



December 6, 2002

Mr. Michael Langston  
Missouri Gas Energy c/o  
Southern Union Company  
IV Barton Skyway  
1301 South Mopac, Suite 400  
Austin, TX 78746

10-12-02 11:56 IN

Re: Letter of April 4, 2002 - Kansas Pipeline Capacity

Dear Mr. Langston:

Please reference the subject letter previously sent to you and your telephone message left earlier today. As you have correctly pointed out, the date referenced in line 3 of the April 4 letter is incorrect and should read "prior to its September 00 effective date."

Please accept my apologies for any confusion this error may have caused.

Sincerely,

Mark R. Homestead  
Regional Manager - MidContinent Region

attachment

Post-It™ brand fax transmittal memo 7671		# of pages > 2
To <i>Mac Peterson</i>	From <i>Mike Langston</i>	
Co.	Co.	
Dept.	Phone #	
Fax # <i>508-303-3290</i>	Fax #	

Duke Energy Trading and Marketing, L.L.C.

A Duke Energy and Mobil Company  
5400 Westheimer Court  
Houston, Texas 77056



April 4, 2002

Mr. Michael Langston  
Missouri Gas Energy c/o  
Southern Union Company  
IV Barton Skyway  
1301 South Mopac, Suite 400  
Austin, TX 78746

09-04-02 P03:34 IN

Re: Kansas Pipeline Capacity

Dear Mr. Langston:

Please reference our telephone conversation of April 1, 2002 regarding the value placed by Duke, on your Transok/KPL capacity during our internal review of our proposed transaction prior to its September 01 effective date. The result of our review indicated that the Transok/KPL capacity had little or no utility for Duke's purposes and therefore no value for the following reasons:

- o Cost of supply on the Transok system typically has a higher value than other potential supplies reaching the Kansas City market area.
- o Due to limitations under the contract, the Transok/KPL capacity has restricted receipt point locations.
- o Contractually the Transok/KPL capacity has limited or no delivery point flexibility.

Although the Transok/KPL capacity may have value for Missouri Gas Energy in its role as a local distribution company, the true value of released capacity from the perspective of a marketing company lies in the flexibility, spread value and the matching of capacity to our marketing portfolio objectives. In this particular case, none of these criteria were met, resulting in the zero value placed on the capacity for evaluation purposes.

Please give me a call should you have any further questions.

Sincerely,

Mark R. Homestead  
Regional Manager – MidContinent/Texas  
Duke Energy Trading and Marketing, L.L.C.

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5400 Westheimer Court  
Houston, Texas 77056