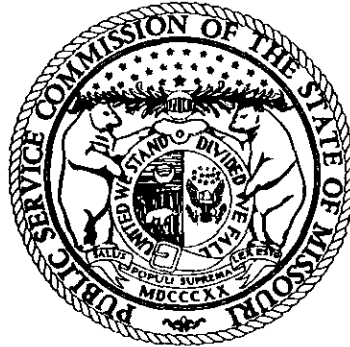


**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**



In the Matter of the Operation of )  
Fidelity Natural Gas Inc.'s Purchased )  
Gas Adjustment Clause. )

Case No. GO-97-406

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**REPORT AND ORDER**

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**Issue Date:** November 4, 1997

**Effective Date:** December 1, 1997

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

In the Matter of the Operation of                    )  
Fidelity Natural Gas, Inc.'s Purchased        )  
Gas Adjustment Clause.                            )

Case No. GO-97-406

**APPEARANCES**

James M. Fischer, Attorney at Law, James M. Fischer, P.C., 101 West McCarty, Suite 215, Jefferson City, Missouri 65102, for Fidelity Natural Gas, Inc., Southern Missouri Gas Company and Greeley Gas Company.

Douglas E. Micheel, Senior Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

Thomas R. Schwarz, Jr. and Penny G. Baker, Deputy General Counsel, Post Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

**REGULATORY**

**LAW JUDGE:**            **Thomas H. Luckenbill, Deputy Chief.**

**REPORT AND ORDER**

**Procedural History**

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Fidelity Natural Gas, Inc. (Fidelity) filed a Joint Motion to Open Docket and Joint Motion to Establish Procedural Schedule. On April 10 the Commission issued an order establishing this docket and adopting the procedural schedule proposed by Staff and Fidelity.

On September 5 Staff and Fidelity filed a Stipulation and Agreement (Attachment 1) in this case. Staff and Fidelity are the

signatories to the Stipulation and Agreement. Public Counsel did not sign nor object to the agreement. The Stipulation and Agreement included tariff sheets designed to implement its terms. On September 16 the Staff filed substitute tariff sheet number 23 because a sentence had been omitted from that sheet in the tariff sheet package which was submitted with the Stipulation and Agreement.

The Stipulation and Agreement resolves all issues except whether Fidelity should be required to prorate customer bills. On October 2 the Commission convened an on-the-record presentation for the purposes of allowing the parties to present the Stipulation and Agreement to the Commissioners and to provide the Commissioners with an opportunity to ask questions of the parties. The parties presented the Stipulation and Agreement, including the agreed-upon tariff sheets. The Stipulation and Agreement complete with tariff sheets was marked and received into the record.

### **Findings of Fact**

The agreements reached by Staff and Fidelity in this case primarily involve the function of Fidelity's Purchased Gas Adjustment (PGA) clause. The PGA clause is designed to allow natural gas local distribution companies to recover the cost of natural gas that they pay to wholesale suppliers of the commodity.

#### **I. Frequency of PGA Filings**

Under its current tariff Fidelity may make a PGA filing whenever the current increase or decrease of purchased gas amounts to more than \$50,000 in monthly firm sales revenue. The Stipulation and Agreement provides that Fidelity shall be permitted to make no more than three PGA changes per year. Two of these PGA changes are scheduled changes and they consist of a "winter filing" between October 15 and November 4 of 1997

and each succeeding year, and a "summer filing" between March 15 and April 4 of 1998 and each succeeding year. Also, Fidelity could make an unscheduled winter PGA filing in between the scheduled winter filing and scheduled summer filing if at the time such unscheduled winter PGA filing is made there is a projected underrecovery of 15 percent or more of Fidelity's annual gas costs, or a projected overrecovery of 10 percent or more of Fidelity's annual gas costs.

## **II. Proration of PGA Changes**

Currently, Fidelity does not prorate any of its PGA charges. Fidelity's position is that prorating PGA charges is not practical. Fidelity states that the cost to modify its billing software to implement prorated PGA charges would be \$10,000 to \$15,000. Fidelity maintains that this would be unreasonable since Fidelity serves only 800 natural gas customers. No party presented any evidence of customer complaints relating to prorated PGA charges.

The Commission finds that Fidelity need not prorate PGA charges at this time. As noted by Fidelity's counsel, the Company anticipates changing its billing system and that adding a proration package at that time would not be burdensome. Therefore, Fidelity should implement proration of PGA charges when it changes its billing system.

## **III. Reevaluation of PGA Clause**

Fidelity agrees to cooperate with the Staff, the Office of the Public Counsel and other interested parties in examining the desirability and feasibility of implementing further changes to its tariff in advance of the 1998/99 winter heating season, based on a review of how well the PGA clause, as modified by this order, will have operated during the 1997/98 winter heating season.

