

Exhibit No.:
Issues: Southern Star
Energy Worx
Witness: Carmen J. Morrissey
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GM-2003-0238
Date Testimony Prepared: March 17, 2003

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

CARMEN J. MORRISSEY

SOUTHERN UNION COMPANY

d/b/a MISSOURI GAS ENERGY

CASE NO. GM-2003-0238

**Jefferson City, Missouri
March 17, 2003**

****Denotes Highly Confidential Information****

NP

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

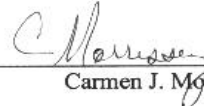
IN THE MATTER OF THE APPLICATION OF)
SOUTHERN UNION COMPANY D/B/A)
MISSOURI GAS ENERGY FOR AUTHORITY)
TO ACQUIRE DIRECTLY OR INDIRECTLY,)
UP TO AND INCLUDING ONE HUNDRED)
PERCENT (100%) OF THE EQUITY)
INTERESTS OF PANHANDLE EASTERN)
PIPELINE COMPANY, INCLUDING ITS)
SUBSIDIARIES, AND TO TAKE ALL OTHER)
ACTIONS REASONABLY NECESSARY TO)
EFFECTUATE SAID TRANSACTION.)

Case No. GM-2003-0238

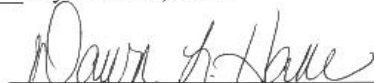
AFFIDAVIT OF CARMEN J. MORRISSEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Carmen J. Morrissey, of lawful age, on her oath states: that she has participated in the preparation of the following written testimony in question and answer form, consisting of 12 pages of testimony to be presented in the above case, that the answers in the following written testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Carmen J. Morrissey

Subscribed and sworn to before me this 14th day of March, 2003.


Dawn L. Hake
Notary Public

My commission expires Jan 9, 2005

DAWN L. HAKE
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

REBUTTAL TESTIMONY
OF
CARMEN J. MORRISSEY
SOUTHERN UNION COMPANY
d/b/a MISSOURI GAS ENERGY
CASE NO. GM-2003-0238

Q. Please state your name and business address.

A. My name is Carmen J. Morrissey and my business address is 200 Madison Street, Governor Office Building-Suite 500, Jefferson City, Missouri 65101.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (Commission) as a Utility Policy Analyst II. I am currently the Energy Department's Assistant Manager for Federal Issues and Policy Analysis.

Q. Please describe your educational and professional background.

A. In December 1976, I obtained a Bachelor of Science degree in Business Administration, with a major in Accounting, from Missouri Western State College. I am a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants. I currently hold a permit to practice as a CPA in Missouri and have held such license since April 1979.

Q. Would you please review your work experience?

A. From January 1977 through October 1987, I was employed by the Missouri State Auditor's Office. For the first five years, I was a governmental auditor responsible for

Rebuttal Testimony of
Carmen J. Morrissey

1 all aspects of financial, compliance and operational audits of state agencies and local
2 governmental units. During the last five years of service with the Auditor's Office, I was
3 responsible for all administrative activities of the office, including personnel, budgeting and
4 financial matters.

5 I transferred to the Commission in December 1987. My responsibilities with the
6 Commission have centered on monitoring and analyzing activities at the Federal Energy
7 Regulatory Commission (FERC). I advise the Commission and its staff with respect to the
8 effects of federal matters on Missouri natural gas consumers. I assist in the formulation and
9 preparation of the Commission's positions to be presented at FERC.

10 Q. Have you previously filed testimony before any regulatory bodies?

11 A. Yes. I have filed testimony at FERC in Williams Natural Gas Company's
12 Docket Nos. FA90-68, RP91-152, RP93-109, RP95-136, RP97-484, Mississippi River
13 Transmission Corporation's Docket Nos. RP93-4 and RP96-199, and Kansas Pipeline
14 Company's Docket No. RP99-485. I have filed two pieces of testimony before this
15 Commission - Missouri Public Service Case No. GR-88-194 and Gateway Pipeline
16 Company, Inc, et al. Case No. GM-2001-585.

17 Q. What has been your role in Staff's investigation of the application of Southern
18 Union Company (SU) for authority to acquire Panhandle Eastern Pipeline Company
19 (Panhandle)?

20 A. I have assisted Staff witness Sommerer with the review of the effect of SU's
21 acquisition of Panhandle on the gas supply acquisition activities and cost of Missouri Gas
22 Energy (MGE).

