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OF COUNSEL
RICHARD T. CIOTTON

FILED³

JAN 13 2003

January 13, 2003

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

**Missouri Public
Service Commission**

Re: Southern Union Company d/b/a Missouri Gas Energy

Dear Mr. Roberts:

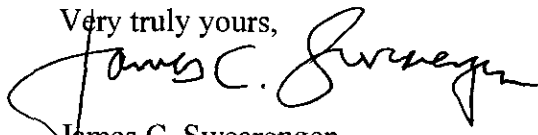
On behalf of Southern Union Company d/b/a Missouri Gas Energy, I deliver herewith for filing with the Missouri Public Service Commission the following:

- An original and eight (8) copies of an 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;
- An original and eight (8) copies of a Motion for Expedited Treatment; and,
- An original and eight (8) copies of a Motion for Protective Order.

A copy of the application and motions will be served on the Commission's General Counsel and the Office of the Public Counsel.

Would you please bring this filing to the immediate attention of the appropriate Commission personnel. Thank you very much for your assistance and cooperation.

Very truly yours,


James C. Swearengen

Enclosures

cc: Dan Joyce
John Coffman

FILED³

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

JAN 13 2003

Missouri Public
Service Commission

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. _____

APPLICATION

Comes now Southern Union Company ("Southern Union") pursuant to Section 393.190 RSMo 2000 and 4 CSR 240-2.060(1) and (12) and for its Application to the Missouri Public Service Commission ("Commission") states as follows:

Summary

1. This Application requests an order authorizing the acquisition by Southern Union, directly or indirectly, of up to and including one hundred percent (100%) of the equity interests of Panhandle Eastern Pipeline Company ("Panhandle Eastern"), including its subsidiaries (the "Transaction").

Parties

2. Southern Union is a Delaware corporation, in good standing in all respects, with its principal office and place of business at One PEI Center, Wilkes-Barre, Pennsylvania, 18711.

3. Southern Union is a public utility engaged in the distribution of natural gas to the public and conducts such business in Missouri through its Missouri Gas Energy

("MGE") operating division in those areas of the state certificated to it by the Commission.

Southern Union is a "gas corporation" as that term is defined in Section 386.020(18) RSMo 2000, and, as such, is subject to the supervision of the Commission as provided by law. Southern Union Panhandle Corp., ("SUPC") is a Delaware corporation and a wholly-owned subsidiary of Southern Union.

4. In accordance with Commission rule 4 CSR 240-2.060(1)(C), a copy of Southern Union's Certificate of Authority to do business in this state as a foreign corporation is attached hereto, marked Appendix 1 and made a part hereof for all purposes.

5. In accordance with Commission rule 4 CSR 240-2.060(1)(E), a copy of Southern Union's Registration of Fictitious Name of MGE is attached hereto, marked Appendix 2 and made a part hereof for all purposes.

6. Southern Union has no pending action or final unsatisfied judgments or decisions against it from state or federal regulatory agencies or courts which involve customer service or rates occurring within the three (3) years immediately preceding the filing of this Application.

7. Southern Union has no overdue Commission annual reports or assessment fees.

8. Pleadings, notices, orders, and other correspondence and communications concerning this Application should be addressed to:

Dennis K. Morgan
Southern Union Company
One PEI Center
Wilkes-Barre, Pennsylvania 18711-0601
Tel: (570) 820-2420

Robert J. Hack
Vice President – Pricing and Regulatory Affairs
and Assistant Secretary
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111
Tel: (816) 360-5755
Fax: (816) 360-5536
rhack@mgemail.com

James C. Swearngen
Paul A. Boudreau
Sondra B. Morgan
Brydon, Swearngen & England P.C.
312 E. Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102-0456
Tel: (573) 635-7166
Fax: (573) 636-6450
paulb@brydonlaw.com

9. CMS Gas Transmission Company ("CMS"), is a Michigan corporation and owns all the issued and outstanding shares of Panhandle Eastern. Panhandle Eastern is a Delaware corporation with its principal office and place of business in Houston, Texas. Panhandle Eastern is an interstate natural gas pipeline regulated by the Federal Energy Regulatory Commission ("FERC"). Panhandle Eastern operates an approximately 6,500-mile natural gas pipeline system comprised of four parallel large-diameter pipelines, four storage fields and twenty-six compressor stations (collectively hereinafter "the Pipeline System"). The Pipeline System extends from producing areas in North Texas, Oklahoma

and Kansas and transports supplies upstream from Haven, Kansas to Freedom, Michigan and to the Canadian border. The Pipeline System spans the State of Missouri from Cass County in the west to Pike County in the northeast. The Pipeline System has access to 77 billion cubic feet of natural gas storage capacity giving the Pipeline System a total delivery capacity of 1.54 billion cubic feet per day. A copy of a map illustrating the location of the Pipeline System is attached hereto, marked Appendix 3 and made a part hereof for all purposes.

