

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
JEFFERSON CITY  
March 26, 2002**

**CASE NO: GM-2002-295**

**Office of the Public Counsel**  
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Jefferson City, MO 65102

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**James M. Fischer**  
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101 Madison, Suite 400  
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**Enclosed find certified copy of an ORDER in the above-numbered case(s).**

Sincerely,

A handwritten signature in black ink that reads "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

**Dale Hardy Roberts**  
**Secretary/Chief Regulatory Law Judge**

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service  
Commission held at its office in  
Jefferson City on the 26th day of  
March, 2002.

|  |   |                                    |
|--|---|------------------------------------|
| In the Matter of the Application of Atmos Energy | ) |                                    |
| Corporation for an Order Authorizing it to Merge | ) | <b><u>Case No. GM-2002-295</u></b> |
| with Mississippi Valley Gas Company              | ) |                                    |

**ORDER APPROVING MERGER**

On December 30, 2001, Atmos Energy Corporation filed an application requesting approval of its merger with Mississippi Valley Gas Company. Atmos is a Texas corporation engaged in the distribution, transportation and sale of natural gas in Missouri and a number of other states. Atmos serves approximately 1.4 million customers. Mississippi Valley is a Mississippi corporation engaged in the transmission and distribution of natural gas in Mississippi, providing service to approximately 261,500 customers. Pursuant to the terms of an agreement between Atmos and Mississippi Valley, Mississippi Valley will merge with and into Atmos, with Atmos being the surviving corporation. The purchase price is \$150,000,000 (less certain adjustments), half cash and half Atmos common stock. Atmos has also agreed to assume approximately \$45,000,000 of Mississippi Valley's outstanding debt. The cash portion will be funded by permanent long-term debt financing with the exact amount, interest rate and maturity to be determined by market conditions at the time of issuance.

Atmos will operate the business formerly conducted by Mississippi Valley as one of its divisions. The manner of providing natural gas services to customers in Mississippi

Valley's service area in Mississippi will remain largely unchanged. In addition, Atmos' various divisions in Missouri will remain unaffected by the transaction.

On February 8, the Staff of the Commission filed its recommendation, in which it recommended that the Commission grant the application, subject to the following conditions:

1. That Atmos be ordered to adhere to the customer service performance measures and reporting requirements outlined in this Staff Recommendation through the year 2004.
2. That Atmos be ordered to submit surveillance data reports on a stand alone basis for its Missouri operating units, which include United Cities Gas Company, Associated Natural Gas Company on a monthly basis and Greeley Gas Company on a quarterly basis. In addition, Atmos should be ordered to submit total company data on a consolidated basis monthly in conjunction with its separate submittals for UCG and ANG.
3. That Atmos be ordered to comply with the tariffs filed with the Missouri Public Service Commission, or in the alternative, immediately file with the Commission a request for approval to consolidate the tariffs of UCG, Greeley and, those of ANG adopted by Atmos.
4. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded this transaction in any subsequent proceeding.
5. That the Commission's order shall not be deemed precedent for any future transaction even if the facts may be similar.
6. That any adverse financial effects of this acquisition shall be borne by Atmos stockholders and not by Missouri ratepayers.
7. That all records pertaining to these transactions shall be maintained at Atmos' headquarters and made available to the Staff as the Staff deems necessary.
8. That no finding be rendered that would bind any party to any cost allocation or ratemaking principle in any future case.

Staff explained the reasons why several of these conditions are necessary. The condition has to do with customer service. In a Unanimous Stipulation and Agreement in

Case No. GM-2000-312, Atmos agreed to certain customer service provisions and measurements.<sup>1</sup> In its recommendation in this case, Staff proposed that approval of the merger be conditioned on Atmos agreeing to continue with these provisions and measurements through calendar year 2004. Staff stated that it will continue to provide reports to Atmos through calendar year 2004.

The second condition has to do with surveillance data. Staff stated that it is important for Atmos to continue the submission of surveillance data reports for two reasons: (1) to allow Staff an opportunity to monitor the earnings of Atmos and its operating units to ensure protection of Missouri ratepayers from any possible over-earnings by the Company; and (2) to provide Staff with data helpful in making a preliminary assessment of the effects of the merger of Atmos and Mississippi Valley.