23 Q. What is the purpose of your testimony?

1 A. Through its review, Staff has found inherent conflicts of interest, resulting
2 from SU's recent sale, restructuring and merger activities, which will have a detrimental
3 effect upon the pipeline services obtained by MGE and the cost of those services. Therefore,
4 Staff is recommending the Commission condition its acceptance of SU's proposed
5 transaction subject to certain conditions. A complete list of Staff's conditions are attached as
6 Schedule 2 to the testimony of Staff witness Charles R. Hyneman. I am sponsoring the
7 following conditions:

8 **Staff Condition No. 8** - Southern Union agrees that as long as it owns regulated
9 properties in Missouri, it will not make an equity investment in the Southern Star Central
10 Pipeline ("Southern Star" or "Star Central").

11 **Staff Condition No. 9** - Upon implementation of the proposed acquisition and as
12 long as it owns MGE, Southern Union agrees to divest Energy Worx at the earliest
13 opportunity, but no later than May 1, 2003. Southern Union also agrees that, as long as it
14 owns Missouri regulated utility property, neither it nor one of its subsidiaries, divisions, or
15 affiliates will manage any pipeline, except for Panhandle, that provides transportation or
16 storage services to its Missouri regulated properties.

17 Q. What background information is necessary for understanding the concerns and
18 conditions you will be addressing?

19 A. First, MGE's natural gas distribution business is totally dependent upon
20 interstate pipeline services for delivery of natural gas to its city gates. MGE's pipeline costs
21 are flowed through to MGE's customers via MGE's purchased gas adjustment (PGA) clause.
22 Therefore, any SU financial and/or operational affiliation with one of its pipeline service

1 providers must be closely examined to ascertain its effect on the PGA rates that will be borne
2 by MGE's customers.

3 Second, it is important to be familiar with MGE's pipeline service providers.
4 Currently MGE obtains pipeline services, i.e. natural gas transportation and storage services
5 from four interstate pipelines, i.e. Southern Star (f/k/a Williams Gas Pipelines Central), KM
6 Interstate Gas Transmission (KMI), Panhandle, and Kansas Pipeline Company (KPC).

7 *Schedule 1-1* summarizes the amount of firm market area pipeline delivery capacity
8 that MGE holds on each pipeline, which reflects that 75% of MGE's pipeline delivery
9 capacity is provided by Southern Star, KMI provides 15%, while Panhandle and KPC each
10 provide approximately 5% of MGE's pipeline delivery capacity. That schedule also reflects
11 that Southern Star provides 92% of MGE's pipeline storage capacity, while Panhandle
12 provides the remaining 8%. *Schedule 1-2* provides certain information about the various
13 pipeline service contracts currently held by MGE, noting the amount of capacity under each
14 contract and contract termination dates.

15 Third, familiarity with the sequence of significant and interrelated events helps put
16 into context Southern Union's activities and the effect of those activities upon MGE.
17 *Schedule 2* outlines the events the Staff has identified with respect to Southern Union's
18 reorganization and merger activities.

19 Q. Given that this case was established to review SU's application to acquire
20 Panhandle, please explain why the conditions you are sponsoring are directed towards SU's
21 involvement with Southern Star.

22 A. Last fall Staff became aware of the following: AIG Highstar (Highstar) had
23 purchased Williams Gas Pipelines Central, a major pipeline service provider for Missouri;

1 Highstar had made arrangements for Southern Union to manage that pipeline; and Highstar
2 had changed the pipeline's name to Southern Star Central Pipelines. Since SU's January 13
3 application with this Commission was silent as to SU's responsibilities with respect to
4 Southern Star, Staff sought further details of the Southern Star management arrangements in
5 order to better evaluate SU's plan to acquire Panhandle, an interstate pipeline in competition
6 with Southern Star.

7 The information provided by SU in response to Staff's inquiries indicate Southern
8 Union's establishment of Energy Worx and Energy Worx' relationship and obligations with
9 respect to managing Southern Star to be more problematic and serious with respect to MGE's
10 supply acquisition activities, than those posed by SU's acquisition of Panhandle. Since SU's
11 acquisition of Panhandle serves to increase the negative effects of SU's involvement with
12 Southern Star, Staff believes it is appropriate for the Commission to take the opportunity to
13 address these detriments in this case.

