

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

In the Missouri Gas Energy’s Filing of)
Revised Tariffs to Increase Its Annual)
Revenues for Natural Gas) Case No. GR-2014-0007

OBJECTIONS TO AND MOTION TO QUASH SUBPOENA

COMES NOW Panhandle Eastern Pipe Line Company, LP (Panhandle), by and through counsel, and, for its Objections to and Motion to Quash Subpoena, states the following to the Missouri Public Service Commission (Commission):

1. Panhandle is a limited partnership formed in the State of Delaware and is registered to do business in Missouri as a foreign limited partnership. Southern Union Company (Southern Union) formerly operated as a public utility in Missouri under the fictitious name Missouri Gas Energy. On September 1, 2013, Southern Union sold its Missouri local distribution assets to Laclede Gas Company. Effective upon the closing of the transaction, Southern Union was “authorized to terminate its responsibilities as a gas corporation in Missouri subject to the jurisdiction of the commission.”¹ Southern Union was merged into Panhandle, effective January 10, 2014, with Panhandle being the surviving entity.

2. On February 13, 2014, the Commission issued a *Subpoena Duces Tecum – Order to Produce Documents* in this case directing Panhandle to produce:

. . . copies of workpapers of external audits of Panhandle Eastern Pipe Line Company, LP’s predecessor in interest, Southern Union Company, conducted by Grant Thorton LLP that relate to Southern Union Company during the time of 2012 through 2013. . . .

3. Panhandle is not a party to this case.

¹ *Order Approving Unanimous Stipulation and Agreement*, MoPSC Case No. GM-2013-0254 (July 31, 2013).

4. Commission Rule 4 CSR 240-2.090(1) states that “discovery may be obtained by the same means and under the conditions as in civil actions in the circuit court.” Staff requested the subpoena in question “pursuant to Court Rule 58.02(a)”² (Subpoena to Non-Party for Production of Documents and Things). Court Rule 58.02(e)(2) states that a “non-party commended to produce and permit inspection and copying may serve the party who issued and served the subpoena with a written objection to inspection and copying of any or all of the designated items.”

5. This document is intended to be Panhandle’s “written objection to inspection and copying of any or all of the designated items.” Court Rule 58.02(e)(3) states that “*if timely and specific objection is made, the party who issued and served the subpoena shall not be entitled to inspect or copy the subpoenaed items except pursuant to an order of the court.*” Accordingly, Panhandle will take no further action in regard to this subpoena until receiving the direction of this Commission.

6. Court Rule 58 “allows the production of materials only if they are within the scope of discovery provided by Rule 56.01(b).” *State ex rel. State Farm Mut. Auto. Ins. Co. v. Keet*, 601 S.W.2d 669, 672 (Mo.App. 1980). Accordingly, Panhandle objects to the subpoena on the following bases:

- The request is vague in that the term “workpapers” is not defined and thus the provision of documents would require speculation or conjecture about what information is sought by the question.
- The request beyond the scope of Rule 56.01 (b) (1) because it seeks information which is not relevant to the subject matter of the pending action and seeks

² *Notice of Subpoena For Production of Documents*, filed February 14, 2014.

information that is not reasonably calculated to lead to the discovery of admissible evidence. The subject of this case is whether the tariff sheets filed by Laclede Gas Company are just, reasonable and in the public interest.³ The rates to be set must be just and reasonable on a going-forward basis. Because the Missouri Gas Energy assets have been sold and are now owned and operated by a completely different entity than when Southern Union owned and operated the assets, information communicated to Southern Union's accountants is not relevant to this matter.

- Further, the request is overly broad. Southern Union in the years 2012 and 2013 operated many business operations far beyond the Missouri regulated local distribution company. Southern Union's 2012 Form 10-K, filed with the Securities and Exchange Commission, described its operations as follows:

The Company's operations, as reported, include three reportable segments:

- The Transportation and Storage segment is primarily engaged in the interstate transportation and storage of natural gas and also provides LNG terminalling and regasification services. Its operations are conducted through Panhandle.
- The Gathering and Processing segment is primarily engaged in the gathering, treating, processing and redelivery of natural gas and NGL in Texas and New Mexico. Its operations are conducted through SUGS. On February 27, 2013, the Company entered into a definitive contribution agreement to contribute to Regency all of the issued and outstanding membership interest in Southern Union Gathering Company, LLC, and its subsidiaries, including SUGS. The consideration to be paid by Regency in connection with this transaction will consist of (i) the issuance of 31,372,419 Regency common units to the Company, (ii) the issuance of 6,274,483 Regency Class F units to the Company, (iii) the distribution of \$570 million in cash to the Company, and (iv) the payment of \$30 million in cash to a subsidiary of ETP. The transaction is expected to close in the second quarter of 2013.⁴ The Regency Class F units will have the same

³ *Order Suspending Tariff, Directing Notice, Setting Hearings and Directing Filings*, MoPSC Case No. GR-2014-0007 (September 17, 2013).