10. In addition to its operations described in the preceding paragraph, Panhandle Eastern also owns and operates an extensive, integrated natural gas and condensate pipeline network that provides a broad spectrum of transportation and storage services primarily in the mid-western United States through a number of subsidiaries. One of the subsidiaries is CMS Trunkline Gas Company, LLC ("Trunkline"). Like Panhandle Eastern, Trunkline is a FERC-regulated interstate natural gas and condensate pipeline system extending from the Texas and Louisiana Gulf Coast and offshore Gulf of Mexico in a generally northern direction to the Indiana-Michigan border. Trunkline consists of approximately 3500 miles of pipeline and nineteen compressor stations with a total capacity of 1.5 billion cubic feet. Trunkline's pipeline is interconnected with that of the Pipeline System at or near Tuscola, Illinois. Neither Panhandle Eastern nor any of its subsidiaries conducts energy trading operations. A diagram illustrating the corporate ownership structure of Panhandle Eastern and its subsidiaries, including Trunkline, is attached hereto, marked Appendix 4, and made a part hereof for all purposes.

11. AIG Highstar Capital, L.P. ("AIG Highstar") and AIG Highstar II Funding Corp. ("AIG Funding") are coinvestor parties to the Transaction.

The Transaction

12. Pursuant to a Stock Purchase Agreement, dated as of December 21, 2002, by and between CMS, Southern Union, SUPC ("Buyer"), AIG Highstar and AIG Funding (the "Purchase and Sale Agreement"), Buyer intends to acquire from CMS all of the issued and outstanding shares of Panhandle Eastern (the "Shares"). The total consideration to be paid by Buyer for the Shares is approximately \$662 million in cash, plus generally any increase in net working capital from that as of September 30, 2002 (or minus any such decrease) minus any increase in total debt from that as of September 30, 2002 (or plus any such decrease). Additionally, Buyer will assume debt of Panhandle Eastern at closing, estimated to be approximately \$1.17 billion. On this same date, Southern Union is filing a Motion for Protective Order pursuant to 4 CSR 240-2.085(2) requesting authority to file certain appendices to this Application as "Highly Confidential" documents. Subject to the granting of that Motion for Protective Order, a copy of the Purchase and Sale Agreement designated as "Highly Confidential" is attached hereto marked Appendix 5, and made a part hereof for all purposes.

13. For federal income tax purposes, the Transaction will be structured as a "like-kind exchange" with the Shares first transferred to a qualified intermediary and then from the intermediary to Buyer (or another entity in which Southern Union owns all of the voting securities).

14. AIG Highstar and AIG Funding will have, post-closing, the right to acquire a non-voting equity interest in Buyer. Neither AIG Highstar nor AIG Funding will have any voting shares of Buyer, any rights to name members of the Board of Directors of Buyer, or any rights to have an observer at Board meetings of Buyer. Nor will AIG Highstar or AIG Funding have any right to participate in ordinary course management decisions of Buyer.

15. In addition, Southern Union may complete the entire purchase in the event that either AIG Highstar or AIG Funding do not perform their portion of the acquisition, or AIG Highstar or AIG Funding and Southern Union are not able to finalize terms for AIG Highstar's or AIG Funding's participation in the purchase and continuing ownership of Panhandle Eastern. Accordingly, in order to be in a position to close the Transaction, by this Application Southern Union requests approval to acquire, directly or indirectly, all of the outstanding equity interests of Panhandle Eastern, including its subsidiaries.

16. The Transaction is conditioned upon, inter alia, the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; and state regulatory approvals. The parties intend to close the Transaction as soon as practicable after all consents and approvals have been obtained.

Jurisdiction of the Commission

17. Because Southern Union is a gas corporation doing business in the State of Missouri, it is subject to the provisions of Section 393.190 RSMo 2000 to the extent not limited or superceded by contrary law. Section 393.190.2 RSMo states, in pertinent part, that "no [gas] corporation shall directly or indirectly acquire the stocks or bonds of any other

corporation engaged in the same or a similar business . . . unless . . . authorized so to do by the commission.” There is no statutory or judicial case law guidance on the scope of this language. Because Panhandle Eastern is not directly or indirectly engaged in the natural gas distribution business and is not regulated by the Commission as a public utility, Panhandle Eastern may reasonably be considered not to be engaged in the same or a similar business as Southern Union and, consequently, the Commission may reasonably be considered not to have jurisdiction over the Transaction. However, in an abundance of caution and, also, in an effort to keep the Commission fully informed, Southern Union has filed this Application with the Commission. This Application should not, however, be construed as an admission on the part of Southern Union that the Commission’s authority is required for Southern Union to perform in accordance with the terms of the Purchase and Sale Agreement.

The Standard for Approval

18. Assuming it has jurisdiction, in deciding whether or not to authorize the Transaction, the test to be applied by the Commission pursuant to § 393.190, RSMo, 2000 is a determination of whether or not the Transaction is “detrimental to the public,” the standard established by the Missouri Supreme Court in *State ex rel. City of St. Louis v. Public Service Commission*, 73 S.W.2d 393 (Mo. 1934). The City of St. Louis case has been interpreted to require a showing that a direct and present public detriment rather than a “potential speculative detriment” is likely to occur. (See Order Approving Stipulation and Agreement and Closing Case dated July 31, 2001, Case No. EM-2001-464) The term “detrimental to the public” has been interpreted to mean “higher rates and/or a deterioration

in the level of customer service.” (See Re Laclede Gas Company, Case No. 17,267, 16 Mo. P.S.C. (NS) 328, 92 P.U.R.3rd 426, 1971). Neither higher rates or a deterioration in service, directly or presently, are indicated in this case.