14 Q. What is SU's Energy Worx?

15 A. Following the announcement of SU's sale of its Texas division, Southern
16 Union Gas Company, and Williams' sale of its Central pipeline to Highstar, SU established a
17 wholly-owned subsidiary named Energy Worx. Several key SU employees, who had dealt
18 with regulatory affairs and been responsible for supply acquisition for SU's Texas and
19 Missouri divisions, were transferred to Energy Worx. (Staff witness Sommerer discusses this
20 further in his testimony.) Thomas Karam, SU's President and Chief Operating Officer,
21 explained that Energy Worx was established to provide some senior-level management
22 oversight to Highstar's Central pipeline, while SU sought approval from Missouri and

Rebuttal Testimony of
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Massachusetts to make an investment into Central. SU's intent was to "be both an operator and a part owner". [Transcript of 2/5/03 Technical Conference, p. 15, lines 16-21.]

The November 20, 2002 Management Services Agreement (MSA) between Southern Star and Energy Worx is attached as *Schedule 3*. ** HC-----

HC-----

HC-----

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3 Q. What is your understanding of SU's intention with regards to making an
4 equity investment in Southern Star?

5 A. Quite frankly, Staff has spent a considerable amount of time in discussions
6 with Southern Union to understand this part of the MSA. Since SU's application to this
7 Commission made no mention of its commitment and responsibilities to Southern Star, this
8 was an important item to examine.

9 The afternoon before the February 5th technical conference, the MSA was made
10 available to parties. At the technical conference inquiries were made of SU to determine its
11 involvement with Highstar and Southern Star. Parties were left with the impression that SU
12 hoped to acquire an ownership interest in Southern Star and that termination of Energy
13 Worx' contract with Southern Star could occur if SU failed to make an equity investment in
14 Southern Star by May 20, 2003. Staff and other parties expressed concerns with SU's
15 involvement in Southern Star. Therefore, a subsequent meeting with SU was scheduled for
16 February 26th.

17 The day of that meeting, SU provided an affidavit signed by Dennis Morgan,
18 Executive Vice President and General Counsel of SU. (Attached as *Schedule 4*.) That
19 affidavit indicated SU "is not, directly or indirectly, a party to any agreement, and it is not
20 committed to any plan or arrangement, pursuant to which it would, directly or indirectly,
21 make an investment or otherwise acquire an interest in Central." Further any investment or
22 agreement to acquire interest in Star Central would be a breach of the December 21, 2002
23 Stock Purchase Agreement among CMS, AIG Highstar and SU. During the February 26th

1 teleconference meeting, SU explained this meant that it cannot take steps to acquire an
2 ownership interest in Southern Star until after the Panhandle deal is closed. [Transcript of
3 2/26/03 Teleconference, p. 5, line 22 through p. 6 line 3 and p.16 lines 13-21.]

4 Q. Why do you believe SU's relationship and obligations with Southern Star
5 pose more serious detriment to MGE's supply acquisition activities and MGE's customers
6 than SU's acquisition of Panhandle?

7 A. Energy Worx is in a better position to exploit MGE and make a profit at the
8 expense of MGE's customers than Panhandle. There are several reasons for this. First,
9 Panhandle provides only 5% of MGE's firm transportation delivery capacity and 8% of its
10 storage capacity; whereas MGE currently relies upon Southern Star to provide 75% of its
11 firm transportation delivery capacity and 92% of its pipeline storage capacity. Therefore,
12 even slight rate increases by Southern Star can have a significant affect on MGE's gas supply
13 costs. Also, Southern Star's operational activities, such as its handling of nominations,
14 scheduling and operational directives, can also affect MGE's gas supply costs.

15 Second, Southern Star is currently MGE's lowest-cost pipeline service provider,
16 while Panhandle's prices are more expensive. This means there's more room for Southern
17 Star rate increases to be endured/incurred before successful prudence challenges could be
18 mounted with respect to the contract levels MGE maintains on Southern Star.

19 Lastly, given the work experience of Energy Worx employees, Energy Worx is more
20 knowledgeable (than Panhandle and MGE) about MGE's operations and gas supply plans
21 and strategies. (Staff witness Sommerer discusses this further in his rebuttal testimony.) It is
22 also worth noting that Energy Worx personnel were responsible for certain aspects of the due

1 diligence review of Panhandle, which gave them access to significant amounts of
2 confidential Panhandle information.

3 Q. Earlier you indicated SU's acquisition of Panhandle serves to increase the
4 negative effects of SU/Energy Worx's involvement with Southern Star. Would you please
5 explain this further?

