that the Commission needs appropriate time to deliberate.

6. SUC's reference to its Case No. GM-98-146 involving SUC's acquisition of all of the capital stock in Atlantic Utilities Corp. taking approximately 5½ weeks is correct but misleading. That particular acquisition did not present any possible issues with respect to affiliate transactions nor was the Atlantic Utilities Corp. acquisition anywhere near the dollar magnitude of the proposed SUC acquisition of Panhandle Eastern.

7. SUC also notes that if the closing is delayed beyond the end of March 2003, it will be obligated to pay seller \$100,000 per day in April of 2003, \$200,000 per day in May 2003

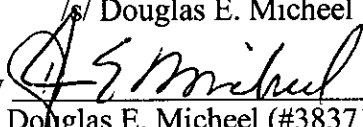
and \$300,000 per day thereafter.<sup>1</sup> This SUC negotiated provision should **not** prevent this Commission from allowing the parties to take a critical review of this proposed transaction.

8. Public Counsel is committed to working as expeditiously as possible on this matter and will work with SUC to resolve any matters in conflict. However, the Commission should not grant SUC's requested timeframe for expedited treatment.

WHEREFORE, the Office of the Public Counsel requests the Commission deny SUC's request for an Order approving SUC's Application by February 12, 2003 and set a more reasonable expedited schedule.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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<sup>1</sup> SUC cites Section 5.20 Appendix 5 to its Application. Appendix 5 was filed under seal. Public Counsel believes this disclosure by SUC should result in a waiver of the alleged highly confidential nature of Appendix 5.

**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing document was hand-delivered on January 15, 2003 to the following:

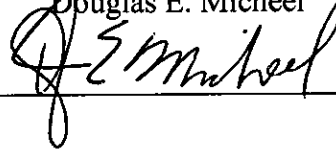
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/s/

Douglas E. Micheel

A handwritten signature in black ink, appearing to read "D. E. Micheel", is written over a horizontal line.