STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service Commission held at its office in Jefferson City on the 28th day of March, 2000.

In the Matter of the Application of Southern Union Company for Authority to Acquire Up to and Including Five Percent (5%) of the Common Stock of Fall River Gas Company, Valley Resources, Inc., and Providence Energy Corporation.	)	**Case No. GF-2000-504**

ORDER APPROVING APPLICATION WITH CONDITIONS

On February 17, 2000, Southern Union Company (Southern Union) filed an application with the Commission requesting authority to acquire up to and including five percent of the common stock of Fall River Gas Company (FAL), Valley Resources, Inc. (Valley) and Providence Energy Corporation (ProvEnergy). In companion cases, case numbers GM-2000-500, GM-2000-502 and GM-2000-503, Southern Union has requested authority to complete mergers with FAL, Valley, and ProvEnergy. Southern Union wishes to immediately purchase a portion of the stock of ProvEnergy, Valley, and FAL in anticipation of the mergers for the purpose of mitigating the pricing effect of possible arbitrage trading in the shares of FAL prior to the time of closing of the merger and to take advantage of temporary market discounts in Valley and ProvEnergy stock prices. Along with its application, Southern Union filed a motion requesting that the Commission make a determination on its application as soon as possible, but in no event later than March 30, bearing an effective date of April 11.

On February 23, the Commission issued an Order Establishing Time for Filing of Recommendation. That order directed the Staff of the Commission (Staff) to file its recommendation regarding approval or rejection of the application, no later than March 20. The Commission's order also provided that the Office of the Public Counsel (Public Counsel) might also file its recommendation no later than March 20.

Staff filed its Memorandum regarding the application of Southern Union on March 20. Public Counsel did not file a recommendation. Staff offers its opinion that the proposed transactions are not detrimental to the public interest and recommends that the Commission approve the application subject to certain conditions set forth in its Memorandum. The conditions proposed by Staff are substantially identical to the conditions to which Southern Union indicated it would agree in its application. However, in order to allow Southern Union and Public Counsel to respond to the conditions proposed by Staff, while still proceeding on this matter in an expeditious manner, the Commission, on March 21, issued a Notice Shortening Time in Which to Respond. That notice notified the parties that any response to Staff's Memorandum was to be filed on or before March 24. On March 22, Southern Union filed a Notice indicating that it did not intend to file a response to Staff's recommendation. On March 24, Public Counsel filed a Notice requesting that the Commission grant Southern Union's application with the conditions set forth in Staff's memorandum. No party has requested a hearing.

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the application and the recommendations of Staff.

Based on Southern Union's application and the recommendations of Staff, the Commission finds that the investments proposed by Southern Union in its application are not detrimental to the public interest and should be approved, subject to the conditions described in this order.

IT IS THEREFORE ORDERED:

1. That the application filed by Southern Union Company for authority to acquire up to five percent (5%) of the outstanding common stock of each of Fall River Gas Company, Valley Resources, Inc., and Providence Energy Corporation, prior to and in anticipation of the closing of the proposed mergers, is approved subject to the conditions set forth in this order.

2. That Southern Union Company shall be required to file complete financial documentation, concurrent with the action, for each investment, including, but not limited to, methods of finance, overall cost of the transaction, interest rate of borrowed funds, source of equity invested, and correspondence with brokers and investment firms. This documentation will include dated buy and sell orders for the specific investment.

3. That Southern Union Company shall be required to file monthly financial investment reports of the current status of all investments and investment activity. These reports shall include (but are not limited to) information regarding initial investment, current carrying value, any activity such as stock splits and dates of sale.

4. That Southern Union Company shall undertake to capture, retain and make available to the Commission, its Staff and Public Counsel, the raw data needed to capture all direct and indirect costs associated with the investments authorized by this order. Southern Union Company shall, at a minimum, maintain: a list of all persons involved in the investments; support personnel involved in the investments; the time spent by those personnel on the investments; a list of all support facilities or services used on the investments; and a list of all other expenses incurred by Southern Union Company on the investments. Such other expenses shall include but not be limited to consultants, communications, travel, and debt costs. Southern Union Company shall submit a report within 30 days of the Commission's order detailing the information that it presently has captured and the procedures it will use to capture this information in the future. Such information shall be maintained and made available through the completion of Southern Union Company's next rate case.

5. That Southern Union Company shall represent that the investments authorized by this order will affect neither the funding for the construction budget of its Missouri Gas Energy (MGE) operating division for this fiscal year, nor MGE's operational expenses necessary

to provide safe and adequate service. Further, Southern Union Company shall demonstrate that next year's construction budget for MGE will not be affected by this Project. This demonstration shall include MGE's commitment to its safety program for the year ending June 30, 2001. Southern Union Company shall agree that to meet its construction obligations it will, if necessary, liquidate a portion of the investments authorized by this order to meet its obligations.

6. That Missouri ratepayers shall suffer no adverse effects from any initial investment or losses suffered on such investments through either an amortization of said losses directly to the operating income of MGE or via reduction in retained earnings due to such losses. Southern Union Company's capital structure (actual dollar levels and percentage levels) will not be affected by losses on investments in determining the appropriate rate of return in the future. In order to ensure that the investments authorized by this order are not detrimental to the public interest, Southern Union Company shall specify, in a report submitted within 30 days of this order, the steps that it will take to insulate Missouri ratepayers from such possible results.

7. That Southern Union Company and MGE shall not seek an increase to its requested return on equity or overall rate of return, for Missouri operations, due to factors of, or related to, actual leverage, percentage of leverage in the capital structure, risk associated with leverage, changes in cash or cash working capital or any other real or perceived changes in risk profile due to these investments. Also, any adverse effects on Southern Union Company's cost of debt will not be included in

the calculation of Missouri-jurisdiction rate of return or cost of service. No adverse effect of the investments authorized by this order will be included in capitalization of AFUDC in Southern Union Company's rate base and/or under presently authorized accounting authority orders. If the investments authorized by this order require interim financing, Southern Union Company shall assign its lowest cost debt to regulated projects, and higher cost debt to unregulated projects.

8. That nothing in this order shall be considered as a finding by the Commission that the merger transaction proposed in Case No. GM-2000-500, GM-2000-502, or GM-2000-503 are consistent with the public interest.

9. That the Commission's approval of this application shall not constitute a finding by the Commission of the value of the investments or the mergers for ratemaking purposes. The Commission reserves the right to consider the ratemaking treatment afforded the investments and the effects on the cost of capital at a later time in any appropriate proceeding.

10. That Southern Union Company is authorized to enter into, execute and perform in accordance with the terms of any and all documents and to take any and all other actions which may be reasonably necessary and incidental to the investments.

11. That this order shall become effective on April 7, 2000.

12. That this case may be closed on April 10, 2000.

BY THE COMMISSION

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
Schemenauer, and Drainer, CC., concur

Woodruff, Regulatory Law Judge