

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

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| In the Matter of Southern Union Company) | |
| d/b/a Missouri Gas Energy, Sigma Acquisition) | |
| Corporation and Energy Transfer Equity, L.P.) | |
| for an Order Authorizing them to Perform in) | Case No. GM-2011-0412 |
| Accordance with a Merger Agreement and) | |
| to Undertake Related Transactions) | |

AMENDED APPLICATION

Come now Southern Union Company ("Southern Union"), d/b/a Missouri Gas Energy, Sigma Acquisition Corporation ("Sigma") and Energy Transfer Equity, L.P. ("ETE"), pursuant to §393.190 RSMo 2010 and 4 CSR 240-2.060, 4 CSR 240-3.215, and 4 CSR 240-3.225 and for their Application to the Missouri Public Service Commission ("Commission") state as follows:

Summary

1. This Application requests an order authorizing Southern Union to take certain actions, the results of which will cause the acquisition by ETE, directly or indirectly, of up to and including one hundred percent (100%) of the issued and outstanding shares of Southern Union's common stock.

Parties

2. Southern Union is a Delaware corporation, in good standing in all respects, with its principal office and place of business at 5444 Westheimer Road, Houston, Texas 77056. Generally, Southern Union is engaged in the transportation, storage, gathering, processing and distribution of natural gas. It operates one of the nation's largest natural gas pipeline systems with more than 20,000 miles of gathering and transportation pipelines and one of North America's largest liquefied natural gas

import terminals. Southern Union also serves over 500,000 industrial, commercial and residential end-use customers through local distribution companies in Missouri and Massachusetts.

3. Missouri Gas Energy (“MGE”), an operating division of Southern Union, is a public utility engaged in the distribution of natural gas to the public and conducts such business in Missouri in those areas of the state certified to it by the Commission. Southern Union is a “gas corporation” and a “public utility” as those terms are defined in §386.020(18) and (43) RSMo 2000, respectively. As such, it is subject to the supervision of the Commission as provided by law.

4. A copy of Southern Union’s Certificate of Authority to do business in this state as a foreign corporation was filed in Case No. GU-2010-0015 and is incorporated herein by reference in accordance with Commission rule 4 CSR 240-2.130(2).

5. A copy of Southern Union’s Registration of Fictitious Name of MGE was filed in Case No. GU-2010-0015 and is incorporated herein by reference in accordance with Commission rule 4 CSR 240-2.130(2).

6. Southern Union has no pending actions or final unsatisfied judgments or decisions against it from state or federal regulatory agencies or courts that involve customer service or rates occurring within the three (3) years immediately preceding the filing of this Application.

7. Southern Union has no overdue Commission annual reports or assessment fees.

8. Pleadings, notices, orders, and other correspondence and communications concerning this Application should be addressed to the undersigned counsel as well as to:

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9. ETE is a publicly traded Delaware limited partnership, with its principal place of business located at 3738 Oak Lawn Avenue, Dallas, Texas 75219. ETE owns the general partner and 100 percent (100%) of the incentive distribution rights (IDRs) of Energy Transfer Partners, L.P. ("ETP") and approximately 50.2 million ETP limited partner units. ETP is a publicly traded Delaware limited partnership owning and operating a diversified portfolio of energy assets. It has pipeline operations in Arizona, Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Utah and West Virginia and owns the largest intrastate pipeline system in Texas. ETP currently has natural gas operations that include more than 17,500 miles of gathering and transportation pipelines, treating and processing assets, and three storage facilities located in Texas. ETP also owns a seventy percent (70%) interest in a joint venture that owns and operates natural gas liquids storage, fractionation and transportation assets in Texas,

Louisiana and Mississippi (“Lone Star”). ETP also is one of the three largest retail marketers of propane in the United States, serving more than one million customers across the country. ETE also owns the general partner and 100 percent (100%) of the IDRs of Regency Energy Partners LP (“RGNC”) and approximately 26.3 million RGNC limited partner units. RGNC is a publicly traded Delaware limited partnership engaged in the gathering, contract compression, processing, marketing and transporting of natural gas and natural gas liquids. RGNC also owns a thirty percent (30%) interest in Lone Star. A copy of ETE’s Certificate of Authority to do business in this state as a foreign limited partnership is attached hereto in accordance with Commission rule 4 CSR 240-3.215(1) and (3) as Appendix 1. ETE has no pending action or final unsatisfied judgments or decisions against it from state or federal regulatory agencies or courts that involve customer service or rates occurring within the three (3) years immediately preceding the filing of this Application. ETE has no overdue Commission annual reports or assessment fees.