6 A. Yes. An effective market structure existed when Southern Star and Panhandle
7 were competitors and independent from SU/MGE. This left SU/MGE to obtain reliable
8 service at the lowest price by negotiating services and rates with its various pipeline
9 suppliers, without preference. However, the Energy Worx management services agreement
10 with Southern Star, allows SU to control over 75% of MGE's pipeline services and to
11 increase profits by inflating/increasing the rates MGE pays for Southern Star's Services
12 (since Energy Worx's compensation is tied to the level of Southern Star's financial
13 performance). This conflict of interest is contrary to the best interests of MGE's customers.
14 By purchasing Panhandle, SU further increases its control of another pipeline supplier,
15 eliminating one of the competitive alternatives for MGE's transportation services. This
16 allows SU to control approximately 80% of the pipeline transportation capacity coming into
17 the Kansas City metro area and 100% of the storage capacity used by MGE. This action not
18 only exacerbates the existing conflict of interest, it increases SU's market power by allowing
19 it to also control the secondary capacity market for those pipeline services (MGE's capacity
20 release activity), giving it the opportunity to improperly withhold or manipulate the capacity
21 market in order to obtain the highest price or drive pipeline customers to whichever pipeline
22 provides it with the highest profit margin.

1 Q. How do you respond to SU's contention that sufficient protection is afforded
2 by the fact that MGE will remain under this Commission's rate and service jurisdiction and
3 that the interstate pipelines' operations will continue to be fully regulated by the Federal
4 Energy Regulatory Commission (FERC)?

5 A. SU acknowledges that FERC's current affiliate transactions rules will not
6 apply to Energy Worx nor will they apply to MGE's affiliation with Panhandle or Southern
7 Star. (See *Schedule 5*.) FERC regulation will not prevent MGE from paying inflated costs to
8 the extent MGE's current rates are below the maximum tariff rates or to the extent MGE
9 would be entitled to future discounts below the maximum tariff rates.

10 It is naïve to believe SU will not attempt to exploit customers, leaving regulators
11 and/or customers to detect and prosecute improprieties. This is evidenced by Mr. Karam's
12 statement, "Transparency and disclosure is the ultimate arbiter. To the extent that everything
13 is transparent and fully disclosed, then, you know, everything is above board and the chips
14 fall where they may as it relates to your ability to assess how we deliver on the competing
15 interests. I mean, we have no intention to be anything other than transparent." [Transcript of
16 2/5/03 Technical Conference, p. 227, line 24 through p. 228, line 6.]

17 Also, in discussions with FERC commissioners, who are grappling with revisions to
18 FERC's affiliate transactions rules, SU represented that "by and large the affiliate rules that
19 Missouri" has offered up are "ones that we could sign onto". [Transcript of 2/5/03 Technical
20 Conference, p. 131, line 17 through p. 132, line 1.] Yet none of this commission's affiliate
21 transactions rules can be applied to MGE since MGE has secured court stays of those rules.
22 [See Transcript of 2/5/03 Technical Conference, p. 132, lines 2-14 and *Schedule 5* – SU
23 Response to Staff DR#4107.]

1 Q. Since SU does not currently have an equity interest in Southern Star, why
2 should this Commission adopt the conditions you're proposing?

3 A. As noted previously, SU can acquire an ownership interest in Southern Star
4 after the Panhandle deal is closed.

5 Also, the structure of the SU/Energy Worx management services agreement with
6 Southern Star, particularly the fact that the compensation of SU/Energy Worx is based upon
7 Southern Star's financial performance, makes its relationship and interests similar to that of
8 an equity owner. In considering SU's request to purchase Panhandle, the Commission is
9 obligated to consider all the facts and circumstances that currently exist in its assessment of
10 whether that purchase has detrimental effects on MGE, MGE's customers and others.
11 Therefore the Commission cannot and should not ignore the problems associated with the
12 SU/Energy Worx agreement with Southern Star. Since SU's acquisition of Panhandle serves
13 to increase the negative effects of SU's involvement with Southern Star, it is appropriate for
14 the Commission to take the opportunity to address these detriments in this case.

15 Other Staff witnesses have been able to construct conditions, which mitigate the
16 detrimental effects SU's acquisition and control of Panhandle on MGE's supply acquisition
17 costs and activities. However, given the large and serious concerns associated with SU's
18 establishment of Energy Worx and Energy Worx' relationship and obligations with respect to
19 managing Southern Star, I recommend SU be required to sever and avoid all ownership and
20 managerial ties with Southern Star. It is a relatively small price to pay to eliminate a large
21 problem.