The Commission finds that the proposed Stipulation and Agreement is in the public interest and should be approved. The proposed Stipulation and Agreement is consistent with the Commission's obligation to ensure just and reasonable rates. See Section 393.130.<sup>1</sup>

### **Conclusions of Law**

Fidelity Natural Gas, Inc. is a gas corporation subject to the jurisdiction of the Missouri Public Service Commission pursuant to Chapters 386 and 393 RSMo, Supp. 1996.

Under 536.060 the Commission may accept a stipulation and agreement as disposition of a case. The proposed Stipulation and Agreement is consistent with the Commission's obligation to ensure just and reasonable rates.

Based upon the Commission's findings of fact and conclusions of law, the Commission determines that tariff sheets in substantially the form as set out in Attachment A to the Stipulation and Agreement should be filed by the Company to be effective for service rendered on and after December 1, 1997.

### **IT IS THEREFORE ORDERED:**

1. That the Stipulation and Agreement filed by the Staff of the Missouri Public Service Commission and Fidelity Natural Gas, Inc. on September 5, 1997 is approved.

2. That Fidelity Natural Gas, Inc. shall file tariff sheets in compliance with this order no later than November 14, 1997, in substantially the same form as those attached to the Stipulation and

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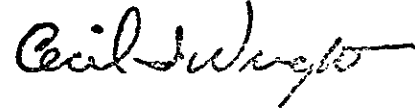
<sup>1</sup> All statutory references are to Revised Statutes of Missouri 1994, unless otherwise indicated.

Agreement, said tariff sheets shall bear an effective date of December 1, 1997.

3. That the Staff of the Missouri Public Service Commission shall file a memorandum in this docket no later than November 21, 1997, indicating whether the tariff sheets filed pursuant to ordered paragraph 2 are in compliance with this order.

4. That this order shall become effective on December 1, 1997.

**BY THE COMMISSION**



**Cecil I. Wright  
Executive Secretary**

(S E A L)

Dated at Jefferson City, Missouri,  
on this 4th day of November, 1997.

FILED

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

SEP 05 1997

MISSOURI  
PUBLIC SERVICE COMMISSION

In the matter of the operation )  
of Fidelity Natural Gas, Inc.'s )  
Purchased Gas Adjustment Clause. )

Case No. GO-97-406

Stipulation and Agreement

I. Procedural History

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Fidelity Natural Gas, Inc. ("Fidelity or Company") filed a Joint Motion to Open Docket and a Joint Motion to Establish Procedural Schedule. In the Joint Motion, Staff stated that events during the last heating season had raised general questions regarding the frequency of Purchased Gas Adjustment ("PGA") filings and the extent to which changes in various PGA factors should be prorated for billing purposes. Staff and Fidelity accordingly requested that the Commission open this docket for the purpose of examining these two issues, and these two issues alone, in advance of the next winter heating season.

On April 10, 1997, the Commission issued an Order in Case No. GO-97-406 in which it opened this docket, established the procedural schedule recommended by Staff and Fidelity, and directed that notice of this proceeding be provided. The Commission also issued Orders opening similar dockets applicable to the other local distribution companies which operate in Missouri.

Subsequent to the issuance of these Orders, representatives of the Staff, Fidelity and other gas utilities met in an effort to discuss the issues raised in each docket and determine whether agreements resolving the issues could be reached. As a result of those discussions, Staff and Fidelity have reached the following stipulations and agreements:

**II. Frequency of PGA Filings**

For purposes of resolving the issue relating to the frequency of PGA filings, Fidelity and Staff have agreed to certain significant revisions to Fidelity's PGA tariff which, if approved by the Commission, would substantially limit the number of PGA filings made by Fidelity each year. These proposed PGA tariff revisions are set forth in Attachment A to this Stipulation and Agreement (the "Proposed PGA Tariff") and include the following modifications:

A. Number and Timing of PGA Filings -- Under its existing tariffs, Fidelity may make a PGA filing whenever the current increase or decrease of purchased gas amounts to more than \$50,000. Under the Proposed PGA Tariff, Fidelity shall be permitted to make no more than two scheduled PGA filings each calendar year and one unscheduled PGA filing each winter period pursuant to the following terms:

1. Scheduled PGA Filings -- The first scheduled PGA filing (hereinafter the "Winter PGA Filing") shall be filed between October 15 and November 4, 1997 and between October 15 and November 4 of each succeeding calendar year thereafter. The second scheduled PGA filing (hereinafter the "Summer PGA Filing") shall be filed between March 15 and April 4, 1998 and between March 15 and April 4 of each succeeding calendar year thereafter.

