

SECURITIES AND EXCHANGE COMMISSION
(Release No. 35-28050; 70-10288)

CNG Holdings, Inc.

Order Authorizing Acquisition

October 28, 2005

CNG Holdings, Inc. (“Holdings”), a holding company claiming an exemption by Rule 2 under the Public Utility Holding Company Act of 1935, as amended (“Act”), of Littleton, Colorado, has filed with the Securities and Exchange Commission (“Commission”) an application under Sections 9(a)(2) and 10 of the Public Utilities Holding Company Act of 1935, as amended (“Act”) (“Application”). On August 19, 2005, the Commission issued a notice of the Application (HCAR No. 28017).

Holdings requests that the Commission issue an order authorizing the acquisition of the common stock of Missouri Gas Utility, Inc. (“MGU”), a Colorado corporation. Upon consummation of the acquisition, MGU will be a wholly-owned direct subsidiary of Holdings.

Holdings is a Colorado corporation, currently claiming exemption under the Act by Rule 2. Holdings’ direct wholly owned subsidiary, Colorado Natural Gas, Inc. (“CNG”), a Colorado Corporation, is a natural gas public utility company serving approximately 6,300 retail customers in Colorado. CNG is regulated by the Colorado Public Utilities Commission. As of December 31, 2004, CNG had 1,950,432 feet of gas main lines and 2,779,770 feet of service lines, located in the Colorado counties of Park, Jefferson, Clear Creek, Teller, Gilpin and Pueblo. CNG sells no gas outside of Colorado.

As of and for the year ended December 31, 2004, Holdings' consolidated gross operating revenues, net income and net assets were approximately \$5,204,464, \$596,678

and \$42,062,036, respectively. For the same period, CNG's gross operating revenues, net operating revenues, net income and net assets were approximately \$4,390,757, \$2,185,894, \$558,403 and \$39,437,935, respectively.

Holdings is also engaged in certain non-utility businesses. Its wholly owned subsidiary, Colorado's Best Heating and Appliances, LLC, is a Colorado limited liability company engaged in the conversion of propane appliances to use natural gas fuel. Wolf Creek Energy, LLC, a Colorado limited liability company and a wholly owned direct subsidiary of Holdings, is engaged in the brokerage and sale of commodity gas to an industrial customer in Colorado. Wolf Creek Energy does not own facilities for the distribution of gas for sale.

MGU is a Colorado corporation which owns and operates a natural gas distribution system (the "utility assets") serving approximately 740 customers in the cities of Gallatin and Hamilton, Missouri, and surrounding communities. As of December 31, 2004, MGU had 554,400 feet of gas main lines and 111,000 feet of service lines, located in the Missouri counties of Caldwell, Davies and Harrison. For the nine months ended December 31, 2004, MGU had no gross operating revenues, and only \$362 of interest income. MGU's net assets as of December 31, 2004 were \$2,320,878. MGU does not conduct any nonutility businesses and the company has no subsidiaries. MGU is subject to the regulation of the Public Service Commission of the State of Missouri ("MPSC") with regard to rates, quality of service, affiliate transactions and other matters. The Application states that MGU expects to have gross operating revenues of \$883,447.00 in 2006.

Holdings seeks authority to acquire all of the issued and outstanding common stock of MGU. The transaction is structured as a stock-for-stock exchange at a ratio of 25:1 in which the current shareholders of MGU would exchange the 57,590 outstanding common shares of MGU for 2,303 common shares of Holdings. As of December 31, 2004, Holdings had 1,424,663 shares of common stock issued and outstanding. The acquisition of MGU would increase the number of Holdings shares outstanding to 1,426,966 shares.

The municipalities of Gallatin and Hamilton, Missouri had initially operated the gas utility assets now owned by MGU. The municipalities financed the construction of the assets through a lease transaction. When the municipalities defaulted on their lease obligations, the trustee, acting on behalf of the lenders, sought to sell the assets. Pursuant to a sale authorized by the MPSC in December 2004, MGU acquired the gas distribution system in Gallatin and Hamilton for an aggregate consideration of \$1.9 million, plus counsel and bank fees of approximately \$46,000. MGU financed the acquisition with bank financing in the amount of \$2 million, backed by a guarantee from Holdings. CNG did not provide any financing for MGU's acquisition of the assets, nor did it guarantee the loan.

The acquisition of the common stock of MGU by Holdings requires prior Commission approval under Sections 9(a)(2) and 10 of the Act. The Commission has reviewed the proposed acquisition and finds that the requirements of the Act are satisfied.

Holdings states that the fees paid in connection with legal services necessary to complete the acquisition of MGU by Holdings will be approximately \$25,000.

Applicants state that, by order dated December 14, 2004, the MPSC authorized MGU to own and operate the gas distribution assets of the cities of Gallatin and Hamilton, Missouri as well as the ownership of MGU by Holdings. Other than the MPSC and this Commission, no state or federal commission has jurisdiction over the proposed transaction. Due notice of the filing of the Application has been given in the manner prescribed by Rule 23 under the Act, and no hearing has been requested of, or ordered by, the Commission.

Based on the facts in the record, the Commission finds that the applicable standards of the Act are satisfied and no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and rules under the Act, that the Application (CNG Holdings, Inc. 70-10288), as amended, is permitted to become effective immediately, subject to the terms and conditions prescribed in Rule 24 under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz
Secretary