22 Q. Why do you claim it is a relatively small price?

Rebuttal Testimony of
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1 A. Energy Worx' assets are primarily the four people working for it. Also, based
2 upon SU's Annual Update to Moody's Investors Services on February 7, 2003, the
3 anticipated contribution to SU's 2004 overall earnings before income taxes by Energy Worx
4 is estimated to be less than ** HC**. [See *Schedule 6*.] Therefore, I would not expect this
5 to be considered a burdensome condition, i.e. a deal-breaker in the Panhandle acquisition,
6 because it should not have a material adverse effect on Southern Union.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes.

MISSOURI GAS ENERGY

Pipeline Capacity to Market Area

Source: January 2003 Customer Indices Posted to FERC Website

TOTAL FIRM TRANSPORT CAPACITY IN MARKET AREA					
	Contract Number	Rate Schedule	MDQ in Market Area	Dth	
ENBRIDGE PIPELINES-KPC (f/k/a Kansas Pipeline Company)	060198-103109-1-FT	FT	46,332	46,332	5%
KINDER MORGAN INTERSTATE GAS TRANSMISSION CO.	570	FT	50,000		
	569	FT	100,000	150,000	15%
PANHANDLE EASTERN PIPELINE COMPANY	12624	EFT	8,987		
	17071	EFT	27,880		
	17073	EFT	10,000	46,867	5%
SOUTHERN STAR CENTRAL GAS PIPELINE (f/k/a Williams Gas Pipelines Central)	17A0955	FTS	10,000		
	17A8249	TSS	727,626	737,626	75%
				980,825	100%

TOTAL STORAGE CAPACITY			
PANHANDLE EASTERN PIPELINE COMPANY	17073	EFT	1,471,800
SOUTHERN STAR CENTRAL GAS PIPELINE (f/k/a Williams Gas Pipelines Central)	1SA8250	FSS	288,057
	1SA8249	TSS	16,007,772
			16,295,829
			17,767,629
			100%

MISSOURI GAS ENERGY

Schedule 1-2

RELEVANT EVENTS TIMELINE

Date	Event	Reference
7/01	Southern Union announces its cash flow improvement plan, which was designed to increase annual cash flow, divest all non-core assets, and have regulated divisions earn their allowable rate of return.	2/5/03 Transcript, p. 7, line 22 through p. 8, line 5, and p. 9, lines 12-13
7/12/02	The Williams Companies announces intention to sell Williams Gas Pipelines Central	Platts news service
Late July and Aug	Southern Union due diligence review related to purchasing Central	2/5/03 Transcript, p 13, lines 8-15
July 20 - early Aug	SU and AIG Highstar agree to go after Central together. Subsequently Williams “disinvites” SU out of process since SU cannot obtain approval to acquire Central assets within 60 days.	2/5/03 Trans, p 14, lines 19-22 and p 52.
	Subsequently Williams “disinvites” SU out of process since SU cannot obtain approval to acquire Central assets within 60 days.	2/5/03 Trans, p 15, lines 6-11
9/02	MGE loses all previous Southern Star discounts.	SU response to DR#4122
9/02	CMS Energy announces intention to sell Panhandle Eastern Pipe Line Company	Merrill Lynch Information Memorandum Re: Panhandle contained in due diligence papers provided by SU in response to Staff DR#0012
9/02-11/02	SU due diligence review related to purchase of Panhandle Eastern Pipe Line Company	2/28/03 Trans, p 57, lines 15-23 and due diligence papers provided by SU in response to Staff DR#0012
9/16/02	Williams announces sale of Central to AIG Highstar for \$455 million.	Williams press release
10/16/02	Announcement of agreement for ONEOK to purchase Southern Union’s Texas division for \$420 million	ONEOK press release
11/15/02	AIG Highstar’s purchase of Central is completed and pipeline’s name is changed to Southern Star Central Gas Pipeline, Inc. (“Southern Star”)	Southern Star letter to customers
11/20/02	Southern Star and SU/EWx enter into Management Services Agreement (“MSA”)	Attached as Schedule 3
12/21/02	Southern Union enters into Stock Purchase Agreement with CMS Energy to acquire 100% of Panhandle Eastern Pipe Line Company stock for approx. \$1.17 billion.	SU Application, 12/21/02 Stock Purchase Agreement

