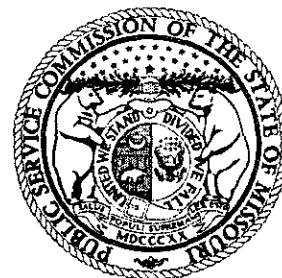


Notice of *Ex Parte* Contact

TO: Data Center:
All Parties in Case No. **GM-2003-0238**
PSC Commissioners

FROM: Chairman Kelvin Simmons *KS*



DATE: February 19, 2003

On February 11, 2003, I received the attached document from U.S. Senator Christopher S. (Kit) Bond on behalf of Mr. Dennis Chaplin, President of General Workman's Committee, Panhandle Eastern Group, Local 50348. The Commission is currently considering the issues discussed in this document in Case No. **GM-2003-0238**. **GM-2003-0238** is a contested case. The Commission is bound by the same *ex parte* rule as a court of law.

Although communications from members of the public and members of the legislature are always welcome, those communications must be made known to all parties to a contested case so that those parties have the opportunity to respond. According to the Commission's rules (4 CSR 240-4), when a communication (either oral or written) occurs outside the hearing process, any member of the Commission or Regulatory Law Judge who received the communication shall prepare a written report concerning the communication and submit it each member of the Commission and the parties to the case. The report shall identify the person(s) who participated in the *ex parte* communication, the circumstances which resulted in the communication, the substance of the communication, and the relationship of the communication to a particular matter at issue before the Commission.

Therefore, I submit this report pursuant to the rules cited above. This will ensure that any party to this case will have notice of the attached information and a full and fair opportunity to respond to the comments contained therein.

cc: Executive Director
Secretary/Chief Regulatory Law Judge
General Counsel

CHRISTOPHER S. BOND

MISSOURI

COMMITTEES:

APPROPRIATIONS
BANKING, HOUSING AND
URBAN AFFAIRS
SMALL BUSINESS
BUDGET
ENVIRONMENT AND
PUBLIC WORKS

United States Senate

WASHINGTON, DC 20510-2503

February 7, 2003

Mr. Kelvin Simmons
Chairman
Missouri Public Service Commission
200 Madison Street
Jefferson City, Missouri 65011

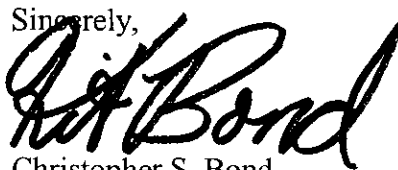
Dear Chairman Simmons:

Enclosed is a copy of the letter my office received from Mr. Dennis Chaplin, President of General Workman's Committee, Panhandle Eastern Group, Local 50348, Paper, Allied Industrial, Chemical and Energy Workers International Union. Mr. Chaplin has expressed concern regarding the upcoming hearing on the sale of CMS Panhandle, Trunkline Gas Company and Trunkline LNG Company to AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., and the Southern Union Company. It is my understanding that the hearing is scheduled for February 11 and 12, 2003.

Since this matter falls within the jurisdiction of the Commission, I am forwarding Mr. Chaplin's letter and documentation to you for your review. This is an important matter and I ask that you give the concerns of Mr. Chaplin and the Union members due consideration. Please feel free to contact Mr. Chaplin directly.

Thank you for your time regarding this matter.

Sincerely,

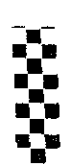


Christopher S. Bond

CSB/ejb

enclosure

cc: Mr. Dennis L. Chaplin
Mr. Jesse Miller



February 3, 2003

Dear Liz:

The fax you are receiving includes the letter sent to Senator Bond's office in Washington. I have included a letter from the law office of Blake & Uhlig, P.A. concerning our efforts to intervene in the Missouri Utility Hearings.

We contacted Senator Bond in the hopes that there is some way he can help stop or at least aid in the slowing down of the sale that is being rushed to meet a March 1st target. Gathering information and documents, as I'm sure you know, is not only tedious, but also quite slow.

We are a Union, but our actions are for every single individual employed by CMS/Panhandle. This includes many employees from Kansas City, Centalla, Houstonia, and Medco, Missouri.

My contact numbers and Jesse Miller's are located on the last page of the letter to Senator Bond. Please feel free to contact either one of us.

Thank you.

Dennis Chaplin

*******Number of Pages Transmitted 8*******

Senator Bond:

I am requesting a meeting with you next week. I have included a description of the issue at hand. I know that this is very short notice, but the situation has been recently bestowed upon us. The Missouri Utility Commission hearing is scheduled for February 11, 2003. It is our intention to intervene in this hearing. I need to know if we can get any help from you. If you can help, I have indicated to other Senators that we would like for you to be our lead Senator in our quest. If a meeting next week is impossible please let me know when we could meet. The company intends to close by March 1, 2003.

