

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND

PROFESSIONAL CORPORATION

312 EAST CAPITOL AVENUE

P.O. BOX 456

JEFFERSON CITY, MISSOURI 65102-0456

TELEPHONE (573) 635-7166

FACSIMILE (573) 636-6450 or 635-0427

E-MAIL: PBOUDREAU@MAIL.ULTRAWEB.NET

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

DEAN L. COOPER
MARK G. ANDERSON
TIMOTHY T. STEWART
GREGORY C. MITCHELL
RACHEL M. CRAIG
BRIAN T. MCCARTNEY
DALE T. SMITH

August 27, 1999

FILED²

AUG 27 1999

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: Southern Union Company
Case No. GM-2000-49**

Dear Mr. Roberts:

In accordance with Ordered paragraph numbers 4 and 6 of the Commission's July 29, 1999, Order Approving Application with Additional Conditions issued in the referenced case, I enclose with an original and 14 copies of a Compliance Report addressing time and expense tracking procedures and various steps to be taken with respect to capital structure impacts associated with investment losses. I would appreciate it if you would see that this Report is distributed to the appropriate Commission personnel.

Thank you in advance for your assistance in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:

Paul A. Boudreau

PAB:aw

cc: Office of the Public Counsel (w/ enclosure)

FILED²

AUG 27 1999

Missouri Public
Service Commission

SOUTHERN UNION COMPANY
REPORT IN COMPLIANCE WITH
MISSOURI PUBLIC SERVICE COMMISSION
ORDER IN CASE NO. GM-2000-49

August 27, 1999

The Missouri Public Commission's ("MPSC's") order in Case No. GM-2000-49, effective July 30, 1999, authorizes Southern Union Company ("Company") to acquire up to five percent of the outstanding common stock of Pennsylvania Enterprise, Inc. ("PNT") prior to the Company's merger with PNT. The Company's application for the merger approval has been docketed as Case No. GM-2000-43. The MPSC's order in Case No. GM-2000-49 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 two brokers who at different times will be authorized to monitor PNT stock price movements and engage in trading in PNT 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 the 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 could be employed.

Attachment 1

Company Personnel Time (through August 24, 1999)

	<u>Hours</u>
Senior Attorney	3.0
Vice Chairman of the Board and Assistant Secretary	0.5
President - Missouri Gas Energy	4.5
Vice President - Pricing and Economic Analysis	4.5
Executive Vice President and Chief Financial Officer	2.5
Director of Financial Reporting	5.0
Vice President - Rates and Regulatory Affairs	2.75
President and Chief Operating Officer	2.5
Senior Vice President - Corporate Controller	2.0
Senior Vice President - Legal and Secretary	4.5
Administrative Assistant - Legal Department	4.0
Legal Assistant	5.0

Outside Legal Services (through July 31, 1999) \$6,104