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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 25th
day of June, 1997.

In the matter of the Application of Southern)
Union Company for authority to acquire,)
indirectly, stock of Compania Nacional de Gas, SA)
de CV; Servicios Corparitivos Phenix, SA de CV;)
Construcciones Instalaciones y Asesorias, SA de) Case No. GM-97-341
CV; and Materiales Aparatos, SA de CV, and to)
take all other actions reasonably necessary to)
effectuate said transactions.)

ORDER GRANTING AUTHORITY TO ACQUIRE STOCK

On February 21, 1997 Southern Union Company (Southern Union) filed an Application with the Commission for the authority, pursuant to Section 393.190 RSMo 1994 and 4 CSR 240-2.060, to acquire, indirectly, stock in a natural gas distribution business located in the country of Mexico, immediately across the border from operations of the Texas operating company of Southern Union. In its Application, Southern Union states that its subsidiary, Southern Union Energy International, Inc. (SUEI), is entering into definitive loan agreements in the amount of approximately \$2.7 million (U.S.) with the following companies which provide natural gas distribution and related services in Piedras Negras, Coahuila, Mexico: Compania Nacional de Gas, SA de CV; Servicios Corparitivos Phenix, SA de CV; Construcciones Instalaciones y Asesorias, SA de CV; and Materiales Aparatos, SA de CV (Mexican Companies).

Southern Union states that loan agreements made with the shareholders of the Mexican Companies are currently secured by sufficient collateral, which is convertible at the option of SUEI into equity in the.

Mexican Companies. Southern Union states that conversion to equity of the collateral would not constitute controlling interest in the Mexican Companies, but would be considered in the nature of an investment. Southern Union contemplates conversion of collateral into approximately 40 percent of the outstanding stock of the Mexican Companies. The stockholders of the Mexican Companies have pledged up to 51 percent of the shares.

On June 5 the Staff of the Commission filed its recommendation in this matter. In response to that recommendation, Southern Union filed a request that this matter be expedited.

In its recommendation, the Staff stated that, due to the nature of the loans, the capital structure of Southern Union will not be affected. The Staff recommends the Commission approve the Application with the following conditions:

- "1) That Southern Union will file for a new certification letter from the Missouri Public Service Commission for any additional investment in the Mexican Companies.
- 2) That all records pertaining to these transactions be maintained by Southern Union and made available to the Staff as the Staff deems necessary.
- 3) 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 these financing transactions and their results in cost of capital in any later proceeding.
- 4) That the Commission's order shall not be deemed to be precedent for any future financing even if the facts may be similar.
- 5) That any adverse financial effects of this acquisition be borne by Company stockholders and not by Missouri ratepayers.
- 6) That the Staff's recommendation and the Commission's order be included as attachments to the certification letter to the Securities and Exchange Commission.
- 7) That the certification letter with the Staff proposed modified language be sent to the Securities and Exchange Commission."

The Commission has reviewed the Application, accompanying documents and the recommendation of the Staff, and finds that the proposed transaction is not detrimental to the public interest. The Commission will approve the transaction and related matters with the above-stated Staff conditions.

IT IS THEREFORE ORDERED:

1. That the Commission finds the proposed transaction to not be detrimental to the public interest and, therefore, Southern Union Company, through its subsidiary, Southern Union Energy International, Inc., or any subsidiary thereof, is granted the authority to acquire shares of stock of Compania Nacional de Gas, SA de CV; Servicios Corporativos Phenix, SA de CV; Construcciones Instalaciones y Asesorias, SA de CV; and Materiales Aparatos, SA de CV up to 40 percent as specified in the Staff recommendation. Acquisition of any additional shares will require the filing of an additional application with this Commission.

2. That all records pertaining to this transaction will be furnished to the Staff of the Commission upon request.

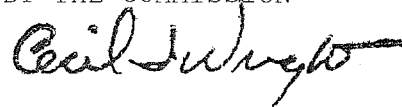
3. That nothing in this order will be considered a finding by the Commission of the value of this transaction for ratemaking purposes. The Commission reserves the right to consider the ratemaking treatment to be afforded the approved transaction and the effects on cost of capital at a later time in any appropriate proceeding. Any adverse financial effects stemming from this transaction will be borne by the stockholders of Southern Union and not by Missouri ratepayers. Finally, the Commission states that this order shall in no way constitute a precedent by this Commission regarding the manner or outcome of any future similar application.

4. That the Executive Secretary of the Commission will send to the Securities Exchange Commission a letter certifying the Commission's authority and resources to protect Missouri ratepayers and the Commission's intention to exercise authority in substantially the same form as Appendix 5 to the Application, but with the modified language as proposed by the Staff in its recommendation. The Executive Secretary will attach the recommendation of the Staff and the Commission's order in this case to the above letter.

5. That Southern Union Company, its subsidiary Southern Union Energy International, Inc., or any subsidiary thereof is authorized to execute and perform in accordance with the terms of all documents and take or cause to be taken any and all actions reasonably necessary to effectuate the transactions described herein.

6. That this order shall become effective on June 30, 1997.

BY THE COMMISSION



Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Crumpton, Drainer,
Murray, and Lumpe, CC., Concur.

ALJ: Derque