Reasons the Transaction will not be Detrimental to the Public Interest

19. The Transaction will have no adverse affect on the customers of MGE with respect to rates, service or otherwise and, consequently, is not detrimental to the public interest. Southern Union’s Missouri customers will see no change in their day-to-day utility service or rates, and said customers will continue to be served effectively and efficiently without interruption. The Commission’s jurisdiction over MGE will not change. All natural gas commodity, transportation and storage costs that are proposed to be passed on to MGE customers will continue to be subject to review by the Commission through the purchased gas adjustment/actual cost adjustment process included in MGE’s tariff. All non-gas costs proposed to be passed on to MGE customers will also continue to be subject to review by the Commission. The day-to-day management and operations of MGE in Missouri will continue to be conducted as they have been in the past. Although Panhandle Eastern’s operations are not subject to the jurisdiction of the Commission, its Missouri customers will also see no change in their day-to-day utility service or rates and said customers will also continue to be serviced effectively and efficiently without interruption. The Panhandle Eastern operations will continue to be fully regulated by the FERC as they have been in the past.

20. The Commission will retain full regulatory supervision over MGE after the Transaction is completed. The Transaction will not restrict access to Southern Union’s

books and records as is reasonably necessary to carry out the Commission's responsibilities with respect to MGE's operations, including proper audits.

21. In addition, Southern Union agrees to the conditions contained in the document attached hereto, marked Appendix 8 and made a part hereof for all purposes in order to further insulate its Missouri customers from any possible adverse consequences which may be associated with the Transaction.

22. Southern Union will continue uninterrupted its commitment to customer service performance measures and customer service operating procedures originally agreed to by Southern Union and approved by the Commission in its October 21, 1999, *Order Approving Stipulation and Agreement* in Case No. GM-2000-43 (and also agreed to by Southern Union and approved by the Commission in Case Nos. GM-2000-500, GM-2000-502 and GM-2000-503) for one full calendar year beyond the conclusion of the calendar year in which the Transaction closes. Upon fulfilling its commitment to customer service performance measures and customer service operating procedures in the full calendar year after the conclusion of the calendar year in which the Transaction closes, Southern Union will be considered to have fulfilled certain provisions of the Commission's orders in this case as well as Case Nos. GM-2000-500, GM-2000-502 and GM-2000-503.

In particular, this release is to apply to certain provisions of the Staff Recommendations in those cases (which were incorporated into the Commission's orders) which read as follows: "The Company will credit to customers a like amount (annual revenue requirement) during the subsequent year for the year in which the indicator was exceeded. The credit may be booked to a deferred liability account, if the Company, Staff and OPC agree, until

a sufficient amount is accumulated to warrant a credit to customers.” The reporting requirements of the Commission orders in Case Nos. GM-2000-43, GM-2000-500, GM-2000-502 and GM-2000-503 shall be unaffected by this release. This release approach is consistent with what the Commission approved in MGE’s most recent general rate proceeding, Case No. GR-2001-292.

23. Southern Union understands that the Commission’s approval of this Application will not constitute a finding by the Commission of the value of the Transaction for ratemaking purposes and that the Commission may reserve the right to consider the ratemaking treatment afforded the Transaction and the effects on cost of capital at a later time in any appropriate proceeding.

Miscellaneous Filing Requirements and Additional Information

24. A certified copy of the Minutes of the Executive Committee of the Board of Directors of Southern Union authorizing the acquisition and related undertakings contemplated by the Purchase and Sale Agreement and the filing of this Application is attached hereto, marked Appendix 6, and made a part for all purposes in accordance with Commission rule 4 CSR 240-2.060(12)(1)(B).

25. A copy of the financial statement showing the *pro forma* financial effect of the Transaction designated as “Highly Confidential” is attached hereto marked Appendix 7 and made a part hereof for all purposes.

WHEREFORE, assuming the Commission asserts jurisdiction over this Application Southern Union respectfully requests that the Commission issue its order on or before 30

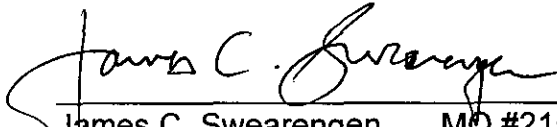
days from the date of the filing of this Application effective 10 days after the date of issuance:

- A. finding that the Transaction is not detrimental to the public interest;
- B. authorizing Southern Union to directly or indirectly acquire up to and including one hundred percent (100%) of the equity interests of Panhandle Eastern, including its subsidiaries, and to otherwise accomplish the Transaction as permitted by the terms of the Purchase and Sale Agreement, Appendix 5 hereto;
- C. authorizing Southern Union to enter into, execute and perform in accordance with, or as may be permitted by or result from, the terms of the Purchase and Sale Agreement, Appendix 5 hereto;
- D. authorizing Southern Union to enter into, execute and perform in accordance with, or as may be permitted by or result from, the terms of all other documents and to take any and all other actions which may be reasonably necessary and incidental to the performance of the Transaction; and,
- E. granting such other relief as may be necessary and appropriate to accomplish the purposes of the Transaction and this Application and to consummate the Transaction and related undertakings in accordance with the Purchase and Sale Agreement.

