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March 27, 2003

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED³

MAR 27 2003

**Missouri Public
Service Commission**

**Re: Southern Union Company
Case No. GM-2003-0238**

Dear Mr. Roberts:

Pursuant to the request of Commissioner Gaw during the hearing yesterday in connection with the referenced matter, please find enclosed for filing in this matter an original and eight (8) copies of this letter.

The purpose of this letter is to respond to the question of Commissioner Gaw pertaining to the purchase price, including the cash/debt components of such purchase price, paid by CMS Energy in its acquisition of Panhandle and its relationship to Panhandle's capital structure at such time and on a going-forward basis. Southern Union Company's understanding of these facts is as follows:

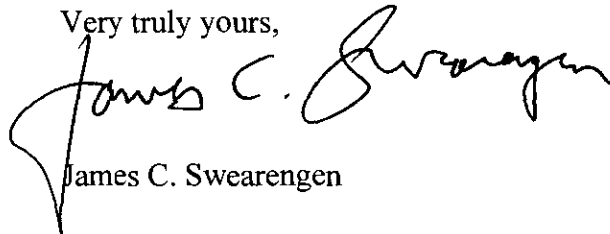
In 1999, CMS Energy acquired Panhandle from Duke Energy for a purchase price indicating a market value of \$2.2 billion, comprised of \$1.9 billion in cash and \$300 million in assumed debt. Although the negotiated purchase price included the assumption of only \$300 million of debt, it should not be concluded that this reflected the actual amount of indebtedness in Panhandle's capitalization prior to the CMS acquisition. In fact, as of December 31, 1998, Panhandle's total capitalization was \$1.533 billion, comprised of \$558 million of common equity and \$975 million of debt, including a \$675 million note payable to PanEnergy (then Panhandle's parent company). Moreover, shortly after its acquisition of Panhandle, CMS Energy established a more permanent capital structure for Panhandle by issuing \$800 million of senior notes and making a \$1.1 billion capital contribution to fund the cash portion of the acquisition. The resulting capital structure also included the \$300 million of debt assumed in the acquisition from Duke.

In 2003, Southern Union Company seeks to acquire Panhandle from CMS Energy for a purchase price indicating a market value of \$1.83 billion, comprised of \$662 million in cash and \$1.17 billion in assumed debt.

Southern Union Company believes that because both of these transactions were the product of arms'-length negotiations between informed buyers and sellers, the total purchase price in each transaction represents market value of Panhandle at the time of each transaction. The difference between the debt/cash components of each transaction has no material bearing on the market value indicated by the purchase price of Panhandle.

This filing has been mailed or hand-delivered, and has also been provided electronically, to all counsel of record.

Very truly yours,

A handwritten signature in black ink, appearing to read "James C. Swearengen", written over a horizontal line.

James C. Swearengen

cc: Commissioners
Counsel of Record
RLJ Woodruff