Thank you,

Dennis Chaplin
6 Patterson Springs Drive
Camargo, Illinois 61919

Work phone: 217-253-6046
Home phone: 217-253-2497
Fax: 217-253-6004
E-mail: d_chap24@hotmail.com

January 31, 2003

Senator Christopher Bond
274 Russell Senate Office Building
Washington D.C. 20510

Dear Senator Bond :

This correspondence is on behalf of the one thousand plus employees of CMS Panhandle, Trunkline Gas Company, and Trunkline LNG Company, many of which reside in your state, that are about to have their retirement dreams crushed. CMS Panhandle and Trunkline Gas Company are interstate natural gas transmission companies that have pipelines in the states of Arkansas, Illinois, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Ohio, Oklahoma, Tennessee, and Texas. The Trunkline LNG terminal is located in Louisiana. CMS Energy Corporation of Jackson, Michigan, owns these facilities. CMS Energy announced in December its intentions to sell Panhandle, Trunkline, and Trunkline LNG to AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., and the Southern Union Company. CMS Energy has targeted March 1, 2003 for the closing.

Most all the employees started their employment several years ago at a company named Panhandle Eastern Pipe Line Company with its home office in Kansas City (located in Houston now). The company provided the employees with the traditional pension plan, based on years of service and age. The Pension grew enough to become self sufficient in 1982. The fund continued to build into millions of dollars. The opportunity for an early retirement at the age of 55 was a possibility for many employees.

In 1995, Panhandle Eastern Pipe Line Company (Pan Energy) sold to Duke Energy Corporation. Our "fully funded" pension was transferred to the new company as were the employees. The pension plan was named the "PEC Pension Plan" and did not change. An employee could retire at 55 with eighty-two and a half percent of their pension, or one hundred percent at age sixty. The benefits accrued over the years under this plan were heavily loaded during the last years of the employees' service. The employee had the option for a "lump sum" payment, or annuity payments.

As of January 1, 1999, Duke Energy sold us to CMS Energy. We were transferred employees and our "fully funded" pension was transferred. CMS converted the PEC Pension Plan into the CMS Pension Plan with a commitment to the Panhandle employees that their retirement would not be less than the benefit would have been under the PEC Pension Plan.

On January 3, 2003, CMS released a statement pertaining to our retirement. The employees would continue to work for Southern Union Panhandle, but we would be considered "vested terminees" in reference to our pension plan. Those employees that are 55 years or older will retire as of the closing date under the PEC plan, and be allowed to continue their employment with Southern Union if so desired. The remainder of the employees would receive the following choices:

50-54 years of age.....

CMS is freezing the PEC Pension as of December 31, 1998

Continue employment with Southern Union Panhandle.

May retire at age 55 for eighty-two and a half percent and annuity for four years with CMS at thirty-eight and a third percent.

Receive one hundred percent at age 60.

Under the age of 50.....

CMS is freezing the PEC Pension as of December 31, 1998.

Continue Employment with Southern Union Panhandle.

May retire at the age of 55 for fifty percent of your frozen PEC Pension. Thirty-eight and one third

percent for the CMS annuity payment.
Receive one hundred percent at the age of 65.

Less than five years of service.....
Continue employment with Southern Union Panhandle.
NO time accrued for pension.

For CMS to cut off the ability for employees to realize the full potential value of a pension that was transferred to them "fully funded" is morally wrong if not illegal.

This is the company that awarded its CEO four million dollars, its CFO two million dollars, and another officer two million dollars to resign after their activities in the "round trip trading" fiasco because of obligations and "it was the right thing to do." These pay offs all transpired after the reports of the Enron employees losing their pensions due to corporate deception. Unlike Enron's situation, CMS Energy is to receive \$1.8 billion dollars for this sale.

CMS' attempt to close by March 1, 2003 must have approval from the utility commissions in Missouri and Massachusetts. The commission hearings in Missouri are to convene on February 11th or 12th. We will intervene in these hearings and plead our case. As you can see, time is not on our side.

If what CMS is doing is found to be legal, we are in hopes that you may help apply pressure to get CMS Energy to simply transfer our pension fund in its entirety, because it is the right thing to do. Our people stand to lose up to seventy percent of a pension promised to us. Those people under retirement age at the closing date will have to pay for this injustice with their labor for many years to come. Help us so we may continue to plan our future and have the option to retire with a payment that will allow us to live with dignity, and have the chance to retire early and not have to work until we are in our sixties.

We are asking you to take the lead in our quest. It would be greatly appreciated if you could combine your efforts with the Senators in the other states involved to rectify this injustice. Further information or questions regarding this issue can be directed to Jesse Miller or myself.

