

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

In the matter of Fidelity Natural Gas Co.,)	
Inc., purchased gas adjustment (PGA) to)	
be audited in its 2004-2005 Actual Cost)	Case No. GR-2006-0170
Adjustment.)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its recommendation in the PGA filing of Fidelity Natural Gas Co., Inc., states:

1. On October 14, 2005, Fidelity Natural Gas, Inc. (Fidelity or Company) of Sullivan, Missouri, filed a tariff sheet proposed to become effective November 1, 2005. On October 24, 2005, Fidelity filed a substitute tariff sheet to correct typographical errors in the previously filed sheet.
2. Staff's review of the Company's pipeline capacity shows that the level of contracted pipeline capacity for this period did not change from the previous ACA period.
3. Staff's review of Fidelity's capacity and peak day plans showed that reserve margin is not an issue.
4. Laclede Gas Company purchased the Company in February of this year. On February 28, 2006, Laclede was granted a certificate of convenience and necessity to provide natural gas service to this service area. Staff has a recommendation in this case, but is not suggesting any adjustment. Staff's Recommendation is attached hereto as Appendix A , both HC and NP versions.

WHEREFORE the Staff recommends that the Commission accept Staff's recommendation and issue an order consistent with Staff's Recommendations in this case.

Respectfully submitted,

/s/ Lera L. Shemwell

Lera L. Shemwell
Deputy General Counsel
Missouri Bar No. 43792

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 21st day of December, 2006.

/s/ Lera L. Shemwell

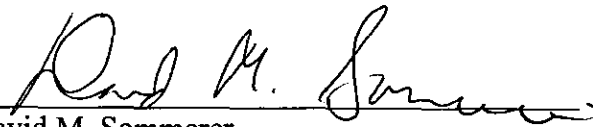
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Fidelity Natural Gas, Inc.'s)
Purchased Gas Adjustment (PGA) Factors to be) Case No. GR-2006-0170
audited in its 2004-2005 Actual Cost Adjustment)

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

David Sommerer, of lawful age, on his oath states: that he has participated in the preparation of the following Staff Memorandum; that the information is given by him; that he has knowledge of the matters set forth; and that such matters are true and correct to the best of his knowledge and belief.



David M. Sommerer

Subscribed and sworn to before me this 21st day of December 2006.





TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2006-0170, Fidelity Natural Gas, Inc.

FROM: David M. Sommerer, Manager - Procurement Analysis Department
Phil S. Lock, Regulatory Auditor - Procurement Analysis Department
Lesa A. Jenkins, P.E., Regulatory Engineer - Procurement Analysis Department
Kwang Choe, Ph.D., Regulatory Economist - Procurement Analysis Department

/s/ Dave Sommerer 12/21/06

/s/ Lera Shemwell 12/21/06

Project Coordinator / Date

General Counsel's Office / Date

SUBJECT: Staff Recommendation for Fidelity Natural Gas, Inc.'s 2004-2005 Actual Cost Adjustment Filing

DATE: December 21, 2006

The Procurement Analysis Department (Staff) has reviewed Fidelity Natural Gas, Inc.'s (Fidelity or Company) 2004-2005 Actual Cost Adjustment (ACA) filing. This filing was made on October 14, 2005, for rates to become effective November 1, 2005, and was docketed as Case No. GR-2006-0170. The audit consisted of an analysis of the billed revenues and actual gas costs for the period of September 1, 2004, to August 31, 2005, included in the Company's computation of the ACA rate. FNG provided natural gas to a maximum of 1,338 sales customers in the counties of Franklin and Crawford, which include the City of Sullivan, Oak Grove Village and the unincorporated areas of Crawford County. The ACA ending balance in the Company's 2004-2005 ACA filing is a \$24,646 over-recovery.

Because of internal resource limitations, Staff conducted no reliability review for this ACA period. Staff's review of the Company 2004-2005 capacity shows that the level of contracted pipeline capacity for this period did not change from the previous ACA period. Staff's review of Fidelity's capacity and peak day plans in the 2002-2003 ACA, Case No. GR-2003-0323, showed that reserve margin was not an issue in the 2003-2004 ACA or 2004-2005 ACA.

The Missouri Public Service Commission (Commission) issued an Order on February 21, 2006 in Case GM-2006-0183, with an effective date of February 28, 2006, in which the Laclede Gas Company (Laclede) was granted a certificate of convenience and necessity to provide natural gas service as a gas corporation and public utility, subject to the jurisdiction of the Commission, in the service areas previously served by Fidelity. The Commission approved Laclede's ownership of Fidelity effective February 28, 2006. Although the Laclede purchase of Fidelity occurred outside of the 2004/2005 ACA period, Staff's recommendations in the 2004/2005 ACA are being

RECOMMENDATION

1. The Staff has proposed no adjustments in Case No. GR-2006-0170 for Fidelity Natural Gas, Inc. Staff therefore recommends that the Commission issue an order requiring Fidelity to accept the ending (over)/under recovery balances from the following table:

Description	8-31-05 Ending Balances Per Filing	Staff Adjustments 2004-2005 ACA	8-31-05 Ending Balances Per Staff
2003-2004 ACA Ending Balance	\$107,712 (A)	\$0	\$107,712
Cost of Gas	\$1,476,631	\$0	\$1,476,631
Cost of Transportation	\$348,618	\$0	\$348,618
Revenues	(\$1,957,671)	\$0	(\$1,957,671)
ACA Approach for Interest Calculation	\$64	\$0	\$64
Refunds	\$0	\$0	\$0
Take or Pay	\$0	\$0	\$0
Total(Over)/Under Recovery	(\$24,646)	\$0	(\$24,646)

(A) Per Report & Order in GR-2004-0466, effective May 27, 2005.

2. Respond to recommendations included herein within 30 days.