⁴ Panhandle notes that the described transaction did close, as expected, in the second quarter of 2013.

rights, terms and conditions as the Regency common units, except that Southern Union will not receive distributions on the Regency Class F units for the first eight consecutive quarters following the closing, and the Regency Class F units will thereafter automatically convert into Regency common units on a one-for-one basis.

- The Distribution segment is primarily engaged in the local distribution of natural gas in Missouri and Massachusetts. Its operations are conducted through the Company's operating divisions: Missouri Gas Energy and New England Gas Company. On December 17, 2012, Southern Union and The Laclede Group, Inc. entered into definitive purchase and sale agreements dated December 14, 2012 with Laclede Missouri and Laclede Massachusetts, both of which are subsidiaries of Laclede Gas Company, Inc. pursuant to which Laclede Missouri has agreed to acquire the assets of Southern Union's Missouri Gas Energy division, and Laclede Massachusetts has agreed to acquire the assets of Southern Union's New England Gas Company division for approximately \$1.035 billion, subject to customary closing adjustments. On February 11, 2013, The Laclede Group, Inc. announced that it had entered into an agreement with Algonquin Power & Utilities Corp (APUC) that will allow a subsidiary of APUC to assume the rights of The Laclede Group, Inc. to purchase the assets of New England Gas Company, subject to certain approvals. It is expected that the transactions contemplated by the purchase and sale agreements will close by the end of the third quarter of 2013.

The Company has other operations that support and expand its natural gas and other energy sales, which are not included in its reportable segments. These operations do not meet the quantitative thresholds for determining reportable segments and have been combined for disclosure purposes in the Corporate and Other activities category.

A request for *all* external audit information pertaining to Southern Union would necessarily include operations and subjects far beyond those regulated by the Missouri Public Service Commission and, as a result, is overly broad.

- As stated above, Southern Union sold the Missouri Gas Energy assets as of September 1, 2013. Thus, a request for all workpapers associated with audits conducted in 2013, necessarily includes time periods beyond those which Southern Union operated a Missouri-regulated local distribution company.

- Panhandle objects to this request because the information, by the very terms of the request, is belongs to, and is in the possession of, Southern Union's accountants Grant Thorton, LLP, and is not in the possession, custody or control of Panhandle.

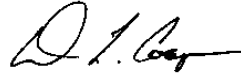
7. In ruling on this objection and motion to quash, the Commission should also be aware that Panhandle has made a good faith effort to meet the information needs expressed by the Staff. Southern Union previously facilitated access to the auditor workpapers associated with the Company's former Missouri Gas Energy (MGE) division, as it has done in past cases before this Commission. Southern Union is not aware of any past case where access was provided to the Southern Union-specific auditor workpapers.

8. However, after being advised that the scope of the Staff's inquiry regarding Southern Union Company's external auditor work papers was focused on five specific subject matter areas, Panhandle attempted to address Staff's concern by providing an officer's certificate stating that, with respect to five subject matter areas of interest to the Staff, the Southern Union external auditor work papers did not contain any additional non-privileged information beyond that contained in the external audit work papers prepared for the Company's former MGE division. As stated above, those MGE external auditor work papers had already been made available to the Staff. See Appendix A attached hereto. Panhandle is at a loss to understand why this officer's certificate does not satisfy Staff's inquiry.

9. For the above reasons, the Commission should quash the subject subpoena as being beyond the scope of discovery under Court Rule 56.01.

WHEREFORE, Panhandle respectfully requests that the Commission consider its objections stated herein and, thereafter, issue an order quashing the *Subpoena Duces Tecum – Order to Produce Documents* caused to be served upon it by the Staff of the Commission.

Respectfully submitted,



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ATTORNEYS FOR PANHANDLE EASTERN
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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was sent by electronic transmission to the following on this 25th day of February, 2014.

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