2. Unscheduled Winter PGA Filing -- In addition to these two scheduled PGA filings, Fidelity shall also be permitted to make one unscheduled winter PGA filing on an annual basis (hereinafter the "Unscheduled Winter PGA Filing") in the period between the effective date of the Winter PGA Filing and the next Summer PGA Filing, provided that at the time of such Unscheduled Winter PGA Filing, there is: (a) a projected under-recovery in Fidelity's Deferred Carrying Cost Balance ("DCCB"), as defined in paragraph II. D.1 herein, equal to or greater than fifteen percent of Fidelity's Annual Gas Cost Level or (b) a projected over-recovery equal to or greater than ten percent of Fidelity's Annual Gas Cost Level. The projected under- or over-recovery shall be determined by adding: (1) the actual net over- or under-recovery amount in the DCCB at the time the Unscheduled Winter PGA Filing is made, and (2) the estimated over- or under-recovery amount which,

based on the LDC's actual gas commodity costs at the time of the Unscheduled Winter PGA Filing, would otherwise occur in the ensuing monthly period absent the filing.

3. Notice Period -- Each PGA filing shall be filed with the Commission no less than ten business days prior to the proposed effective date.

B. Contents of PGA Filings

1. The scheduled Winter and Summer PGA Filings shall contain rates reflecting: (a) refunds relating to or arising during the prior period, (b) and DCCB-related adjustments, and (c) Fidelity's estimate of annualized gas cost revenue requirements for the period between the date of such filing and the next scheduled PGA Filing.

2. In addition:

(a) In the Winter PGA Filing, Fidelity shall file revised ACA factors relating to the immediately preceding twelve months ending August (prior ACA period).

(b) In any Unscheduled Winter PGA Filing, Fidelity may file a rate change not to exceed five cents (\$.05) per Ccf, (hereinafter the "Unscheduled Winter PGA Filing Adjustment Factor)" which is designed to return to, or receive from, ratepayers any DCCB-related over- or under-recoveries of gas costs that have been

deferred by Fidelity since its Winter PGA Filing. The Unscheduled Winter PGA Filing Adjustment Factor shall remain in effect only until the next scheduled Summer PGA Filing. Additionally Fidelity shall file a current estimate of annualized gas costs revenue requirements between the date of such filing and the next scheduled PGA Filing.

C. Estimate of Annualized Gas Costs -- The level of annualized gas costs to be reflected in each PGA filing shall be subject to the following conditions:

1. Fixed Gas Costs -- The gas cost revenue requirement relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other FERC authorized charges, shall be determined in the same manner as under Fidelity's now existing PGA procedures.

2. Commodity Gas Cost Cap -- The level of gas costs relating to gas supply commodity costs, variable transportation charges, and other FERC-authorized variable charges shall be determined by Fidelity for purposes of estimating this component in each PGA filing, provided that:

(a) for any scheduled PGA filing, such estimate shall not exceed a per Ccf cost equal to the higher of:

(1) Fidelity's actual commodity gas cost per Ccf for currently purchased gas supplies in the month in which the PGA filing is made; or

(2) The average of (i) the single highest weighted average commodity gas cost per Ccf and (ii) the overall weighted average commodity gas cost per Ccf actually incurred by Fidelity, for currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.

(b) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per Ccf cost equal to Fidelity's actual per Ccf commodity cost of gas, for currently purchased gas supplies in the month in which such Unscheduled Winter PGA Filing is made.

(c) Fidelity must justify the gas costs included in its filing.

D. Carrying Costs -- Carrying costs shall be applied to certain deferred gas cost balances in the following manner:

1. No carrying costs shall be applied until such time as the net DCCB exceeds an amount equal to ten percent of Fidelity's average annual level of gas costs for the then most three recent ACA periods, beginning with the three ACA periods immediately preceding the 1997/98 winter period (hereinafter

"Annual Gas Cost Level"), which shall initially (until the 1998 winter PGA filing) be based on the three ACA periods immediately preceding the 1997/98 winter period. The DCCB shall include the cumulative under- or over-recoveries of gas costs at the end of each month for each annual ACA period. The under- and over-recoveries of gas costs to be included in the DCCB shall be defined as the product of: (a) the difference between Fidelity's actual annualized unit cost of gas (blended with storage) and the estimated annualized unit cost of gas factor included in Fidelity's then most recent PGA filing, times (b) the total volumes of gas sold during such month.

2. In the event the DCCB (whether over- or under-recovered) exceeds five percent of Fidelity's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate as noted in The Wall Street Journal on the first business day of the following month, minus one percentage point shall be applied to such portion of the balance amounts as exceeds ten percent for the period such excess balance amounts exist.

### III. Proration

A. Currently, Fidelity does not prorate its PGA charges. In attachment B the Company sets out its position that prorating the PGA is impractical. If the Company persuades the

Commission that proration of customer bills is impractical, Fidelity may use an administrative procedure to obviate the need to prorate, provided that no customer shall be charged a rate for gas which was not in effect on the date the customer took service.