Sincerely,

Dennis L. Chaplin
President, General Workman's Committee
Panhandle Eastern Group
Local 50348
Paper, Allied Industrial, Chemical and Energy Workers International Union
#6 Patterson Springs Drive
Camargo, Illinois 61919
Work phone: 217-253-6046
Home phone: 217-253-2497
e-mail: d_chap24@hotmail.com

217-253-6004

Jesse Miller
International Representative
Paper, Allied Industrial, Chemical and Energy Workers International Union
2611 S. Crenshaw Road
Independence, Missouri 64057
Work phone: 816-545-0935
Home phone: 816-224-6641
Fax: 816-224-6575
e-mail: jmlillerj@swbell.net

Panhandle Eastern Pipeline Company,)
Including Its Subsidiaries, and to Take All)
Other Actions Reasonably Necessary to)
Effectuate Said Transaction)

**MOTION BY INTERVENER PACE FOR AN ORDER REQUIRING CMS TO HONOR
ALL PENSION COMMITMENTS TO PANHANDLE EASTERN EMPLOYEES AS A
CONDITION OF GRANTING AUTHORITY TO SOUTHERN UNION TO ACQUIRE
PANHANDLE EASTERN PIPELINE COMPANY**

Intervener Local 5-348 of Paper, Allied-Industrial, Chemical and Energy International Union ("PACE"), by and through its attorneys, respectfully requests the Public Service Commission to order CMS Gas Transmission Company ("CMS") to honor all pension benefits and elections provided under a written plan of benefits to the employees of Pipeline Eastern Pipeline Company (Panhandle Eastern") as a condition of granting authority to Southern Union Company ("South Union") to acquire the equity interests of Panhandle Eastern. In support of this Motion, Intervener PACE states:

1. PACE is a voluntary labor organization doing business and representing employees of Panhandle Eastern in the State of Missouri. PACE is the exclusive collective bargaining agent of the bargaining unit employees of Panhandle Eastern in Missouri.

2. CMS is the sponsor of the Pension Plan for Employees of Consumers Energy and other CMS Energy Companies ("Pension Plan"). Panhandle Eastern employees represented by PACE are participants in the Pension Plan.

3. Prior to December 31, 1998, many of the current Panhandle Eastern employees were participants of the Retirement Income Plan of PanEnergy Corp. and Participating Affiliates (the "PEC Plan") when Panhandle Eastern was owned by PanEnergy Corp. and/or an affiliate of PanEnergy Corp.

4. When CMS purchased Panhandle Eastern effective January 1, 1999, the PEC Plan assets for Panhandle Eastern's employees was merged into the Pension Plan. The Pension Plan was amended as follows:

As of the closing date, March 29, 1999, [former Pan Energy Corp. employees] will be covered under the CMS Pension Plan. The Plan has been amended to accept vested pension benefits from the Panhandle Pension Plan and will be fixed as of December 31, 1998. The amount will be calculated using your service and compensation up to December 31. **To the extent of your fixed benefit under your former Plan, the optional form of benefits of that Plan are also retained. Your benefit as a CMS employee will be calculated two ways and you can choose the best one for you. Under Choice 1, the benefit will be your fixed benefit from the former Panhandle Plan plus the benefit based on pay and service from January 1, 1999 under the standard provisions of the CMS Plan. Under Choice 2, your benefit will be calculated using the formula, definition of pay and early retirement factors from the former Panhandle Plan including service before and after March 29, 1999. (Emphasis added)**

Under this provision of the Pension Plan, each Eastern Pipeline employee was provided the right to calculate their pension benefits under the two described ways and the right to elect the pension benefit calculation that is best suited for each individual employee.

5. CMS has told Eastern Pipeline employees that upon the acquisition of Panhandle Eastern by Southern Union, CMS intends to terminate the participation of Eastern Pipeline's employees in the Pension Plan. Additionally, CMS has informed the Panhandle Eastern employees that upon the termination of their participation in the Pension Plan, those employees under the age of 55 shall be given only one pension calculation option. Specifically their pension benefits will be

amendment to the Pension Plan as stated in Paragraph 4 above.

6. By only offering the Panhandle Eastern Employees "Choice 1," CMS is denying to the Panhandle Eastern employees under the age of 55 the right to calculate pension benefits both under "Choice 1" and "Choice 2" above, and is further denying to these employees the right to elect the choice that is best for them. Denial of this election is in violation of the written terms of the Pension Plan.

7. The stated intent of CMS to deny this election to the Panhandle Eastern employee is a direct and proximate result of CMS's intent to sell its equity interest in of Panhandle Eastern to Southern Union. It is not in the Public's interest to allow CMS to deny this election under the Pension Plan to Panhandle eastern's employees.

WHEREFORE, pursuant to R.S.Mo. Section 386.250, Intervener PACE prays that the Missouri Public Service Commission enter an order directing CMS to honor all pension benefits and elections provided under the CMS Pension Plan to the employees of Pipeline Eastern as a condition of granting authority to Southern Union to acquire the equity interests of Panhandle Eastern; and specifically order CMS to offer to those Panhandle Eastern employees under the age of 55 the right to calculate their benefit from the two choices provided them under the CMS Pension Plan and the right to elect the benefit calculation that is best for each employee.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Motion for PACE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing **Motion by Intervener PACE** was served upon all parties to this action by United Parcel Service, Next Day Delivery, this 31st day of January, 2003, addressed to the following:

James C. Swearngen
Paul A. Boudreau
Sondra B. Morgan
Brydon, Swearngen & England, P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, Missouri 65102

Office of the Public Counsel
200 Madison Street, Suite 650
Jefferson City, Missouri 65102