RELEVANT EVENTS TIMELINE

1/1/03	Transition Services Agreement between SU and ONEOK	SU response to Staff DR#5011
1/3/03	ONEOK agrees to pay \$5 million to SU in settlement and release of claims related to 1999 Southwest Gas acquisition activities	ONEOK press release
1/3/03	Closing of SU's sale of Texas properties to ONEOK	ONEOK press release
** HC-----**	** HC----- HC----- HC----- **	SU response to Staff DR#4101
** HC-----**	** HC-----**	
3/13/03	CMS and SU receive requests for additional information from FTC. The requests will delay the closing of the deal beyond March 31 unless the issues raised by the FTC can be settled through a consent order.	CMS Energy Corp 8-K
3/31/03	Specified closing date for Panhandle sale. If closing has not occurred by this date, SU must pay delay penalties beginning 4/1/03.	SU Application, 12/21/02 Stock Purchase Agreement, p. 60, Section 5.20
5/20/03	Date by which MSA indicates SU is to make an equity investment in Southern Star. SU has an additional 120 days to acquire the necessary regulatory approvals.	Section 5.3 of 11/20/02 MSA
6/30/03	Termination of Panhandle Stock Purchase Agreement, if closing has not occurred. This can be extended to 7/15/03.	SU Application, 12/21/02 Stock Purchase Agreement, p. 64, Section 7.1

**Schedule 3 Has Been
Deemed Highly Confidential
In Its Entirety**

AFFIDAVIT

State of Pennsylvania)
) ss
County of Luzerne)

Dennis K. Morgan, having first been duly sworn, on his oath states that:

I am the Executive Vice President and General Counsel of Southern Union Company and authorized to make this affidavit on its behalf.

Pursuant to the terms of a Management Services Agreement dated November 20, 2002, between Southern Union Company's subsidiary, Energy Worx, Inc., and Southern Star Central Corp. ("Central"), Central may terminate the agreement if Southern Union Company fails to make an equity investment in Central within a six-month period of time beginning November 20, 2002 (along with not more than four thirty-day extensions under certain circumstances).

Southern Union Company is not, directly or indirectly, a party to any agreement, and it is not committed to any plan or arrangement, pursuant to which it would, directly or indirectly, make an investment or otherwise acquire an interest in Central. In fact, in the Stock Purchase Agreement, dated as of December 21, 2002 (the "Purchase Agreement"), among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp. and Southern Union Company, Southern Union Company represented that it did not have such an interest or investment and covenanted not to enter into any such agreement or plan. If Southern Union Company were to enter into any agreement or plan to acquire such an interest or investment, Southern Union Company would be in breach of the Purchase Agreement.

Southern Union Company presently is not, directly or indirectly, a party to any agreement, and it is not committed to any plan or arrangement, pursuant to which it would, directly or indirectly, make an investment or otherwise acquire an interest in Central. Any such agreement or plan would require disclosure in the Hart-Scott-Rodino Act filings made by Southern Union Company, to date, with the Federal Trade Commission with respect to Southern Union Company's proposed investment in Panhandle Eastern Pipe Line Company. Any such agreement or plan would involve a material transaction or event that would require timely disclosure by Southern Union Company pursuant to the federal securities laws. In that regard, please note no such disclosure appears in Southern Union Company's Form 10-Q for the period ended December 31, 2002, that was filed February 14, 2003, or in Southern Union Company's pending Registration Statement on Form S-3. Any such agreement or plan that may arise in the future would require appropriate regulatory filings.


Dennis K. Morgan

Subscribed and sworn to before me this 25th day of February 2003.


Notary Public
My Commission Expires

legal/secgplaffidavit

Notarial Seal
Boney M. Nallon, Notary Public
City of Wilkes-Barre, Luzerne County, PA

Schedule 4

MISSOURI GAS ENERGY
A Division of Southern Union Company

MISSOURI PUBLIC SERVICE COMMISSION
DATA INFORMATION REQUEST RESPONSE
Case No: GM-2003-0238
Data Request No: 4107

Requested From: Rob Hack

Date Requested: January 21, 2003

Information Requested: Assuming consummation of Southern Union's purchase of Panhandle, please identify each element of the Commission's affiliate transactions rule to which MGE believes it must comply and explain in detail how it will comply with each of those.

