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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 12th
day of November, 1997.

In the Matter of the Application of)	
Southern Union Company for Authority to)	
Acquire, Indirectly, all of the Capital)	
Stock of Atlantic Gas Corporation and)	<u>Case No. GM-98-146</u>
South Florida Natural Gas Company and to)	
Take all Other Actions Reasonably)	
Necessary to Effectuate Said Transaction.)	

ORDER APPROVING STOCK ACQUISITION

On October 6, 1997, Southern Union Company (Southern Union or Applicant) filed an application with the Missouri Public Service Commission seeking approval to acquire all the capital stock of Atlantic Utilities Corporation (AUC). Applicant submitted with its application a Motion for Expedited Consideration of the transaction and requested that an order approving the stock acquisition be issued no later than November 13, bearing an effective date of no later than November 25. Applicant did not state good cause for this type of expedited treatment. Nevertheless, the Commission has attempted to review the application and issue an order as expeditiously as the Commission's docket permits.

Southern Union, a Delaware corporation, through its Missouri Gas Energy (MGE) operating division, holds a certificate to provide natural gas distribution in Missouri. Southern Union's principal office and place of business is located at 504 Lavaca, Suite 900, Austin, Texas 78701.

AUC, a Florida corporation, is a holding company that services residential, commercial and industrial gas energy markets through two subsidiaries. AUC's Atlantic Gas Corporation subsidiary is a propane marketer in Florida. AUC's South Florida Natural Gas Company subsidiary

is one of nine privately-owned natural gas distribution utilities in the State of Florida. South Florida Natural Gas Company owns and operates a natural gas distribution system in New Smyrna Beach and Edgewater, Florida, and adjacent unincorporated areas of Volusia County and serves approximately 3,600 residential and 300 commercial customers.

Applicant proposes a transaction whereby it will acquire all of the issued and outstanding capital stock of AUC. Applicant intends to acquire all 80,000 shares of common stock of AUC for a purchase price of \$4,436,250 in cash and 728,000 shares of Southern Union Company with the amount of shares to be adjusted to reflect payment of cash or stock dividends by Southern Union prior to closing.

Applicant states in its application that the transaction is not detrimental to the public interest because the proposed transaction will have no adverse effect on its Missouri customers. AUC will continue to be operated as a separate entity from Southern Union, and Southern Union's Missouri customers will see no change in their day-to-day services or rates. Applicant states the proposed transaction will have no effect on tax revenues of the Missouri political subdivisions in which any facilities of MGE are located.

Applicant maintains that the proposed transaction will have no material impact on the capital structure of Southern Union. According to Applicant, the acquisition represents only 0.03 percent of the net property, plant and equipment and only 1.8 percent of Southern Union's total assets on a consolidated basis. The capital structure of Southern Union will improve from its current 51.2/48.8 debt-to-equity ratio to 50 percent debt and 50 percent equity.

On November 5 the Staff of the Missouri Public Service Commission (Staff) filed a memorandum recommending approval of the proposed

acquisition. Staff stated that its review of Southern Union's current and pro forma financial statements indicates that the transaction will increase the percentage of common equity and will decrease the percentages of long-term debt and preferred stock. Staff stated a ratio analysis reveals that Southern Union's Pre-Tax Interest Coverage Ratio, Funds Flow Interest Coverage Ratio and Funds from Operations to Total Debt are slightly below the "BBB" range and that with the pro forma adjustment resulting from acquiring AUC, these ratios improve slightly. Staff stated that the acquisition will not have a negative impact on Applicant's credit worthiness or its ability to attract new capital.

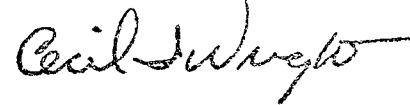
Upon review of the application and the Staff's recommendation, the Commission finds that the proposed transaction will have no adverse effect on Southern Union's Missouri customers. Thus, the Commission finds that the proposed transaction is not detrimental to the public interest and should be approved. Southern Union shall be authorized to acquire all the issued and outstanding capital stock of AUC. Applicant shall also be authorized to take whatever actions are necessary to complete the proposed transaction.

IT IS THEREFORE ORDERED:

1. That Southern Union Company is authorized to acquire all the capital stock of Atlantic Utilities Corporation.
2. That Southern Union Company is authorized to take any and all other actions necessary to effectuate the acquisition authorized in Ordered Paragraph 1.
3. That Southern Union Company shall file notification with the Commission within five business days of the closing of the acquisition authorized in Ordered Paragraph 1.

4. That this order shall become effective on November 25,
1997.

BY THE COMMISSION

A handwritten signature in cursive script, appearing to read "Cecil I. Wright".

Cecil I. Wright
Executive Secretary

(S E A L)

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

G. George, Regulatory Law Judge