STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held at its office in Jefferson City on the 5th day of April, 1991.

In the matter of the application of United Cities Gas Company for an order authorizing the issuance and sale of up to $7,000,000 of First Mortgage Bonds, Series S, the issuance and sale of up to $18,000,000 of First Mortgage Bonds, Series T, and to execute and deliver a supplemental indenture securing same.	CASE NO. GF-91-281

ORDER AUTHORIZING FINANCING

On February 20, 1991, United Cities Gas Company (Applicant) filed a verified application requesting the Commission grant Applicant authority to issue and sell up to $25 million in First Mortgage Bonds. The Commission's Staff (Staff) has reviewed the application and the exhibits attached thereto and recommends approval of the proposed financing. In the Commission's opinion it is unnecessary to hold a hearing in this matter and the Commission will render a decision on the authority requested based upon the verified application, the exhibits attached thereto and the recommendation of the Staff.

Applicant is a corporation organized under the laws of the State of Illinois and the Commonwealth of Virginia with its principal office located at 5300 Maryland Way, Brentwood, Tennessee 37027. Applicant is a utility company subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1986, as amended.

Applicant proposes to issue and sell up to $7 million of First Mortgage Series S Bonds with an interest rate of 8.71 percent to mature in six years. Applicant also proposes to issue and sell up to $18 million of First Mortgage Series T Bonds with an interest rate of 9.32 percent to mature in 30 years. Applicant proposes to secure these bonds by a Supplemental Indenture to its Original Indenture of Mortgage, as amended, creating the Series S and Series T Bonds as well as securing them. Applicant proposes to use the proceeds from these bonds to increase working capital, pay bank loans, acquire property, and construct, extend, improve or add to its facilities. Applicant states that its application is filed pursuant to Section 393.190, RSMo 1986, and no fees are applicable to this financing pursuant to Section 386.300, RSMo 1986.

On March 29, 1991, Staff filed a memorandum in this case recommending the Commission grant the authority sought by Applicant. In support of its recommendation Staff states that the short-term debt outstanding was at a cost of 10 percent as of November 30, 1990, and the $25 million of proposed long-term debt has a weighted average annual interest cost of 9.15 percent. Staff further states that the issuance of this $25 million of long-term debt will result in the weighted annualized interest expense for long-term debt to decrease from 10.01 percent to 9.28 percent. Staff further recommends that the Commission require the Applicant to late-file an exhibit detailing the proceeds acquired from the sales of these two debt issuances and outlining the use to which these proceeds are applied.

Based upon the verified application as amended, the exhibits attached thereto and Staff's recommendation, the Commission will authorize the proposed financing. The Commission will also adopt Staff's recommendation and direct Applicant to file a report detailing the proceeds obtained from the bond issuance and the uses to which these proceeds are applied.

IT IS THEREFORE ORDERED:

1. That United Cities Gas Company be authorized hereby to issue and sell up to $7 million of First Mortgage Series S Bonds with an interest rate of 8.71 percent maturing in six years and up to $18 million of First Mortgage Series T Bonds with an interest rate of 9.32 percent maturing in 30 years for cash equal to the principal amount thereof plus accrued interest, if any, from the date of the bonds to the date of delivery thereof.

2. That United Cities Gas Company be authorized hereby to execute and deliver a Supplemental Indenture to its Original Indenture of Mortgage, as amended,

creating the issue of the Series S and Series T Mortgage Bonds authorized herein and securing them.

3. That United Cities Gas Company be authorized hereby to obtain the authentication and delivery of the bonds by the principal trustee in any manner permitted by the Trust Indenture and directed hereby to use the net proceeds from the sale of these bonds for the purposes stated in this order.

4. That United Cities Gas Company be authorized hereby to create and make effective the lien of the Trust Indenture as amended and supplemented and as to be amended and supplemented for the Series S and Series T Mortgage Bonds on the property of United Cities Gas Company located in the State of Missouri to secure the Series S and Series T Mortgage Bonds.

5. That United Cities Gas Company be authorized hereby to take such other actions as may reasonably be necessary to complete the transactions authorized herein.

6. That United Cities Gas Company be authorized hereby to amortize the expenses incident to the sale of the bonds authorized herein over their respective lives.

7. That United Cities Gas Company be directed hereby to file a report within thirty (30) days of the sale and issuance of the bonds as to the amount of the proceeds obtained from their sale and issuance and the use to which these proceeds have been put.

8. That nothing in this order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved or of the value for ratemaking purposes of the properties herein involved or as an acquiescence in the value placed upon said properties by United Cities Gas Company. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their resulting cost of capital, in any later proceeding.

9. That this order shall become effective on the 15th day of April, 1991.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

Steinmeier, Chm., Mueller, Rauch
and McClure, CC., Concur.