B. If the Commission orders Fidelity to prorate its PGA, the undersigned parties agree that any increase or decrease in any PGA factor, including ACA and refund factors, shall be applied prorata to customers' bills for service rendered on and after the effective date of the change. The parties further agree that bills which contain multiple PGA rate changes during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

#### IV. Ancillary Matters

A. Variance from PGA Provisions -- Nothing in this Stipulation and Agreement shall expand or limit whatever authority Fidelity may have to seek a variance or waiver from any Fidelity tariff provisions or Commission rules. This Stipulation and Agreement shall not be construed as affecting in any way Fidelity's right to seek emergency or permanent rate relief or to propose any changes in the manner in which it bills its customers.

B. Reevaluation of PGA Clause -- The parties agree that the PGA Clause revisions proposed herein address the immediate concerns raised in Case No. GO-97-406 as such concerns relate to Fidelity. Fidelity agrees to cooperate with the Staff, Office of Public Counsel and other interested parties in examining the desirability and feasibility of implementing further changes to its tariffs in advance of the 1998/99 winter heating season, based on a review of how well the PGA Clause, as modified herein, will have operated during the 1997/98 winter heating season. The parties also acknowledge that the PGA structure provided for herein would need to be significantly altered in the event any further, significant unbundling of Fidelity's services were to be implemented by the Commission.

C. Data Requests -- All data requests previously submitted by Staff to Fidelity in these dockets shall be withdrawn. Staff may resubmit Data Request No. 5001 and Fidelity will provide its response to such data request within 20 days, provided that such response will be furnished without any prejudice to Fidelity's right to object subsequently to the relevancy or admissibility of the information provided.

V. General Matters

A. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

B. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

C. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 (RSMo. 1994); and

their respective rights to judicial review pursuant to Section 386.510 (RSMo. 1994).

D. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

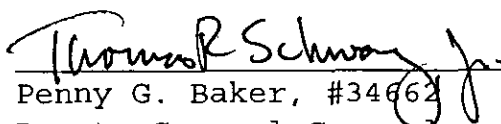
The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be

considered by the Commission, whatever oral explanation the Commission requests; provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff, (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

E. In order for Fidelity to have adequate time to implement all aspects of this Stipulation and Agreement prior to the Winter PGA Filing, the parties urge the Commission to issue an Order Adopting the Stipulation and Agreement with an effective date of no later than October 1, 1997.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement to be effective October 1, 1997.

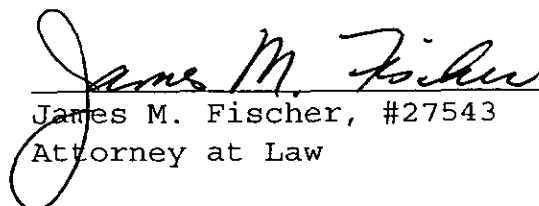
Respectfully Submitted,

  
Penny G. Baker, #34662  
Deputy General Counsel

Thomas R. Schwarz, #29645  
Deputy General Counsel

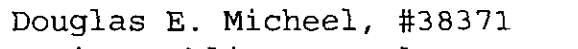
P. O. Box 360  
Jefferson City, MO 65102  
573-751-6651  
573-751-9285 (fax)

**ATTORNEYS FOR THE STAFF OF  
THE MISSOURI PUBLIC SERVICE  
COMMISSION**

  
James M. Fischer, #27543  
Attorney at Law

101 W. McCarty, Ste. 215  
Jefferson City, MO 65101  
573-636-6758  
573-636-0383 (Fax)

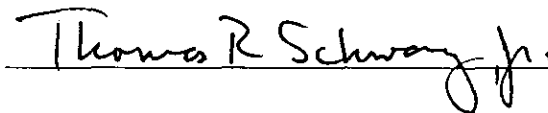
**ATTORNEY FOR  
FIDELITY NATURAL GAS, INC.**

  
Douglas E. Micheel, #38371  
Senior Public Counsel  
The Office of the Public Counsel  
P. O. Box 7800  
Jefferson City, MO 65102  
573-751-5560  
573-751-5562

**ATTORNEY FOR THE OFFICE OF  
THE PUBLIC COUNSEL**

**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 5th day of September, 1997.

  
Thomas R. Schwarz, Jr.

FORM NO. 13 P.S.C. MO No. 1

(original)  
2nd (revised)  
(original)  
1st (revised)

Sheet No. 21

Cancelling P.S.C. MO No. 1

Sheet No. 21

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE**

**I. PGA Filing Requirements and Applicability**

The Purchased Gas Adjustment (PGA) Clause applies to all sales and transportation services provided under all natural gas rate schedules and contracts. For purposes of this clause the term "cost of gas" shall include the cost paid to suppliers for the purchase, transportation and storage of gas.

The Company will apply increases and decreases in rates to customers' bills for service rendered on and after the effective date of the rate change. Bills rendered to customers which are computed using multiple rates during a customer's billing (usage) cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's usage period that such rates were in effect.