10. Sigma is a newly-formed Delaware corporation and wholly-owned subsidiary of ETE with its principal place of business located at 3738 Oak Lawn Avenue, Dallas, Texas 75219. Sigma has conducted no operations as of the date of this Application. A copy of Sigma’s Certificate of Authority to do business in this state as a foreign corporation is attached hereto in accordance with Commission rule 4 CSR 240-3.215(1) and (3) as Appendix 2. Sigma has no pending action or final unsatisfied judgments or decisions against it from state or federal regulatory agencies or courts that involve customer service or rates occurring within the three (3) years immediately preceding the

filing of this Application. Sigma has no overdue Commission annual reports or assessment fees.

The Transaction

11. On July 19, 2011, Southern Union, ETE and Sigma entered into a definitive Second Amended and Restated Agreement and Plan of Merger, as amended by the Amendment No. 1 to Agreement and Plan of Merger executed on September 14, 2011 (the "Agreement") whereby ETE will acquire Southern Union for, as of July 19, 2011, \$9.4 billion, including \$5.7 billion in cash and ETE common units and including assumed debt (the "Transaction"). Under the terms of the Agreement, stockholders of Southern Union can elect to exchange their shares of common stock for either \$44.25 in cash or 1.000 x ETE common unit, subject to proration. In no event shall ETE be required to pay cash for more than sixty percent (60%) of the issued and outstanding shares of Southern Union common stock or issue ETE common units in respect of more than fifty percent (50%) of the issued and outstanding shares of Southern Union common stock. The purchase price represents a premium to the closing price of Southern Union common stock on July 19, 2011. A copy of the Agreement is attached hereto, marked Appendix 3 and made a part hereof for all purposes.

12. The Agreement provides for the merger of Sigma with and into Southern Union with Southern Union continuing as the surviving corporation.

13. Incident to the Agreement and the Transaction contemplated thereby, ETP and ETE are parties to that certain definitive Amended and Restated Agreement and Plan of Merger, as amended by Amendment No. 1 to Agreement and Plan of Merger executed on September 14, 2011 (the "Citrus Merger Agreement"). A copy of the Citrus

Merger Agreement is attached hereto, marked Appendix 4 and made a part hereof for all purposes.

14. The Citrus Merger Agreement provides that Southern Union, CrossCountry Energy, LLC (“CrossCountry”), PEPL Holdings, LLC (“PEPL Holdings”) and Citrus ETP Acquisition, L.L.C. (“Citrus ETP”) will become parties by joinder at a time immediately prior to the merger transaction.

15. Pursuant to the Citrus Merger Agreement, CrossCountry will be merged with and into Citrus ETP with CrossCountry as the surviving entity (the “Citrus Merger”).

16. Immediately prior to the Citrus Merger, Southern Union will contribute its ninety-nine percent (99%) interest in Panhandle Eastern Pipeline Company, LP and its 100 percent (100%) membership interest in Southern Union Panhandle, LLC to PEPL Holdings. PEPL Holdings is a wholly owned subsidiary of CCE Acquisition, LLC.

17. PEPL Holdings will guarantee certain indebtedness of ETP related to the Citrus Merger. The guarantee will be non-recourse to Southern Union.

18. A simplified diagram of Southern Union’s existing corporate structure and the corporate structure of ETE that will exist immediately following the completion of the Transaction is set forth in the attached Appendix 5.

19. The Transaction is subject to customary conditions including, without limitation, approval of the Southern Union shareholders; the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR”); state regulatory approval in Missouri; and approval of the Federal Energy Regulatory Commission. The parties intend to

close the Transaction as soon as practicable after all consents and approvals have been obtained. The HSR waiting period has expired.

20. As noted in paragraph 24, *infra*, the MGE operating division of Southern Union will remain a gas corporation and public utility subject to the regulation of the Commission as provided by law after the Transaction is completed. Following the closing of the Transaction, Southern Union will be a wholly owned subsidiary of ETE. ETE will not be subject to the jurisdiction of the Commission because it will not itself own or operate any gas plant in the State of Missouri.

Jurisdiction of the Commission

21. Because Southern Union is a gas corporation doing business in Missouri by and through its MGE operating division, it is subject to the provisions of §393.190 RSMo 2000 to the extent not limited or superseded by contrary law. Section 393.190.1 RSMo states, in pertinent part, that “no [gas] corporation shall . . . by any means, direct or indirect . . . merge or consolidate such works or system . . . with any other corporation, person or public utility . . . without having first secured from the commission an order authorizing it so to do.” The Transaction includes a merger involving Southern Union as described in ¶12, *supra*.

22. Furthermore, Section 393.190.2 RSMo 2000 states, in pertinent part:

. . . Save where stock shall be transferred or held for the purpose of collateral security, no stock corporation of any description, domestic or foreign, other than a gas corporation, electrical corporation, water corporation, sewer corporation or street railroad corporation, shall, without the consent of the commission, purchase or acquire, take or hold, more than ten percent of the total capital stock issued by any **gas corporation, electrical corporation, water corporation or sewer corporation organized or existing under or by virtue of the laws of this state**, . . . (Emphasis added).