Requested By: Carmen Morrissey

Information Provided: Under the rules applicable at the federal level to interstate natural gas pipelines, which were promulgated in Order Nos. 497 and 497-A, II FERC Stats. & Regs. Regulations Preambles Paragraph 30,686 (1989), all LDCs throughout the United States that make only on-system sales (like MGE) are exempt from the standards of conduct governing interactions between natural gas pipelines and affiliate marketers. 18 C.F.R. 161.2(c)(3)(2001). In Docket No. RM01-10-000, Standards of Conduct for Transmission Providers, FERC has proposed to eliminate that exemption and subject all LDCs to the standards of conduct for interstate pipelines with marketing affiliates. This proceeding is still pending.

On the state level there are none. The MoPSC's affiliate transactions rule is stayed as to MGE by order of the Cole County Circuit Court.

Schedule 5-1

Date Response Received: _____

Signed By: Michael J. Storch

Date: 1/29/03

MISSOURI GAS ENERGY
A Division of Southern Union Company

**MISSOURI PUBLIC SERVICE COMMISSION
DATA INFORMATION REQUEST RESPONSE**

Case No: GM-2003-0238
Data Request No: 4108A

Requested From: Rob Hack

Date Requested: February 28, 2003

Information Requested: Assuming consummation of Southern Union's purchase of Panhandle, please identify each element of the FERC's affiliate transactions rule to which Southern Union believes Panhandle will have to comply and explain in detail how it will comply with each of those.

Requested By: Carmen Morrissey

Information Provided:

Based on the telephone conversation with Robert Franson and Carmen Morrissey on 2/28/03, the Company understands that the Staff seeks confirmation that current FERC affiliate regulations govern interstate pipeline dealings with marketing affiliates and do not apply to interstate pipeline dealings with LDC affiliates. Please consider this update as confirmation of that Staff understanding. The Company also understands that the FERC is presently considering application of affiliate regulations to interstate pipeline dealings with LDC affiliates, but that no final decision has yet been made by FERC on that topic.

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FEB 28 2003

MISSOURI PUBLIC SERVICE COMMISSION

Date Response Received: _____

Schedule 5-2

Signed By: _____

Date: _____

MISSOURI GAS ENERGY
A Division of Southern Union Company

MISSOURI PUBLIC SERVICE COMMISSION
DATA INFORMATION REQUEST RESPONSE

Case No: GM-2003-0238
Data Request No: 4113A

Requested From: Rob Hack

Date Requested: February 28, 2003

Information Requested: With regards to Energyworx contractual responsibilities to operate Southern Star, please identify each element of the FERC's affiliate transactions rule to which Southern Union believes Southern Star will have to comply and explain in detail how it will comply with each of those.

Requested By: Carmen Morrissey

Information Provided:

Southern Union (including MGE) is not an affiliate of Southern Star Central. Based on the telephone conversation with Robert Franson and Carmen Morrissey on 2/28/03, the Company understands that the Staff seeks confirmation that current FERC affiliate regulations govern interstate pipeline dealings with marketing affiliates and do not apply to interstate pipeline dealings with LDC affiliates. Please consider this update as confirmation of that Staff understanding.

RECEIVED

MAR 04 2003

UTILITY SERVICES DIV.
PUBLIC SERVICE COMMISSION
Date Response Received:

Schedule 5-3

Signed By:

Date:

Michael D. Cook
3/3/03

MISSOURI GAS ENERGY
A Division of Southern Union Company

MISSOURI PUBLIC SERVICE COMMISSION
DATA INFORMATION REQUEST RESPONSE
Case No: GM-2003-0238
Data Request No: 4122

Requested From: Rob Hack

Date Requested: March 5, 2003

Information Requested: Please provide a schedule which identifies the differences between the prices MGE currently pays under each of its existing transportation and storage service contracts with Star Central and the applicable Star Central tariffed rate for those services.

Requested By: Carmen Morrissey

Information Provided:
MGE currently pays applicable Star Central tariff rates for all transportation and storage services. All discounts previously offered discontinued in September 2002.

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MAR 10 2003

UTILITY SERVICES DIV.
PUBLIC SERVICE COMMISSION

Individual(s) Responsible for the Information: DAVE KIRKLAND

Schedule 5-4

Signed By: Michael Stank

Date Response Received: _____

Date: 3/7/03

**Schedule 6 Has Been
Deemed Highly Confidential
In Its Entirety**