All PGA factors are subject to review and approval by the Commission. All PGA factors are interim and subject to adjustment as part of the ACA review. Any PGA filing shall not be approved unless it has first been on file with the Commission for a period ten (10) business days. The PGA factors approved by the Commission shall remain in effect until the next PGA becomes effective hereunder, or until otherwise changed by law or order of the Commission. Each PGA factor filed hereunder shall cancel and supersede the previously effective PGA factors and shall reflect the current purchased gas cost to be effective thenceforth.

All necessary supporting documentation must be provided with the PGA filings, including worksheets showing the calculation of the estimate of the Company's gas costs, volumes purchased for resale, the projected monthly demand levels, supply options, transportation demand levels, supply options, transportation options, storage options, and other miscellaneous charges and revenues that affect the PGA rate calculation.

The Company shall file a "Total PGA" factor which shall consist of four parts:

- a) The Purchased Gas Adjustment "RPGA" factor as defined in Section II;
- b) The Take-or-Pay Cost Recovery factor as defined later in Section III;
- c) The Actual Cost Adjustment "ACA" which results from the corrections made through the Deferred Purchased Gas Cost-Actual Cost Adjustment Accounts, described later in Section IV of this clause, and;
- d) The "Refund" factor which is described later in Section V of this clause.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

ISSUE BY Kent Bliss  
name of officer

President  
title

64 N. Clark Ave. Sullivan, MO 63080  
address

FORM NO. 13 P.S.C. MO No. 1

(original)  
3rd (revised)

Sheet No. 22

Cancelling P.S.C. MO No. 1

(original)  
2nd (revised)

Sheet No. 22

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

At least ten (10) business days before applying November and April effective filed rates, the Company shall file with the Commission an Adjustment Statement and related information showing:

- a) The computation of the revised purchased gas costs factors as described herein; and,
- b) A revised Sheet No. 27 setting forth the service classifications of the Company to which the cost changes are to be applied, the net amount per Ccf, expressed to the nearest \$0.0001 to be used in computing customers' bills, and the effective date of such revised change.

The Company shall also file with the Commission copies of any orders, contracts, or other pertinent information applicable to the wholesale rates charged the Company by its natural gas suppliers. The Company shall adequately and completely document purchasing and delivery activities for purposes of its annual gas cost audit.

**A. Scheduled PGA Filings:**

The Company shall have the opportunity to make two Scheduled PGA Filings each year: A Winter PGA and a Summer PGA. The Winter PGA shall be filed to be effective November 1 and the Summer PGA shall be filed to be effective April 1. The Company must file a Winter PGA each year, but is not required to file a Summer PGA.

If the Company chooses to make only one Scheduled PGA Filing, it shall file a Winter PGA that shall contain rates reflecting: (1) all of the Company's ACA adjustments, TOP adjustments and Refund factor adjustments relating to or arising during the immediately preceding 12 month ACA period; (2) the Company's then current estimate of gas cost revenue requirements for the period between the effective date of filing and the next Winter PGA Filing; and (3) any DCCB adjustments..

If the Company chooses to make both Scheduled PGA Filings, the Winter PGA filing shall contain the rates reflecting: (1) all of the LDC's ACA adjustments, TOP adjustments and Refund adjustments relating to or arising during the immediately preceding 12 month ACA period; (2) the Company's estimate of annualized gas cost revenue requirements for the period between the effective date of the Winter PGA and effective date of the Summer PGA; and (3) any DCCB adjustments. The Summer PGA shall contain rates maintaining (1) all of the LDC's ACA adjustments, TOP adjustments and Refund adjustments relating to or arising during the prior ACA period; and adjusting rates for (2) the Company's estimate of annualized gas cost revenue requirements for the period between the effective date of the Summer PGA and the effective date of its next Winter PGA; and (3) any DCCB adjustments.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

ISSUE BY Kent Bliss  
name of officer

President  
title

64 N. Clark Ave. Sullivan, MO 63080  
address

FORM NO. 13 P.S.C. MO No. 1

(original)  
3rd (revised)  
(original)  
2nd (revised)

Sheet No. 23

Cancelling P.S.C. MO No. 1

Sheet No. 23

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

**B. Unscheduled Winter PGA Filing:**

In addition to the two Scheduled PGA Filings mentioned above, the Company may file one Unscheduled Winter PGA to be effective during the Winter PGA effective period, provided that at the time of such Unscheduled Winter PGA filing, there is: (a) a projected under recovery in Fidelity Natural Gas, Inc.'s Deferred Carrying Cost Balance (DCCB), as defined below, equal to or greater than fifteen percent (15%) of Fidelity Natural Gas, Inc.'s Annual Gas Cost Level, as defined below; or (b) a projected over recovery in the DCCB equal to or greater than 10% of Fidelity Natural Gas, Inc.'s Annual Gas Cost Level. The projected under or over recovery shall be determined by adding: (1) the actual net over or under recovery amount in the DCCB at the time the Unscheduled Winter PGA Filing is made, and (2) the estimated over or under recovery amount which, base on Fidelity Natural Gas, Inc.'s actual gas commodity costs at the time of the Winter PGA Filing, would other wise occur in the ensuing monthly period, absent the filing.