As mentioned above, Southern Union is a Delaware corporation and is not “organized or existing under or by virtue of the laws of this state.” As a result, there is no statutory requirement that ETE or Sigma obtain Commission authority to purchase more than ten percent of the equity of Southern Union. Section 392.300.2, RSMo contains virtually identical language regarding telecommunications companies. In the past, the Commission consistently has dismissed, for lack of jurisdiction, applications seeking approval for the transfer of stock of corporations not organized or existing by virtue of the laws of the state of Missouri.¹ Therefore, consistent with Commission precedent, Applicants respectfully request that the Commission determine that no approval of the Transaction is required pursuant to Section 393.190.2. However, to the extent that the Commission interprets Section 393.190.2 to require approval of the Commission for ETE and Sigma to purchase the common stock of Southern Union, then ETE and Sigma respectfully request that the Commission approve the purchase of Southern Union’s common stock, as more fully described herein.

The Standard for Approval

23. The test to be applied by the Commission pursuant to §393.190 RSMo 2000 is a determination of whether or not the Transaction is detrimental to the public, a standard established by the Missouri Supreme Court in *State ex rel. City of St. Louis v. Public Service Commission*, 73 S.W.2d 393 (Mo. 1934) and recently reaffirmed in *State ex rel. AG Processing, Inc., v. Public Service Commission*, 120 S.W.3d 732, 735 (Mo.

¹ See, e.g., Case Nos. TM-2000-524, XM-2005-0219, TM-2007-0140, TO-2009-0111, and Case No. XM-2009-0121, Decision Dismissing Application for Lack of Subject Matter Jurisdiction issued November 6, 2008, noting: “Under that language [Section 392.300.2], the Commission’s consent is necessary only if a stock corporation purchases stock in a Missouri entity.” (Decision, page 4.)

banc 2003).² A detrimental or deleterious consequence has been interpreted to mean “higher rates and/or a deterioration in the level of customer service.” See, *Re Laclede Gas Company*, Case No. 17,267, 16 Mo. P.S.C. (N.S.) 328, 92 P.U.R.3rd 426 (1971). The Commission should also consider whether an acquisition premium is reasonable as part of its cost analysis. *State ex rel. AG Processing, Inc.*, at 736.

Reasons the Transaction will not be Detrimental to the Public Interest

24. The Transaction will not be detrimental to the public interest. It will have no adverse effect on the customers of MGE with respect to rates, service or otherwise and, consequently, is not detrimental to the public interest. MGE’s customers will see no change in their day-to-day utility service or rates, and said customers will continue to be served effectively and efficiently without interruption. The Commission’s jurisdiction over MGE will not change. All natural gas commodity, transportation and storage costs that are proposed to be passed on to MGE customers will continue to be subject to review by the Commission through the purchased gas adjustment/actual cost adjustment process included in MGE’s tariff. All non-gas costs proposed to be passed on to MGE customers will also continue to be subject to review by the Commission. The day-to-day management and operations of MGE in Missouri will continue to be conducted as they have been in the past.

25. The Commission will retain full regulatory supervision of MGE after the Transaction is completed. The Transaction will not restrict access to Southern Union’s books and records as is reasonably necessary to carry out the Commission’s responsibilities with respect to MGE’s operations, including proper audits.

²See also, *State ex rel. Fee Trunk Sewer Company v. Litz*, 596 S.W.2d 466 (Mo. App. 1980).

26. In addition, Southern Union agrees to the conditions contained in the document attached hereto, marked Appendix 6. The conditions proposed by Southern Union include, without limitation, customer service performance measures, customer service operating procedures, structural and financial assurances and accounting and record keeping commitments.

27. The acquisition premium is reasonable within the meaning of the opinion of the Missouri Supreme Court in the *AG Processing* case.³ The acquisition of Southern Union by ETE will create a more diversified and competitive interstate and midstream natural gas platform that will enhance and diversify ETE's cash flow profile, making the Transaction accretive to ETE's unit holders. The businesses and networks are highly complementary and together will provide a broader range of services and product offerings to existing and future customers and significant growth opportunities in strategic geographic locations across the U.S. as well as potential affiliate joint ventures. Additionally, the premium is within a range of market-based premiums that have been paid in comparable transactions.

28. Southern Union understands that the Commission's approval of this Application will not constitute a finding by the Commission of the value of the Transaction for ratemaking purposes and that the Commission may reserve the right to consider the ratemaking treatment afforded the Transaction and the effects on cost of capital at a later time in any appropriate proceeding.