Staff recommended the third condition because it is concerned that Atmos is not following its tariffs and has not consolidated the tariffs for its Missouri properties. In Case No. GM-2000-312, Atmos indicated that it intended to file tariffs to consolidate the tariffs for the former Associated Natural Gas properties with the tariffs for the United Cities Gas division. Staff stated in its recommendation in this case that, to date, Atmos has not done so.

On February 28, Atmos filed its response to the Staff recommendation. Atmos proposed certain minor modifications and clarifications. Atmos pointed out that it does not have an "Associated Natural Gas division," but that the former Associated Natural Gas properties have been merged with Atmos, and that it intends to proceed expeditiously with

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<sup>1</sup> Pages 2-7 of the Unanimous Stipulation and Agreement in Case No. GM-2000-312.

tariff filings to consolidate all of Missouri operating divisions into a single set of tariffs. Atmos also noted that, for surveillance reporting purposes, it would have to allocate some costs that cannot be directly assigned to the former Associated Natural Gas properties, and requested that the separate reporting requirement be eliminated once all its divisions are providing service pursuant to the same tariff. No party responded to this filing.

The Commission finds that, with the conditions proposed by the Staff, the merger will not be detrimental to the public interest. The merger itself should have no impact on Missouri customers, and the conditions may benefit Missouri customers. The Commission finds that the proposed conditions, with the modifications and clarifications identified by Atmos in its February 28 pleading, are reasonable and will reflect them in the Ordered Paragraphs below.

**IT IS THEREFORE ORDERED:**

1. That the application of Atmos Energy Corporation for approval of its merger with Mississippi Valley Gas Company is granted, subject to the conditions set out below in Paragraphs 2 through 11, and that Atmos Energy Corporation is authorized to consummate the merger as described in the application.

2. That Atmos Energy Corporation shall, through the year 2004, adhere to the customer service performance measures and reporting requirements outlined in the Staff Recommendation filed on February 8, 2002.

3. That Atmos Energy Corporation shall submit to the Staff of the Commission monthly surveillance data on a stand-alone basis for its United Cities Gas Company

operating division, and, to the extent possible, data that would be applicable to the service area formerly operated by Associated Natural Gas Company.

4. That Atmos Energy Corporation shall submit to the Staff of the Commission quarterly surveillance data on a stand-alone basis for Greeley Gas Company.

5. That Atmos Energy Corporation shall submit to the Staff of the Commission monthly total company data on a consolidated basis.

6. That Atmos Energy Corporation shall comply with its approved tariffs, or in the alternative, immediately file with the Commission tariffs that will consolidate the tariffs of United Cities Gas Company, the Atmos Energy Corporation tariffs that apply to the service area previously operated by Associated Natural Gas, and the Greeley Gas Company division tariffs.

7. That nothing in this order shall be considered a finding by the Commission of the value for ratemaking purposes of the transactions herein involved.

8. That the Commission reserves the right to consider any ratemaking treatment to be afforded the transactions herein involved in a later proceeding.

9. That this order shall not be deemed precedent for any future transaction even if the facts may be similar.

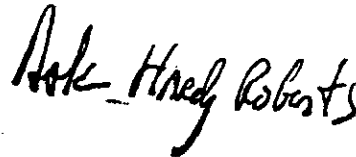
10. That any adverse financial effects of this acquisition shall be borne by Atmos Energy Corporation stockholders and not by Missouri ratepayers.

11. That all records pertaining to these transactions shall be maintained at Atmos Energy Corporation's headquarters and made available to the Staff of the Commission as the Staff deems necessary.

12. That this order shall become effective on April 5, 2002.

13. That this case may be closed after April 6, 2002.

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read "Dale Hardy Roberts". The signature is written in a cursive, flowing style.

**Dale Hardy Roberts**  
**Secretary/Chief Regulatory Law Judge**

( S E A L )

Simmons, Ch., Lumpe, Gaw and Forbis, CC., concur  
Murray, C., absent

Mills, Deputy Chief Regulatory Law Judge

Alt/Secretary: Mills/Bye  
Date Circulated: 3-20 Case NO. CM-2002-295  
KS  
Simmons, Chair  
Murray, Commissioner absent  
Lumpe, Commissioner 4:18 P 4  
Gaw, Commissioner 7/6 - I would include staffs  
Forbis, Commissioner 185  
Agenda Date 3-26  
Action taken: 4-0 AS  
Must Vote Not Later Than \_\_\_\_\_

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and  
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,  
Missouri, this 26<sup>th</sup> day of March 2002 .

Dale Hardy Roberts

Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge

