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April 27, 2000

**FILED<sup>2</sup>**  
APR 27 2000  
Missouri Public  
Service Commission

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

**Re: In the Matter of the Investment of Southern Union Company in Valley  
Resources, Inc., Fall River Gas Company and Providence Energy Corporation  
Case No. GF-2000-504**

Dear Mr. Roberts:

On behalf of Southern Union Company, I deliver herewith an original and fourteen (14) copies of a Compliance Report to be filed with the Commission. A copy is also being hand-delivered to The Office of the Public Counsel this date.

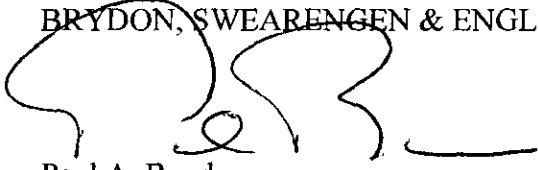
I have also enclosed an extra copy of the Compliance Report which I request that you stamp "Filed" and return to the person delivering same to you.

Thank you for your attention in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

  
Paul A. Boudreau

PAB/aw

Enclosures

cc: The Office of Public Counsel

BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI

FILED<sup>2</sup>

APR 27 2000

Missouri Public  
Service Commission

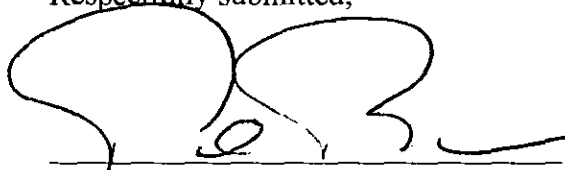
In the matter of the application of Southern )  
Union Company for authority to acquire up )  
to and including five percent (5%) of the )  
common stock of Fall River Gas Company, )  
Valley Resources, Inc., and Providence )  
Energy Corporation. )

Case No. GF-2000-504

**COMPLIANCE REPORT**

COMES NOW Southern Union Company ("Southern Union") and, pursuant to ¶ Ordered:  
4 and 6 of the Commission's March 28, 2000 Order Approving Application with Conditions,  
submits the attached report addressing the procedure Southern Union has put in place to track time  
and expenses incurred on the investments authorized by the Commission's Order (including  
information captured to date) and steps that can be taken to insulate Missouri ratepayers from capital  
structure impacts associated with losses on any of said investments.

Respectfully submitted,



Paul A. Boudreau #33155  
BRYDON, SWEARENGEN & ENGLAND P.C.  
P.O. Box 456  
Jefferson City, MO 65102-0456  
(573) 635-7166


Attorneys for Southern Union Company

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 27<sup>th</sup> day of April, 2000, to:

Mr. Dennis L. Frey  
Assistant General Counsel  
Missouri Public Service Commission  
Truman Building, Room 530  
P.O. Box 360  
Jefferson City, MO 65102-7800

Mr. Douglas Micheel  
The Office of the Public Counsel  
Truman Building, Room 250  
P.O. Box 7800  
Jefferson City, MO 65102-7800



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SOUTHERN UNION COMPANY  
REPORT IN COMPLIANCE WITH  
MISSOURI PUBLIC SERVICE COMMISSION  
ORDER IN CASE NO. GF-2000-504

April 27, 2000

The Missouri Public Service Commission's ("MPSC's") order in Case No. GF-2000-504, effective April 7, 2000, authorizes Southern Union Company ("Company") to acquire up to five percent of the outstanding common stock of Fall River Gas Company ("FAL"), Valley Resources, Inc. ("Valley") and Providence Energy corporation ("ProvEnergy") prior to the Company's merger with FAL, Valley and ProvEnergy. The Company's applications for the mergers' approval have been docketed as Case Nos. GM-2000-500, GM-2000-502 and GM-2000-503. The MPSC's order in Case No. GM-2000-504 requires that the Company file this report within thirty days of the order to address two items:

1. Procedures to track time and expenses incurred on the investments authorized by the order and information captured to date (Ordering Paragraph No. 4), and
2. Steps to be taken to insulate Missouri ratepayers from capital structure impacts associated with losses on the investments (Ordering Paragraph No. 6).

Regarding item 1, time and expenses incurred to date almost exclusively relate to the MPSC application, review and approval process. Time and expense information that has been assembled is summarized on Attachment 1. All Company personnel who may be involved in matters pertaining to these investments have been directed to track any time and expenses associated with these matters and to retain this information so that it can be made available through the completion of Missouri Gas Energy's next rate case. The Company expects little internal personnel time involvement on these investments. The Company has entered agreements with brokers who at different times will be authorized to monitor stock price movements and engage in trading in FAL, Valley and ProvEnergy stock within specified parameters. Thus, Company personnel will not be involved with monitoring stock price movements, determining when to engage in individual transactions, and arranging for individual investment transactions. When an investment transaction takes place through a broker, the internal time and expenses would be limited to those associated with arranging wire transfers, recording accounting entries, and meeting regulatory compliance requirements of the MPSC's order in this case, that is Ordering Paragraph Nos. 2, 3, and 4. The Company has designated an individual in its treasury area to track and maintain this information associated with these transactions.

Regarding item 2, the Company represents that the capital structure used to determine an appropriate rate of return in future Missouri Gas Energy rate cases will not be affected by losses, should they materialize, on the investments authorized by the MPSC's order in this case. If the unlikely event that such losses materialize, there are at

least two ways to remove their impact: the Company's actual capital structure could be adjusted or an industry average capital structure could be employed.

Attachment 1

Company Personnel Time (through April 8, 2000)

	<u>Hours</u>
Senior Attorney	0.75
Vice President – Pricing and Economic Analysis	3.00
Treasurer and Director of Investor Relations	1.50
Director of Financial Reporting	0.75
Managing Attorney	0.75
Vice President – Pricing and Regulatory Affairs	0.50
Administrative Assistant – Legal Department	0.50
Legal Assistant	1.50

Outside Legal Services (through March 31, 2000) - \$3,695