

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE ATMOS ENERGY )  
CORPORATION (ATMOS), THROUGH ITS )  
DIVISION, WESTERN KENTUCKY GAS )  
COMPANY OF OWENSBORO, KENTUCKY, FOR )  
AN ORDER AUTHORIZING THE CREATION ) CASE NO. 96-408  
AND ISSUANCE OF ADDITIONAL SHARES OF )  
COMMON STOCK TO EFFECTUATE AN )  
ACQUISITION, BY MERGER, OF UNITED )  
CITIES GAS COMPANY BY ATMOS )

O R D E R

On August 23, 1996, Atmos Energy Corporation ("Atmos"), through its division, Western Kentucky Gas Company, filed its application pursuant to KRS 278.300, requesting approval to create and issue up to 16,000,000 additional shares of no par value common stock. The stated purpose is to effectuate a merger between Atmos and United Cities Gas Company.

Southern Union Company ("Southern Union"), a Delaware corporation which distributes natural gas as a public utility,<sup>1</sup> filed a motion on September 24, 1996 requesting it be granted full intervention in this proceeding and requesting a public hearing be held. Atmos filed its response objecting to the motion to intervene on October 4, 1996. Southern Union's reply followed on October 10, 1996.

In support of its requested full intervention, Southern Union asserts that it is the largest shareholder of United Cities Gas Company, the company that Atmos will acquire

---

<sup>1</sup> Southern Union distributes natural gas through two divisions: Southern Union Gas which operates in Texas; and, Missouri Gas Energy which operates in central and western Missouri.

if the merger proceeds. Southern Union states that while it "continues to review the proposed merger, it does not appear that the proposal is in the public interest or in the interest of Southern Union as a shareholder of United Cities."

As expressed in its motion, Southern Union's interest is in the merger transaction itself<sup>2</sup> and not in the issue of whether Atmos should be allowed to create and issue new common stock. While Southern Union states that it has a special interest which will be directly affected by the outcome of this proceeding, Southern Union has not shown that a direct impact of its interests will occur if Atmos is granted approval pursuant to KRS 278.300 to create and issue common stock as proposed in its application. As that is the issue before the Commission in this case, Southern Union's interest in this proceeding is too remote to justify granting its motion.

Southern Union maintains that although Atmos initiated this proceeding as a request to create and issue stock pursuant to KRS 278.300, the ultimate purpose of the application is to seek approval of the merger. However, this argument presumes our approval is required under existing state law. It is not.<sup>3</sup>

---

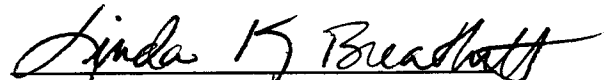
<sup>2</sup> In support of its motion, Southern Union refers to its recently filed complaint (Federal District Court, Middle District of Tennessee, Nashville Division, Case No. 8-96-776) alleging that the directors of United Cities agreed to the proposed merger without properly exercising their fiduciary duties. These issues are clearly beyond the scope of the Commission's jurisdiction and have no impact on Atmos's application herein.

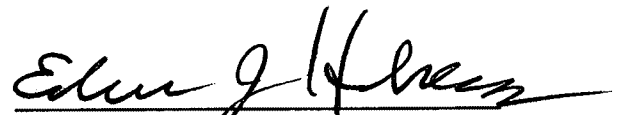
<sup>3</sup> KRS 278.020(4) and (5) require that no transfer of ownership or control of any utility under Commission jurisdiction can occur without prior approval. United Cities is not subject to Commission jurisdiction and since Atmos survives the transaction, no transfer of a jurisdictional utility will occur.


IT IS THEREFORE ORDERED that Southern Union's motion to intervene as a party in this proceeding is denied.

Done at Frankfort, Kentucky, this 15th day of October, 1996.

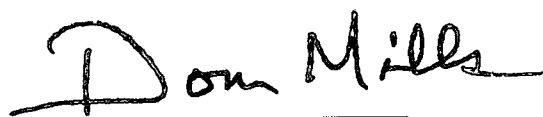
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE ATMOS ENERGY	)	
CORPORATION (ATMOS), THROUGH ITS DIVISION,	)	
WESTERN KENTUCKY GAS COMPANY OF	)	
OWENSBORO, KENTUCKY, FOR AN ORDER	)	CASE NO. 96-408
AUTHORIZING THE ISSUANCE OF ADDITIONAL	)	
SHARES OF COMMON STOCK TO	)	
EFFECTUATE AN ACQUISITION, BY MERGER,	)	
OF UNITED CITIES GAS COMPANY BY ATMOS	)	

O R D E R

On August 23, 1996, Atmos Energy Corporation ("Atmos") filed an application through its division, Western Kentucky Gas Company ("Western"), seeking authority to create and issue up to 16,000,000 shares of its common stock, without par value, for a one-to-one exchange of Atmos stock for United Cities Gas Company ("United") stock and for Atmos to continue in effect United's Long-Term Stock Plan of 1989 as amended. Western is subject to the jurisdiction of the Kentucky Public Service Commission ("Commission"); however, as a division of Atmos, it does not have a separate capital structure, and the securities are to be issued by Atmos subject to the approval of this Commission. On September 24, 1996, Southern Union Company requested intervention which was subsequently denied.

The proposed stock is to be used to effect an acquisition, by merger, of United by Atmos. United is primarily a natural gas utility serving customers in Tennessee, Illinois, Missouri, Kansas, Iowa, Georgia, South Carolina, and Virginia. It also has gas

storage facilities in Kentucky and Kansas and serves propane customers in Tennessee, North Carolina, and Virginia. United owns a partial interest in Woodward Marketing, L.L.C., a natural gas marketing company. No acquisition or construction of any other property or facilities within the Commonwealth of Kentucky is proposed. Atmos does not anticipate any changes in Western's financial performance, management, or operations.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the creation and issuance of the above securities by Atmos are for lawful objects within the corporate purposes of Atmos's utility operations, are necessary and appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purposes, and should, therefore, be approved. In approving the creation and issuance of stock to facilitate the merger, the Commission makes no determination herein regarding the merits of the transfer.

IT IS THEREFORE ORDERED that:

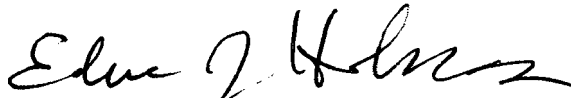
1. Atmos be and it hereby is authorized to create and issue up to 16,000,000 shares of its common stock.
2. The common stock issuance authorized herein shall be used only for the lawful purposes set out in the application.
3. Atmos shall, within 30 days of the issuance authorized herein, file with this Commission a statement setting forth the date of issuance, as well as the date, actual or projected, of the completion of the merger.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 15th day of October, 1996.

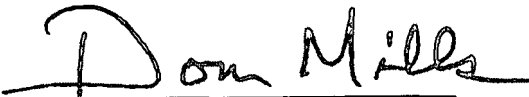
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director