

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

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)	

APPLICATION

Come now Southern Union Company, d/b/a Missouri Gas Energy, Sigma Acquisition Corporation and Energy Transfer Equity, L.P., 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 Energy Transfer Equity, L.P., directly or indirectly, of up to and including one hundred percent (100%) of the equity interests of Southern Union Company, including its subsidiaries.

Parties

2. Southern Union Company ("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 two local distribution companies in Missouri and Massachusetts.

3. Through its Missouri Gas Energy (“MGE”) operating division, 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 action or final unsatisfied judgments or decisions against it from state or federal regulatory agencies or courts which 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. Energy Transfer Equity, L.P. ("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 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 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 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 30% interest in Lone Star. A copy of ETE’s Certificate of Authority to do business in this state as a foreign limited partnership will be late-filed 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 which 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 Acquisition Corporation (“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 will be late-filed 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 which 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 4, 2011, Southern Union, ETE and Sigma entered into a definitive Amended and Restated Agreement and Plan of Merger (the “Agreement”) whereby ETE

will acquire Southern Union for \$8.9 billion, including \$5.1 billion in cash and ETE common units (the “Transaction”). Under terms of the Agreement, stockholders of Southern Union can elect to exchange each of their shares of common stock for either \$40.00 in cash or 0.903 ETE common units, subject to pro-ration. The purchase price represents a premium to the closing price of Southern Union common stock on June 15, 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. 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 4.

14. The Transaction is subject to customary conditions including, without limitation, approval of 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; 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.

15. As noted in paragraph 19, *infra*, 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. Thereafter, it 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

16. Because Southern Union is a gas corporation doing business in Missouri, 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*.

17. Furthermore, Section 393.190.2 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 However, to the extent that the Commission

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,

interprets Section 393.190.2 to require approval of the Commission for ETE and Sigma to purchase the stock of Southern Union, then ETE and Sigma respectfully request that the Commission approve the purchase of Southern Union's stock, as more fully described herein.

The Standard for Approval

18. 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. 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

19. 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. Southern Union's Missouri 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,

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.)

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

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.

20. 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.

21. In addition, Southern Union agrees to the conditions contained in the document attached hereto, marked Appendix 5. 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.

22. 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's operations 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, product offerings to existing and future customers and significant growth opportunities in strategic geographic locations across the U.S. as well as

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

potential affiliate joint ventures. Additionally, the premium is within a range of market-based premiums that have been paid in comparable transactions.

23. 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

24. 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 is presently unavailable and will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3) as Appendix 6.

25. 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 7.

26. Copies of the balance sheets and income statements of Southern Union and ETE are attached hereto, marked Appendix 8, and made a part hereof for all purposes in accordance with Commission rule 4 CSR 240-3.215(1)(C) and (E). A copy of the balance sheets and income statements of Sigma and a pro forma balance sheet and income statement of the surviving corporation showing an estimate of the impact of the merger on Southern Union's Missouri jurisdictional operations relative to the

Transaction will be late-filed pursuant to 4 CSR-240-3.215(1) and (3) as a supplement to Appendix 8.

27. 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

28. 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 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 enter into, execute and perform in accordance with, or as may be permitted by or result from, the terms of the Agreement, Appendix 3 hereto which, among other things, will result in ETE acquiring up to and including one hundred percent (100%) of the equity interests of Southern Union and Southern Union and Sigma consummating a merger, all as described in the Agreement;

C. Authorizing Southern Union to enter into, execute and 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,

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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 13th day of July 2011, to the following:

Mr. Steven Reed, General Counsel
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/s/ James C. Swearengen

LIST OF APPENDICES

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| Appendix 1 | ETE's Certificate of Authority to do business in Missouri which will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3). |
| Appendix 2 | Sigma's Certificate of Authority to do business in Missouri, which will be late-filed in accordance with Commission rule 4 CSR 240-3.215(1) and (3) |
| Appendix 3 | Amended and Restated Agreement and Plan of Merger |
| Appendix 4 | Diagrams illustrating the corporate ownership structure of Southern Union and ETE immediately prior to and after the close of the Transaction |
| Appendix 5 | 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 6 | 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 7 | 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 8 | <p>Copies of the balance sheets and income statements of Southern Union and ETE.</p> <p>A copy of the balance sheets and income statements of Sigma as well as a pro forma balance sheet and income statement of the surviving corporation and an estimate of the impact of the merger on Southern Union's Missouri jurisdictional operations relative to the Transaction will be late-filed pursuant to 4 CSR-240-3.215(1) and (3).</p> |