

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

Ini the Matter of the Joint Application of
Fidelity Natural Gas, Inc. and Laclede Gas)
company for an Order Authorizing the)
Sale and Transer of Certain Assets of)
Fidelity Natural Gas, Inc., Located in)
Missouri to Laclede Gas Company and)
Either Authorizing the Transfer of)
Existing Certificates of Public)
Convenience and Necessity or Granting a)
New Certificate of Public Convenience)
and Necessity to Lacelde Gas Company in)
Conjunction with Same)
)

Case No. GM-2006-0183

JOINT RESPONSE TO STAFF RECOMMENDATION

COME NOW Laclede Gas Company (“Laclede”) and Fidelity Natural Gas, Inc. (“Fidelity”) (together, “Applicants”), and file this Joint Response to the Staff Recommendation filed in this case on December 16, 2005, and in support thereof state as follows:

1. Staff’s Recommendation covered seven separate topics. Applicants’ only key area of concern with Staff’s Recommendation pertains to the issue of when Laclede may incorporate Fidelity’s 1,300 customers into Laclede’s system. This issue touches Staff Recommendation sections B (Depreciation), C (ACA/PGA) and D (Tariff). In effect, Staff recommends that Laclede maintain Fidelity’s 1,300 customers as a separate operation for all of these purposes through Laclede’s next rate case.

2. In the context of Laclede’s system of 650,000 customers, acquiring a service territory with 1,300 customers is a small transaction. Staff’s Recommendation

cites a Standard & Poor's bulletin stating that the "size of the acquisition is nominal..." (Staff Recommendation, p. 4). As a result, Laclede would like to quickly absorb the new customers into its system and minimize the amount of time it must operate parallel systems, one with 650,000 customers, and the other with 1,300 customers.

3. At the same time, Applicants recognize the need to combine these systems in a manner that is not detrimental to the interests of either Laclede's or Fidelity's current customers. Therefore, Applicants request that the application be approved, with the proviso that Laclede be granted an opportunity to bill Fidelity customers and expense depreciation using Laclede's tariffs, ACA/PGA charges, and depreciation rates effective on November 1, 2006, if Laclede can show that such actions will not be detrimental to the interests of either Laclede's or Fidelity's current customers.

4. Applicants are in the process of negotiating the issue related above and other more minor issues with Staff, pursuant to efforts to reach a stipulation that may be presented to the Commission for its approval. Applicants intend to respond to the Commission shortly by either filing a stipulation and agreement or providing an updated status.

5. In light of these developments, and the upcoming holidays, Applicants amend their Motion for Expedited Treatment to request a Commission decision to be effective by January 10, 2006.

WHEREFORE, Laclede and Fidelity respectfully request that the Commission accept this Response to Staff's Recommendation.

Respectfully submitted,

LACLEDE GAS COMPANY

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 21st day of December, 2005.

/s/ Rick Zucker