The Deferred Carrying Cost Balance (DCCB) shall include the cumulative under or over recoveries of gas costs at the end of each month for each month for each annual ACA period. The under or over recoveries of gas costs at the end of each month to include in the DCCB will be defined and computed as the product of : (a) the difference between Fidelity Natural Gas, Inc.'s actual annualized unit cost of gas (blended with storage and the estimated annualized unit cost of gas factor included in Fidelity Natural Gas, Inc.'s then most recent PGA filing, times (b) the total volumes of gas sold during such month.

Annual Gas Cost Level is defined as the annual gas cost level as determined in Fidelity Natural Gas, Inc.'s latest effective PGA rate calculation. Under no circumstances will the Company make more than one Unscheduled PGA Filing per year.

If the Company qualifies for, and chooses to make, an Unscheduled Winter PGA filing, that filing shall contain a factor adjustment not to exceed five cents (\$0.05) per Ccf. The Unscheduled Winter PGA Factor made effective through action of the Commission shall remain in effect only until the next scheduled PGA filing. With its Unscheduled Winter PGA, the Company shall file a current estimate of annualized gas costs revenue requirements between the date of such filing and the effective date of the next Scheduled PGA.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

ISSUE BY Kent Bliss  
name of officer

President  
title

64 N, Clark Ave. Sullivan, MO 63080  
address

FORM NO. 13 P.S.C. MO No. 1

(original)

Sheet No. 24

Cancelling P.S.C. MO No. 1

2nd (revised)

Sheet No. 24

(original)

1st (revised)

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

All necessary supporting documentation must be provided with the Unscheduled PGA Filing, including a worksheet of the actual monthly ACA balances along with all entries that have been used to record changes in the monthly balances. In addition all workpapers supporting the newly proposed PGA rate shall be provided with the filing. This newly proposed PGA rate will be calculated using the same methodology approved for the Scheduled PGA rates and will only reflect changes to the elements that have changed significantly from the currently effective factor.

**II. REGULAR PURCHASED GAS ADJUSTMENTS:**

Charges for gas service contained in the Company's then effective retail rate schedules on file with the Missouri Public Service Commission shall be adjusted by a Regular Purchased Gas Adjustment (RPGA), determined in the following manner.

**I. Computation of RPGA Factors:**

The Company's RPGA factors shall be calculated based on the best estimate of the Company's gas costs and volumes purchased for resale, as calculated by the Company and approved by the Commission. Calculation of the best estimate of the Company's gas costs and volumes purchased for resale shall consider the Company's projected monthly demand levels, supply options, transportation options, storage options, and other miscellaneous charges and revenues that affect the RPGA rate calculation. The costs to be included in the RPGA rate calculation shall be limited to the projected costs necessary to deliver the volumes purchased for resale to the Company's city gate. The actual gas costs shall include the commodity cost of storage withdrawals and exclude the commodity cost of storage injections.

The gas cost revenue requirement component of the RPGA factor, relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other fixed FERC authorized charges, will be determined in a manner similar to the way they have historically been determined in the Company's PGA Clause.

For the gas commodity component of the RPGA factor, including variable transportation costs, gas supply commodity costs, and other FERC authorized commodity charges, the Company will utilize any technique or method it deems reasonable for purposes of estimating the gas cost revenue requirement to be reflective for this component in each RPGA filing, provided that:

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

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FORM NO. 13 P.S.C. MO No.   1  

(original) Sheet No.   25  

Cancelling P.S.C. MO No.   1  

2nd (revised) (original) Sheet No.   25  

1st (revised)

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

(a) for any Scheduled PGA Filing, such estimate shall not exceed a per Ccf cost equal to the higher of:

(1) the Company's actual commodity gas cost per Ccf for currently purchased gas supplies in the month in which the PGA filing is made; or

(2) the average of (i) the single highest average commodity gas cost per Ccf and (ii) the overall weighted average commodity gas cost per Ccf actually incurred by Fidelity Natural Gas, Inc. for the currently purchased gas supplies in the applicable winter or summer period during the then three most recent ACA periods.

(b) for any Unscheduled Winter PGA Filing, such estimate shall not exceed the per Ccf cost equal to Fidelity Natural Gas, Inc.'s actual per Ccf commodity cost of gas for currently purchased gas supplies in the month in which such Unscheduled Winter PGA Filing is made; and,

(c) Fidelity Natural Gas, Inc. must justify the gas costs included in its filings.