Respectfully submitted,

Dennis K. Morgan MO #24278
General Counsel
Southern Union Company
One PEI Center
Wilkes-Barre, Pennsylvania 18711-0601

Robert J. Hack MO #36496
Vice President – Pricing and Regulatory
Affairs and Assistant Secretary
Missouri Gas Energy
3420 Broadway
Kansas City, Missouri 64111
(816)360-5755
Fax: (816)360-5536
e-mail: rhack@mgemail.com



James C. Swearngen MO #21510
Paul A. Boudreau MO #33155
Sondra B. Morgan MO #35482
BRYDON, SWEARENGEN & ENGLAND, P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
Tel: (573) 635-7166
Fax: (573) 636-6450
paulb@brydonlaw.com

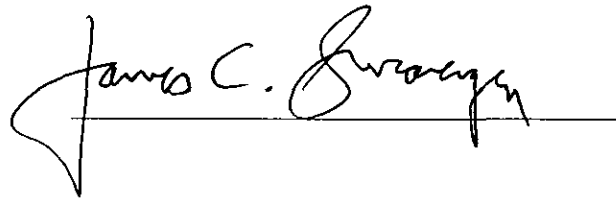
Attorneys for Southern Union Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered by first class mail or by hand delivery, on this 13th day of January, 2003 to the following:

Mr. Dana K. Joyce, General Counsel
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102-0360

Mr. John B. Coffman
Acting Public Counsel
Office of the Public Counsel
200 Madison Street, Suite 650
P.O. Box 7800
Jefferson City, MO 65102

A handwritten signature in cursive script, reading "James C. Swearingen", is written over a horizontal line.

APPENDIX 1

STATE OF MISSOURI



Judith K. Moriarty

SECRETARY OF STATE

CORPORATION DIVISION - CERTIFICATE OF AUTHORITY

WHEREAS,
SOUTHERN UNION COMPANY

USING IN MISSOURI THE NAME
SOUTHERN UNION COMPANY

HAS COMPLIED WITH THE GENERAL AND BUSINESS CORPORATION LAW WHICH GOVERNS FOREIGN CORPORATIONS; BY FILING IN THE OFFICE OF THE SECRETARY OF STATE OF MISSOURI AUTHENTICATED EVIDENCE OF ITS INCORPORATION AND GOOD STANDING UNDER THE LAWS OF THE STATE OF DELAWARE.

NOW, THEREFORE, I, JUDITH K. MORIARTY, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT SAID CORPORATION IS FROM THIS DATE DULY AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE, AND IS ENTITLED TO ALL RIGHTS AND PRIVILEGES GRANTED TO FOREIGN CORPORATIONS UNDER THE GENERAL AND BUSINESS CORPORATION LAW OF MISSOURI.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 26TH DAY OF JULY, 1993.

Judith K. Moriarty
Secretary of State

\$150.00



SOUTHERN UNION COMPANY

OFFICERS

OFFICE(S)

NAME

Chairman of the Board and
Chief Executive Officer

George L. Lindemann

President and Chief Operating Officer

Peter H. Kelley

Senior Vice President - Finance and
Administration, Chief Financial
Officer and Treasurer

Ronald J. Endres

Senior Vice President - Mergers and
Acquisitions, Chief Information
Officer and Assistant Secretary

Eugene N. Dubay

Senior Vice President - Planning

Donald A. Scovil

Vice President - Human Resources

Nancy M. Capezzuti

Vice President - Legal and Secretary

Dennis K. Morgan

Vice President - Marketing

Steven P. Laden

Vice President - Controller

David J. Kvapil

Assistant Secretary

John E. Brennan

Assistant Secretary

Joan K. Sherbenou

Assistant Secretary

FILED
Kerry Walker
AND CERTIFICATE OF
AUTHORITY ISSUED

SOUTHERN UNION COMPANY

BOARD OF DIRECTORS

George L. Lindemann, Chairman
John E. Brennan, Vice Chairman
Frank W. Denius, Chairman Emeritus
Peter H. Kelley
Aaron I. Fleischman
Adam M. Lindemann
Roger J. Pearson
George Rountree, III
Dan K. Wassong

JUL 26 1993

Judith L. Prosser
SECRETARY OF STATE

BUSINESS ADDRESS

Southern Union Company
504 Lavaca, Suite 900
Austin, Texas 78701



State of Missouri

Judith K. Moriarty, Secretary of State

P.O. Box 778, Jefferson City, Mo. 65102

Corporation Division

Application for Foreign Corporation For a Certificate of Authority

(Submit in duplicate with filing fee of \$150.00)