Miscellaneous Filing Requirements and Additional Information

29. A certified copy of the resolutions of the Board of Directors of Southern Union approving the Agreement and the merger and authorizing the execution of the

³*State ex rel. AG Processing, Inc., v. Public Service Commission*, 120 S.W.3d 732, 736 (Mo. banc 2003).

Agreement is presently unavailable and will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3) as Appendix 7.

30. A certified copy of the resolutions of the Board of Directors of LE GP, L.L.C., the general partner of ETE, approving the Agreement and the merger and authorizing the execution of the Agreement is presently unavailable and will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3) as Appendix 8.

31. Copies of the balance sheets and income statements of Southern Union, ETE, and Sigma and a *pro forma* balance sheet and income statement of the surviving corporation showing an estimate of the impact of the merger on MGE's operations relative to the Transaction are attached hereto, marked Appendix 9, and made a part hereof for all purposes in accordance with Commission rule 4 CSR 240-3.215(1)(C) and (E).

32. As required by Commission rule 4 CSR 240-3.215(1)(F), the Transaction will have no impact on the tax revenues of the political subdivisions in which any of the structures, facilities or equipment of Southern Union is located.

Contingent Request for Waiver

33. Southern Union filed a Notice of Intended Case Filing on June 28, 2011, pursuant to Commission rule 4 CSR 240-4.020(2). The notice stated that the Application is not likely to commence a contested case in that a hearing is not required by law and, consequently, the filing may not be required. To the extent the Commission is of the view that the notice filed by Southern Union is required by the rule, the applicants request a waiver of that requirement to allow this filing in less than sixty (60) days for good cause, in that the purpose of the rule has been served by promptly

notifying the Commission that a filing concerning the Transaction was imminent such that any communications would be part of the formal record. See, 4 CSR 240-4.020(2)(B).

WHEREFORE, Southern Union requests that the Commission issue its order:

- A. Finding that the Transaction is not detrimental to the public interest;
- B. Authorizing Southern Union, ETE and Sigma to perform in accordance with, or as may be permitted by or result from, the terms of the Agreement, which, among other things, will result in the effectuation of the Transaction;
- C. Authorizing Southern Union to perform in accordance with, or as may be permitted by or result from, the terms of all other documents and to take any and all other actions which may be reasonably necessary and incidental to the performance of the Transaction; and
- D. Granting such other relief as may be necessary and appropriate to accomplish the purposes of the Transaction and this Application and to consummate the Transaction and related undertakings in accordance with the Agreement.

Respectfully submitted,

/s/ James C. Swearengen
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Attorneys for Energy Transfer Equity, L.P. and
Sigma Acquisition Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was delivered electronically, by first class mail, or by hand delivery, on this 15th day of September 2011, to the following:

Mr. Steven Reed, General Counsel
Missouri Public Service Commission
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P.O. Box 360
Jefferson City, MO 65102-0360

Mr. Kevin Thompson
Staff General Counsel
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Mr. Lewis Mills
Office of the Public Counsel
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P.O. Box 7800
Jefferson City, MO 65102

/s/ James C. Swearengen

LIST OF APPENDICES

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| Appendix 1 | ETE's Certificate of Authority to do business in Missouri |
| Appendix 2 | Sigma's Certificate of Authority to do business in Missouri |
| Appendix 3 | Second Amended and Restated Agreement and Plan of Merger by and among ETE, Sigma and Southern Union; Amendment No. 1 to Agreement and Plan of Merger |
| Appendix 4 | Amended and Restated Agreement and Plan of Merger by and among Southern Union, ETE, ETP, Citrus ETP Acquisition, L.L.C., and CrossCountry Energy LLC; Amendment No. 1 to Agreement and Plan of Merger. |
| Appendix 5 | Diagrams illustrating the corporate ownership structure of Southern Union and ETE immediately prior to and after the close of the Transaction |
| Appendix 6 | Proposed conditions for the Transaction related to customer service performance measures, customer service operating procedures, structural and financial assurances, and accounting and record keeping commitments. |
| Appendix 7 | A certified copy of the resolutions of the Board of Directors of Southern Union approving the Agreement and the merger and authorizing the execution of the Agreement, which will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3). |
| Appendix 8 | A certified copy of the resolutions of the Board of Directors of LE GP, L.L.C., the general partner of ETE, approving the Agreement and the merger and authorizing the execution of the Agreement, which will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3). |
| Appendix 9 | Copies of the balance sheets and income statements of Southern Union, ETE, and Sigma as well as a <i>pro forma</i> balance sheet and income statement of the surviving corporation and a statement regarding an estimate of the impact of the merger on Southern Union's Missouri jurisdictional operations relative to the Transaction. |