For transportation customers that purchases gas from the Company, Fidelity Natural Gas, Inc. shall bill transportation customers the highest price gas taken during the billing month instead of the average rates contained in the RPGA computation. The Company shall use the revenues of such billings as gas cost recovery for the development of the ACA factor herein provided.

**III. TAKE-OR-PAY COST RECOVERY FACTOR:**

Federal Energy Regulatory Commission (FERC) authorized fixed Take-or-Pay (TOP) costs shall be recovered from all classes of customers on a volumetric basis by the application of TOP Cost Recovery factors applicable to all Ccfs billed for both natural gas sales and transportation volumes under rate schedules and under contracts on file with the Missouri Public Service Commission.

The TOP account balance will be the net balance of all revenue recovered from the application of the TOP Cost Recovery factor using the monthly actual billed sales by cycle for sales customers and each unit transported for transportation service customers and all fixed FERC-authorized TOP charges paid to its suppliers for service in the TOP period.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

ISSUE BY Kent Bliss  
name of officer

President  
title

64 N. Clark Ave. Sullivan, MO 63080  
address

FORM NO. 13 P.S.C. MO No. 1

(original)  
2nd (revised)

Sheet No. 26

Cancelling P.S.C. MO No. 1

(original)  
1st (revised)

Sheet No. 26

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

TOP Cost Recovery factors will be computed by dividing the estimated annualized TOP costs by the estimated volumes of the total sales and transportation Ccfs for the twelve-month period beginning with the effective date of the TOP Cost Recovery factor. Annualized TOP costs shall be the fixed TOP charges, including supplier paid interest, the Company has been billed and/or reasonably expects to be billed, for service in a twelve-month period as a result of the application of FERC approved tariffs relating to the recovery of TOP by the Company's natural gas suppliers, plus any over or under recovery of such costs from the previous period as discussed below. This adjustment shall be rounded to the nearest \$0.0001 per Ccf and applied to billings beginning with the first billing cycle of the billing month of November and ending with the last billing cycle of the billing month of October in the following year.

The TOP account balance will be the net balance of all revenue recovered from the application of the TOP Cost Recovery factor using the monthly actual billed sales by cycle for sales customers and each unit transported for transportation service customers and all fixed FERC-authorized TOP charges billed for service by its suppliers for the above twelve month period.

TOP Review. The TOP accounts will be audited simultaneously with the Company's Deferred Purchased Gas Cost Accounts (Section III of this PGA Clause). The Company will keep such records so as to allow for an accurate accounting of such costs actually paid to suppliers and recovery actually received from customers. Any over or under-recovery of such costs shall be refunded or recovered by inclusion in the subsequent TOP Cost Recovery factor determination. Notwithstanding the foregoing, the lump sum direct billed take-or-pay refunds made to the Company by its suppliers pursuant to FERC action will be refunded by the Company to customers in a manner consistent with the recovery of such TOP costs from customers.

TOP Termination. After termination of the TOP Cost Recovery factor, any remaining over or under-recovery TOP account balance shall be carried forward and included in the calculation of the next Actual Cost Adjustment (ACA) factor.

TOP Factor Procedures. The TOP Cost Recovery factor shall remain in effect until superseded by a subsequent TOP Cost Recovery factor calculated according to this provision. The Company shall file any revised TOP Cost Recovery factor on Sheet No. 27 in the same manner as all other Purchased Gas Adjustments. The TOP Accounts shall be reviewed concurrently with the Refund and ACA factor audits.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

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President  
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64 N. Clark Ave. Sullivan, MO 63080  
address

FORM NO. 13 P.S.C. MO No. 1

(original)  
2nd (revised)

Sheet No. 27

Cancelling P.S.C. MO No. 1

(original)  
1st (revised)

Sheet No. 27

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

**IV. DEFERRED PURCHASED GAS COST - ACTUAL COST ADJUSTMENT ACCOUNTS:**

The Company shall establish and maintain a Deferred Purchased Gas Cost - Actual Cost Adjustment (ACA) Account which shall be credited with any over-recovery resulting from the operation of the Company's PGA procedure or debited for any under-recovery resulting from the same.

Such over- or under-recovery shall be determined by a monthly comparison of the actual (as billed) cost of gas as shown on the books and records of the Company for each cost month, exclusive of refunds, TOP costs and penalties, to the cost recovery by the Company for the revenue month corresponding to the cost month.

The cost recovery shall be calculated by multiplying the PGA class Ccf sales by the applicable effective revenue components [the RPGA factor and the ACA factor] related to the cost of gas purchased.

For each twelve month billing period ended with the August revenue month, differences of the comparisons described above, including the balance or credit for the previous year, shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs. "Actual Cost Adjustment" (ACA) factors shall be computed by dividing the cumulative balance of the over-recoveries or under-recoveries by the estimated volumes of sales, by PGA class during the subsequent twelve month period. These ACA factors shall be rounded to the nearest \$0.0001 per Ccf and applied to billings, beginning with the November revenue month. These ACA factors shall remain in effect until superseded by subsequent ACA factors calculated according to this provision. The Company shall file any revised ACA factors in the same manner as all other adjustments performed in the PGA clause.