- (1) The corporation's name is SOUTHERN UNION COMPANY
and it is organized and existing under the laws of the State of Delaware.
- (2) The name it will use in Missouri is SOUTHERN UNION COMPANY
- (3) The date of its incorporation was 12/13/32, and the period of its duration is perpetual
month/day/year
- (4) The address of its principal place of business 504 Lavaca, Suite 900, Austin, Texas 78701
Address City/State/Zip
- (5) The name and address of its registered agent and office in the State of Missouri is
CT Corporation System, 906 Olive Street, St. Louis, Missouri 63101
Name Address City/State/Zip
- (6) The specific purpose(s) of its business in Missouri are:
Buying, selling, and transporting natural gas and to engage in any lawful act or activity for which corporations may be organized.
- (7) The name of its officers and directors and their business addresses are as follows:

(Officers)	Name	Address	City/State/Zip
------------	------	---------	----------------

President SEE ATTACHED

Vice President _____

Secretary _____

Treasurer _____

(Board of Directors)

Director SEE ATTACHED

Director _____

Director _____

Director _____

- (8) The effective date of this document is the date it is filed by the Secretary of State of Missouri, unless you indicate a future date, as follows: _____

(Date may not be more than 90 days after the filing date in this office)

In affirmation thereof, the facts stated above are true.

Dennis K. Morgan
(Authorized signature of officer or chairman of the board)
Dennis K. Morgan

Vice President - Legal & Secretary
(Title)

7/21/93
(Date of Signature)

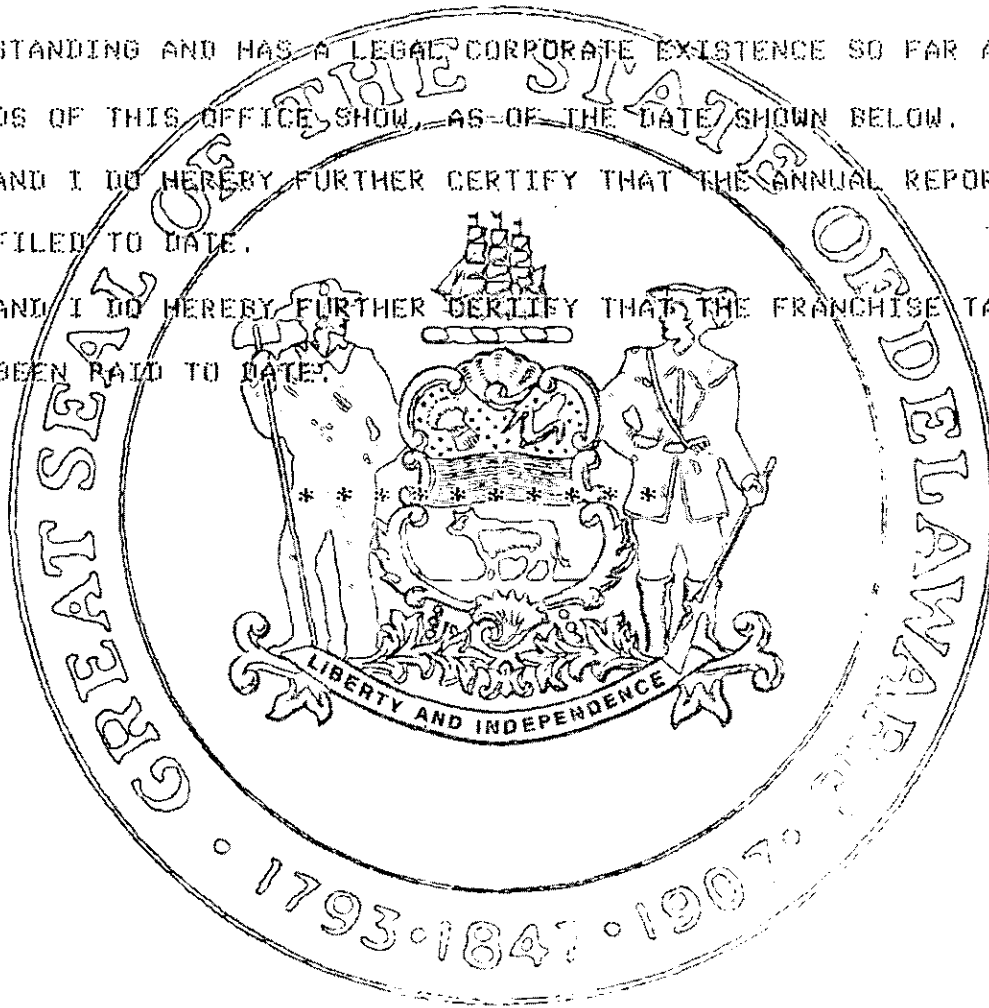
Note: You must have a current certificate of good standing or certificate of existence with this application. This may be obtained from the Secretary of State or other authority that issues corporate charters.

