

# Fidelity Natural Gas, Inc.

## Gas Presentation to the Missouri Public Service Commission

October 18, 2005





# **Sale of Company to Laclede Gas**

- Asset Purchase Agreement signed September 1, 2005 (negotiations started in May)
- Press Release attached (Attachment #1)
- Joint Application for PSC approval (to be filed this week)
- Target date for closing: January 1, 2006, pending PSC approval
- Benefits to Sullivan customers (lower overall rates due to Laclede's size)





# PGA Filing

- Filed 10/14/05 with PGA/ACA rate of \$1.1983
- 28% annual increase to the total cost of gas for an average residential customer (see attached calculation – Attachment #2)
- Rate established based upon NYMEX futures pricing (adjusted slightly downward with the anticipation that the market is currently overpriced)
- Press Release attached showing specific rate increase (Attachment #3)
- Earlier Press Release attached (addresses energy conservation and upcoming higher gas costs) (Attachment #4)






# Hedging Activities

- Basis hedging and first of month of pricing within ProLiance contract (attached analysis – Attachment #5)
- No fixed-price contracts purchased for this winter
- Reasons: Fidelity has historically not purchased a lot of fixed-price contracts and has sometimes bought late in the year (attached analysis – Attachment #6); prices were at all-time highs in spring and summer months and then the hurricanes only made things worse; ongoing Laclede negotiations (did not want to buy high-priced contracts that Laclede would not want to assume); ongoing negotiations with ProLiance (delayed by ProLiance wanting to restructure the pricing and delayed by Laclede wanting to review the terms of the new contract)





# How can we help our customers?

- Get the sale to Laclede approved as fast as possible
- File a revised PGA, if NYMEX pricing starts to decrease
- Encourage Budget Billing option
- Heating assistance programs (attached list of sources of assistance – Attachment #7)





## NEWS RELEASE

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FOR IMMEDIATE RELEASE

# Fidelity Selling Natural Gas Company to Laclede Gas

Fidelity Natural Gas reached an agreement Thursday to sell its natural gas distribution system in Sullivan to St. Louis-based Laclede Gas Company.

Approximately 1,300 natural gas customers being served by Fidelity Natural Gas, a wholly owned subsidiary of Fidelity Communications Co., would become customers of Missouri Natural Gas, an operating division of Laclede Gas. The sale is contingent on approval of the Missouri Public Service Commission, as well as other conditions.

Sullivan is geographically contiguous with other parts of Franklin County that have been served by Missouri Natural Gas since 1992.

"This acquisition is a natural extension of our distribution system and we anticipate providing our new customers in Sullivan with the level of service, expertise and advantages of scale that a company the size of Laclede can offer," said Douglas H. Yaeger, Chairman, President and Chief Executive Officer of Laclede.

Fidelity has been offering natural gas service since 1992. This sale will allow Fidelity to concentrate on its core communication business.

"We were pleased to bring this important energy resource to Sullivan several years ago and provide the high level of customer-oriented service our phone, cable and



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Internet customers are accustomed to,” said Senior Vice President John Colbert. “We feel confident that Laclede will continue this tradition.”

Laclede Gas, a subsidiary of The Laclede Group (NYSE: LG), is the largest gas distribution company in Missouri, serving more than 630,000 natural gas customers in St. Louis and surrounding counties in Eastern Missouri.

Fidelity Communications Company is a holding company based in Sullivan for 13 subsidiary companies: Fidelity Telephone Co., Fidelity Long Distance, Fidelity Networks, Fidelity Cablevision, Fidelity Systems Plus, Fidelity Broadcasting, Fidelity Natural Gas, Fidelity Energy Resources, Fidelity Communications International, Cellutel, and Fidelity Communication Services I, II and III. Fidelity Communications Company is privately held by the John T. Davis family and employs over 200 people.

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Fidelity Natural Gas

Effect of PGA increase for an average residential customer

Month	Customers	Usage	Ave Usage Per Customer
Jan-04	1,117	143,798	128.7359
Feb-04	1,130	171,007	151.3336
Mar-04	1,128	115,970	102.8103
Apr-04	1,131	80,791	71.4332
May-04	1,111	39,525	35.5761
Jun-04	1,102	18,222	16.5354
Jul-04	1,090	14,876	13.6477
Aug-04	1,092	14,079	12.8929
Sep-04	1,101	14,864	13.5005
Oct-04	1,094	18,293	16.7212
Nov-04	1,107	35,546	32.1102
Dec-04	1,124	82,932	73.7829
<b>Total</b>			<b>669.0799</b>

	Ave Usage Per Customer	PGA	LDC	Monthly Charge	Est Cost	Increase
Old	669.0799	\$ 0.8366	\$ 0.32	\$ 96.00	\$ 869.86	
New	669.0799	\$ 1.1983	\$ 0.32	\$ 96.00	\$ 1,111.86	\$ 242.01
						<b>28%</b>



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To be released by noon Saturday, Oct. 22.

# Natural Gas Customers Will See 28 Percent Increase Under Filing

Fidelity Natural Gas customers will see their bills increase about 28 percent this winter under a filing this week with the Missouri Public Service Commission.

If approved by the PSC, the Fidelity Natural Gas rate increase would take effect November 1, 2005, and would first be reflected on December 2005 bills.

Including distribution charges, the price of natural gas will increase to \$1.5183 from \$1.1566 per therm for residential and small business customers under the proposed rate hike of 36.17 cents.

Based on average usage of 669 therms per year, residential customers will see their bills increase \$241 annually, to \$1,115 from \$874. That's a 27.6 percent increase--significantly lower than the increase predicted by the U.S. Department of Energy in some parts of the country.