Carrying costs shall be determined in the following manner:

(a) No carrying costs shall be applied in connection with any PGA-related item, until such time as the net "Deferred Carrying Cost Balance" exceeds an amount equal to ten percent (10%) of the Fidelity Natural Gas, Inc.'s average annual level of gas costs for the then most three recent ACA periods (hereinafter "Annual Gas Cost Level"), beginning with the three ACA periods immediately preceding the 1997/98 winter period, which shall initially (until the 1998 Winter PGA Filing) be based on the three ACA periods immediately preceding the 1997/98 winter period.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

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64 N. Clark Ave. Sullivan, MO 63080  
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FORM NO. 13 P.S.C. MO No. 1

(original)

Sheet No. 28

Cancelling P.S.C. MO No. 1

2nd (revised)

Sheet No. 28

(original)

1st (revised)

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

The Deferred Carrying Cost Balance shall include the cumulative under or over recoveries of gas costs at the end of each month for each annual ACA period. The under or over recoveries of gas costs at the end of each month to include in the DCCB will be defined and computed as the product of: (a) the difference between Fidelity Natural Gas, Inc.'s actual annualized unit cost of gas (blended with storage and the estimated annualized unit cost of gas factor included in Fidelity Natural Gas, Inc.'s then most recent PGA filing, times (b) the total volumes of gas sold during such month.

(b) In the event the DCCB exceeds ten percent of the LDC's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate minus one percentage point shall be applied to such portion of the balance amounts as exceeds five percent for the period such excess balance amounts exist. The prime lending rate, (prime), is that rate reported in *The Wall Street Journal* on the first business day of the following month.

**V. REFUNDS:**

For the purpose hereof, unless the Missouri Public Service Commission shall otherwise order, refunds or a balance in the refund account received by the Company from charges paid for natural gas resold to its customers, shall be refunded to such customers as a reduction in their PGA.

The Company shall file with the Commission and propose to make effective, the appropriate PGA Statement reflecting the decrease and an associated statement showing the computation of the refund adjustment in the same manner as all other adjustments performed in the PGA clause. The length of the refund period shall generally be twelve months. The Refund accounts shall be reviewed concurrently with the TOP and ACA factor audits.

The Company will add interest to the refunds received from its suppliers applicable to (1) the amount of the refund from the date of its receipt by the Company to the beginning date of the refund adjustment period, and (2) the average amount of the total refund estimated to be outstanding during the refund adjustment period.

DATE OF ISSUE \_\_\_\_\_  
month day year

DATE EFFECTIVE \_\_\_\_\_  
month day year

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64 N. Clark Ave. Sullivan, MO 63080  
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FORM NO. 13 P.S.C. MO No.   1  

(original)

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(revised)

Cancelling P.S.C. MO No.       

(original)

Sheet No.       

(revised)

Fidelity Natural Gas, Inc.  
Name of Issuing Corporation

For Sullivan, MO  
Community, Town or City

**PURCHASED GAS ADJUSTMENT CLAUSE (cont.)**

The refund interest rate shall be equal to the prime bank lending rate as published in *The Wall Street Journal* less two percentage points. The refund interest rate to be applied to the refund balance at the end of each month shall be equal to the arithmetic average of the refund interest rates in effect on each day during each month. The refund interest rate shall be used to make the initial estimate of the interest that will be included in each refund distribution shall be equal to the refund interest rate in effect on the day of receipt of the supplier refund.

After the refunding period is completed, the difference between the refunds received from the Company's suppliers (including the Company's own additional interest) and the amounts refunded to the respective customer groups shall be determined and the difference retained in the refund accounts until such time as a subsequent refund

The Company shall file refund factors in the same manner as all other adjustments made to this clause.

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month day year

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64 N. Clark Ave. Sullivan, MO 63080  
address

## ATTACHMENT B

### REASONS PRORATION IS IMPRACTICAL

Fidelity Natural Gas, Inc. ("Fidelity") respectfully requests it be permitted to use alternative administrative solutions in lieu of proration of bills. At this time Fidelity's billing program is not capable of prorating bills. Fidelity has estimated that a software modification which would permit proration of bills would cost between \$10,000 and \$15,000. Such a large expenditure of funds would be unreasonable at this time since Fidelity serves only 800 natural gas customers.

In the event the Commission exempts Fidelity from the proration policy, then the following language would be included in Fidelity's tariff sheet no. 22 in lieu of the second paragraph:

As an alternative to proration, the Company may bill its customers the newly effective rates only when all service being billed is service taken after the effective date of the new rates. As long as any of the service period being billed a customer contains service taken prior to the period before the new rates are effective, the Company can charge only the old rates.