State of Delaware
Office of the Secretary of State

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY SOUTHERN UNION COMPANY IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE DATE SHOWN BELOW.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



William T. Quillen

William T. Quillen, Secretary of State

AUTHENTICATION: *3983407

733201165

DATE: 07/20/1993

APPENDIX 2



State of Missouri

Judith K. Moriarty, Secretary of State

No. X 258652

Corporation Division

Registration of Fictitious Name

This information is for the use of the public and gives no protection to the name. There is no provision in this Chapter to keep another company or corporation from adopting and using the same name. (RSMo 417)

We, the undersigned, are doing business under the following name, and at the following address:

Name to be registered: MISSOURI GAS ENERGY

Missouri Business Address (if not, other): 504 Lavaca, Suite 900

City, State and Zip Code: Austin, Texas 78701

FILED

AUG 05 1993

Judith K. Moriarty
SECRETARY OF STATE

The parties having an interest in the business, and the percentage they own are (if a corporation is owner, indicate corporation name and percentage owned). If all parties are jointly and severally liable, percentage of ownership need not be listed:

Name of Owners, Individual or Corporate	Street and Number	City	State	If listed, Percentage of ownership must equal 100%
<u>SOUTHERN UNION COMPANY</u>	<u>504 Lavaca, Suite 900</u>	<u>Austin</u>	<u>Texas</u>	<u>100</u> %
				%
				%
				%
				%
				%

Make check for \$2.00 payable to the State Director of Revenue.

TO BE FILED IN DUPLICATE (Must be typed or printed)

Return to: Secretary of State
Corporation Division
P.O. Box 778
Jefferson City, Mo. 65102

The undersigned, being all the parties owning interest in the above company, being duly sworn, upon their oaths each did say that the statements and matters set forth herein are true.

Individual
Owners
Sign Here

{	X	X
	X	X
	X	X

The undersigned corporation has caused this application to be executed in its name by its President or Vice-President and its Secretary or Assistant Secretary, this 4th day of August, 19 93.

SOUTHERN UNION COMPANY, a Delaware corporation

By E. M. Dubay (Exact Corporate Title)
By Kerry Walker Its President or Vice-President
By Kerry Walker Its Secretary or Assistant Secretary

X 258652
If
Corporation
is
Owner,
Corporate
Officers
Execute
Here

(Corporate Seal)
If no seal, state "none".

The Secretary of State's Office makes every effort to provide program accessibility to all citizens without regard to disability. If you desire this publication in alternate form because of a disability, please contact the Director of Publications, P.O. Box 778, Jefferson City, Mo. 65102; phone (314) 751-1814. Hearing-impaired citizens may contact the Director by phone through Missouri Relay (800-735-2966). The Corporations Division also maintains a Telecommunications Device for the Deaf (TDD) at (314) 526-5599.

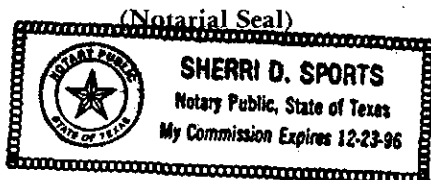
State of TEXAS

County of TRAVIS

} ss

I, Sherri D. Sports, A Notary Public, do hereby certify that on the 4th day of August, 19 93, personally appeared before me Eugene A. Dubay, and being first duly sworn by me, acknowledged that _____ he signed as his own free act and deed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.