Factors driving the increase in natural gas prices include increasing demand, insufficient drilling of new gas wells, maturation of existing wells and disruptions of production due to Hurricanes Katrina and Rita.

This imbalance has led to higher prices. The present situation will stimulate investments in new sources of natural gas, but it could take more than three years for new supplies to come to the market.

Residential customers are using more gas than ever before, and they compete with industries and utilities that are building more natural gas-fueled power plants to create electricity.

Fidelity Natural Gas encourages its residential customers to use the budget billing option, which spreads costs evenly throughout the year for a similar-sized bill each



## **NEWS RELEASE**

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month Homeowners also can benefit from simple weatherization efforts, such as cleaning furnace filters and lowering thermostat settings.

**Not**

**Web**

Many Americans can expect a jolt this winter as skyrocketing prices for natural gas, heating oil and propane hit them hard. In turn, homeowners are scrambling to make their houses more energy efficient.

To prepare yourself now for the first major energy crunch since the 1970s, the CertainTeed Home Institute and Fidelity Natural Gas recommend the following tips to help you maintain a warmer home and keep more money in your wallet.

- -- Inspect and clean your heating unit. Replace filters.
- -- Open shades during the day to let the sun and its warmth into your home.
- -- Insulate hot water pipes and ducts whenever they run through areas of your home.
- -- Insulate your attic, basement and crawlspace. There should be at least an R-38 in the attic, R-11 in the basement and an R-19 in the crawlspace. Do it yourself or call a professional insulation contractor to help you add more. A well-insulated home can reduce your energy consumption by 10 percent a year.
- -- Install a programmable thermostat to set your thermostat back automatically at night.
- -- Use energy-saving settings on appliances. Refrigerators, dishwashers, washing machines and clothes dryers can all be used more energy efficiently when turned to energy saving settings.
- -- Seal up air leaks in your house by caulking leaky windows and weatherstripping doors.

- -- Add an insulating blanket to your water heater.

Fidelity Natural Gas wants to make sure you are safe and warm this winter without spending more than necessary for heating your home and water. With gas rates expected to increase, energy conservation is more important than ever.

Fidelity Natural Gas  
Fixed-price contract purchases - 3 year history

Attachment 6

PERIOD	DATE PURCHASED	MONTH	VOLUMES	GAS PRICE
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**02-03 ACA PERIOD**

ONEOK NONE

**03-04 ACA PERIOD**

PROLIANCE	09/01/03	Nov-03	9,957	\$ 4.8848
	09/01/03	Nov-03	9,957	\$ 4.8061
	09/01/03	Dec-03	9,957	\$ 4.8848
	09/01/03	Dec-03	9,957	\$ 4.8061
	11/07/03	Dec-03	9,957	\$ 4.5971
	09/01/03	Jan-04	9,957	\$ 4.8848
	09/01/03	Jan-04	9,957	\$ 4.8061
	11/07/03	Jan-04	9,957	\$ 4.7623
	09/01/03	Feb-04	9,957	\$ 4.8848
	09/01/03	Feb-04	9,957	\$ 4.8061
	11/07/03	Feb-04	9,957	\$ 4.7623
	09/01/03	Mar-04	9,957	\$ 4.8848
	09/01/03	Mar-04	9,957	\$ 4.8061

Earliest purchase 09/01/03

**04-05 ACA PERIOD**

PROLIANCE	09/07/04	Oct-04	10,000	\$ 4.4549
	08/10/04	Nov-04	10,000	\$ 5.9211
	09/07/04	Nov-04	10,000	\$ 5.1976
	09/01/04	Dec-04	10,000	\$ 5.9597
	09/07/04	Dec-04	10,000	\$ 5.7571
	11/16/04	Dec-04	10,000	\$ 7.1483
	12/09/04	Jan-05	10,000	\$ 6.1500
	12/10/04	Jan-05	10,000	\$ 6.4400
	12/09/04	Feb-05	10,000	\$ 6.2800
	12/10/04	Feb-05	10,000	\$ 6.5800
	01/12/05	Feb-05	10,000	\$ 5.6406
	12/10/04	Mar-05	10,000	\$ 6.4600
	01/12/05	Mar-05	10,000	\$ 5.7005

Earliest purchase 08/10/04

## Heating Assistance Contacts/Numbers

### **LIHEAP**

Cheryl Stratman, Executive I  
573-751-0472  
[estratman@mail.dss.state.mo.us](mailto:estratman@mail.dss.state.mo.us)

### **DOLLAR HELP**

Gerry Lynch  
314-342-0517

2758 Wyoming St  
St. Louis, MO 63118

### **DOLLAR MORE**

Vander Corless  
314-539-4086  
[corliss@stl.unitedway.org](mailto:corliss@stl.unitedway.org)

### **JFCA (Jefferson County)**

PO Box 920  
Hillsboro, MO 63080

Margaret Davis  
636-789-2686, ext. 156

Terrie Kenney  
636-789-2686, ext. 157

FAX: 636-789-2866

### **MOCA (Missouri Ozarks Energy Crisis Intervention)**

PO Box 9  
Richland, MO 65558

314-765-6263  
FAX: 314-765-4426

### **LOVING HEARTS**

Sandy Crider  
636-390-8300

Other Local Area Assistance Providers:

Salvation Army, Camp Mahaska, Bourbon, MO	573-732-5239
Community Action Group - Merl Bledsoe	573-468-6847
Homer Britton	573-468-4393
Sullivan Ministerial Alliance	
→ Grace United Methodist Church	573-468-6010