Sherri D. Sports
Notary Public
My commission expires 12-23-96

APPENDIX 3

APPENDIX 3

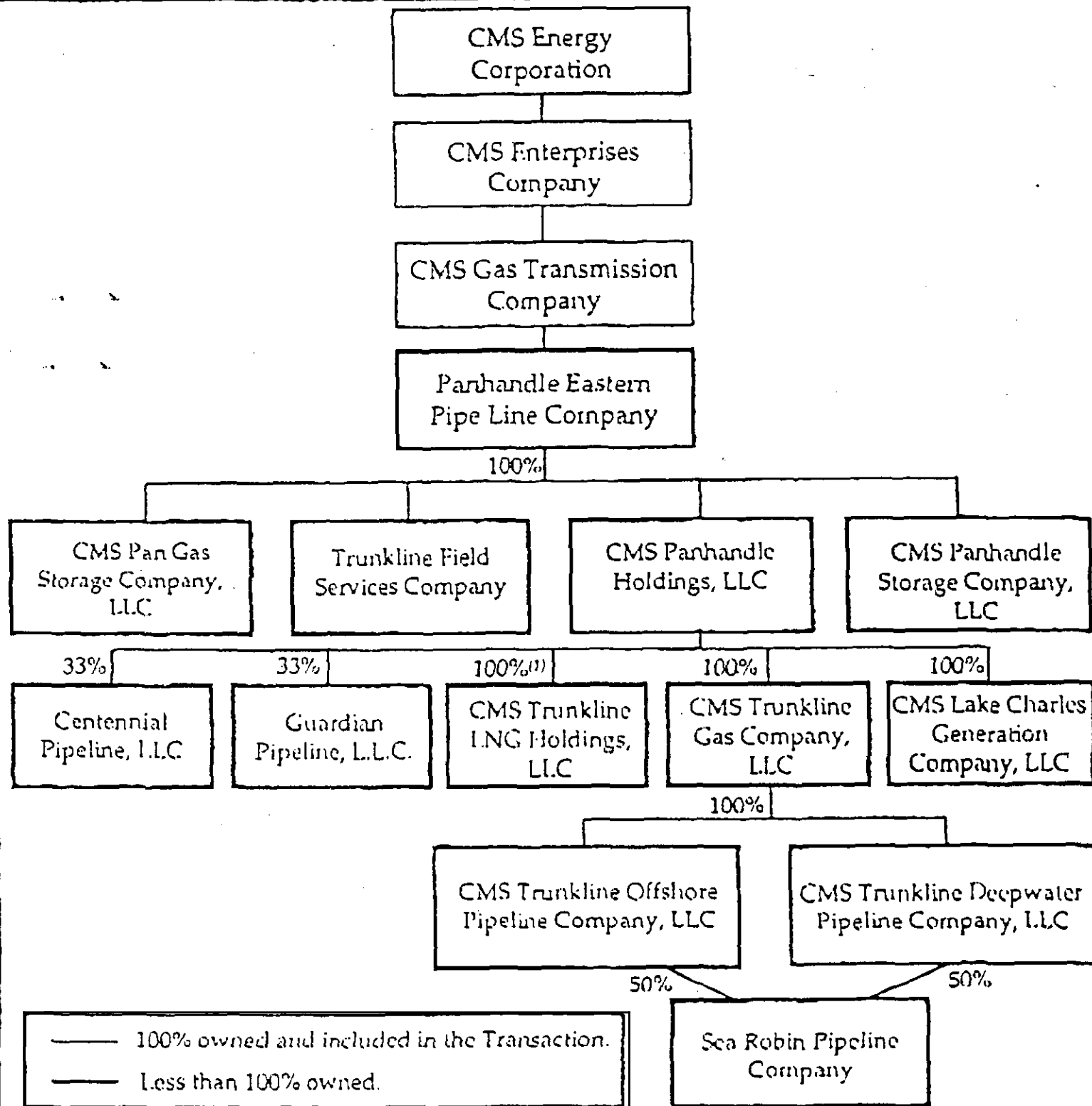


Panhandle Eastern Pipeline Company pipeline system

■ CMS Trunkline Gas Company, LLC pipeline system

APPENDIX 4

CMS Organization Chart



(1) Assumes that the interest currently held by Dekatherin Investor Trust is acquired.

APPENDIX 8

**CONDITIONS TO FURTHER INSULATE SOUTHERN UNION'S MISSOURI
CUSTOMERS FROM ANY POSSIBLE ADVERSE CONSEQUENCES ASSOCIATED
WITH THE TRANSACTION**

A. Southern Union will ensure that the Transaction will have no adverse effect on MGE's budget to complete its service line and replacement program. Southern Union, through its MGE operating division, remains committed to the safety line replacement program schedules currently in effect and approved by the Commission in its Case No. GO-2002-0050

B. The amount of any asserted acquisition premium (i.e. the amount of the total purchase price above net book value including transaction costs) paid by Southern Union in connection with the Transaction shall be treated below the line for ratemaking purposes in Missouri and not recovered in rates. Southern Union shall not seek either direct or indirect rate recovery or recognition of any acquisition premium, including transaction costs, through any purported acquisition savings adjustment (or similar adjustment) in any future ratemaking proceeding in Missouri. Southern Union reserves the right to seek Missouri rate recovery for internal payroll costs necessary to obtain Missouri regulatory approval of the Transaction, to the extent it can be shown that the savings achieved and allocated to MGE as a result of the Transaction are equal to or in excess of such costs. Other parties to any such proceeding will not be precluded from opposing rate recovery of such costs, regardless of any asserted acquisition savings. In addition, Southern Union shall not seek to recover in Missouri the amount of any asserted acquisition premium in the Transaction as being a "stranded cost" regardless of the terms of any legislation permitting the recovery of stranded cost from Missouri ratepayers.

C. Total joint and common costs allocated to Missouri will not increase as a result of the Transaction. Southern Union agrees to make available to the Commission's staff ("Staff") and the Office of the Public Counsel ("OPC"), at reasonable times and places, all books and records and employees and officers of Southern Union and any affiliate, division or subsidiary of Southern Union as provided under applicable law and Commission rules. Southern Union agrees that, in any MGE initiated rate proceeding, it has the burden of proving the reasonableness of any allocated or assigned cost to MGE from any Southern Union affiliate, division or subsidiary including all corporate overhead allocations.

D. Southern Union will retain all documentation relative to the analysis of the Transaction. This documentation will include a list of: (1) all Southern Union personnel, consultants, legal and financial and accounting advisers involved in the Transaction; (2) the time (in hours) spent by those individuals on work related to the proposed application; (3) other expenses, costs or expenditures incurred or recognized by Southern Union that are related to the Transaction; (4) business entity (corporate, subsidiary and division) where the costs were booked, including account number, account description and amount; and (5) description of the nature of costs incurred. Southern Union will maintain its books and records so that all acquisition costs (including the Transaction and future Southern Union merger and acquisition transactions) are segregated and recorded separately. During MGE's next rate proceeding, Southern Union agrees to work with the Staff and OPC to identify all Transaction costs recorded in Southern Union's books and records in the appropriate test year. This condition does not restrict Southern Union's right to seek rate recovery of merger and acquisition costs related to future transactions. Other parties to this proceeding may oppose recovery of merger and acquisition costs related to future

transactions. Southern Union agrees to create and maintain records listing the names of Southern Union employees (excluding current Panhandle Eastern employees), number of hours worked, type of work performed and travel and other expenses incurred for all work related to Panhandle Eastern after the closing of the Transaction through the end of the test year, updated test year or true-up test year in MGE's next general gas rate case. Southern Union will submit to the Commission's accounting department and OPC verified journal entries reflecting the recording of the Transaction of Southern Union's books and records within forty-five (45) days of closing.

E. Southern Union will not seek an increase of cost of capital for MGE as a result of the Transaction. Any increases in cost of capital Southern Union seeks for MGE will be supported by documented proof: (1) that the increases are a result of factors not associated with the Transaction; (2) that the increases are not a result of changes in business, market, economic or other conditions for MGE caused by the Transaction; or (3) that the increases are not a result of changes in the risk profile of MGE caused by the Transaction. Southern Union will ensure that the rates for MGE ratepayers will not increase as a result of the Transaction.

F. Southern Union agrees that any Stipulation and Agreement to which Southern Union is a signatory with regard to any MGE Actual Cost Adjustment ("ACA") case that occurs prior to the closing of the Transaction will be adhered to by Southern Union.

G. Southern Union agrees that within six (6) months of the closing of the Transaction, it shall meet with the Staff and OPC to discuss the impact of the Transaction on Southern Union's structure and organization, including Southern Union's progress towards incorporating Panhandle Eastern's operations into its administrative and general ("A & G") expense allocation methodology. In its A & G allocation methodology, Southern Union will specifically identify how its total company corporate overheads are to be allocated between Southern Union's regulated and non-regulated functions of its regulated divisions as well as its non-regulated subsidiaries. Southern Union agrees that the types and availability of raw data necessary to perform allocations of corporate overhead costs shall be discussed at the meeting to occur within six (6) months of the close of the Transaction. The raw data to be discussed should include, but not be limited to, regulated and non-regulated information concerning customer numbers and billing information, revenue data, asset information (gross and net plant, etc.), management work time allocations, employee numbers and other payroll data, and the Missouri jurisdictional rate of return on investment ("ROR") and return on equity ("ROE"). The allocation procedures to be discussed may include, but need not be limited to, the use of cost allocation manuals, timesheets, time studies, and/or other means of tracking and allocating costs. The allocation procedures agreed upon should provide a means to identify and substantiate the portions of each individual corporate employee's time and associated payroll cost being allocated to Southern Union's regulated divisions.

H. The commitments and representations made by Southern Union in this Appendix 8 are intended to apply only in the context of Missouri jurisdictional regulatory activities. Commission approval of this Application is not intended, and shall not be

construed, to restrict in any way the ability of either the Commission or Southern Union to take any position whatsoever regarding matters covered by this Appendix 8 in proceedings before the Federal Energy Regulatory Commission or any other non-Missouri jurisdictional regulatory authority.

APPENDIX 6

SECRETARY'S CERTIFICATE

SOUTHERN UNION COMPANY

The undersigned, Dennis K. Morgan, hereby certifies as follows:

1. I am the duly elected Executive Vice President – Administration, General Counsel and Secretary of Southern Union Company, a Delaware corporation (the “Corporation”).

2. Attached hereto is Exhibit A, which is a true copy of resolutions passed by the Executive Committee of the Board of Directors of the Corporation dated December 20, 2002. The resolutions are in full force and effect, and such resolutions do not conflict with the Bylaws of the Corporation.

Executed this 7th day of January 2003.


Dennis K. Morgan

EXHIBIT "A"

RESOLVED, that the Stock Purchase Agreement (the "SPA") by and among CMS Gas Transmission Company (the "Seller"), AIG Highstar Capital, L.P., AIG Highstar II Funding Corporation (together AIG Highstar Capital, L.P. and AIG Highstar II Funding Corporation, the "Highstar Parties"), Southern Union Panhandle Corporation and the Corporation (together the Corporation and the Highstar Parties, the "Co-Sponsors") with respect to the purchase of the common stock of Panhandle Eastern Pipe Line Company from Seller, the Letter Agreement among the Co-Sponsors and the basic terms among the Co-Sponsors, are hereby approved, and the Corporation's President, Executive Vice President and Chief Financial Officer, Executive Vice President – Administration, General Counsel and Secretary, and Vice President – Legal are hereby authorized to finalize the terms, execute and deliver all required agreements at execution, such execution and delivery to be deemed to indicate their final approval of such agreements.

RESOLVED, that all actions taken to date by officers of the Corporation or representatives of the Corporation and its Co-Sponsors acting at the direction of the officers of the Corporation in connection with such transactions are hereby confirmed, ratified and approved in all respects, and that such officers or representatives hereby are further authorized and directed to take or cause to be taken all other actions as they may deem to be necessary or appropriate in connection with the transaction contemplated by the SPA.

RESOLVED, that such officers be, and hereby are, authorized and directed to execute and deliver all the other instruments and documents that such officers deem necessary or appropriate, and to take or cause to be taken all actions on behalf of the Corporation that such officers deem necessary or appropriate to consummate the transaction contemplated by the SPA, or to otherwise carry out the intent of the foregoing resolutions.