

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

In the matter of the Joint Application of Fidelity)	
Natural Gas, Inc. and Laclede Gas Company)	
for an order authorizing the sale and transfer)	
of certain assets of Fidelity Natural Gas, Inc.)	
located in Missouri to Laclede Gas Company)	Case No. GM-2006-0183
and either authorizing the transfer of existing)	
Certificates of Public Convenience and)	
Necessity or granting a New Certificate of Public)	
Convenience and Necessity to Laclede Gas)	
Company in conjunction with same.)	

UNANIMOUS STIPULATION AND AGREEMENT

I. Procedural History

On October 21, 2005, Fidelity Natural Gas, Inc. (Fidelity) and Laclede Gas Company (Laclede)(collectively Joint Applicants) filed a Joint Application with the Missouri Public Service Commission (Commission) for an order authorizing the sale and transfer of certain assets of Fidelity to Laclede and granting a new certificate of public convenience and necessity to Laclede in conjunction with the sale (hereinafter "the Sale" or "the transaction"). At the same time, the Joint Applicants filed with the Commission a Motion for Expedited Treatment requesting approval no later than January 1, 2006, if possible.

On October 25, 2005, the Commission issued its Order Directing Notice And Establishing Date For Intervention which established an intervention date of November 14, 2005. The Commission received no requests for intervention.

On November 1, 2005, the Commission Staff (Staff) filed its Pleading Regarding Staff Recommendation. In this pleading, Staff emphasized that Staff could file a Recommendation regarding the Application by December 9, 2005 if certain conditions were met. On December 7,

2005, Laclede provided supplemental answers to Staff's Data Requests. The parties filed a joint pleading on December 9, 2005, which deferred Staff's Recommendation until December 16, 2005 to allow Staff time to review the supplemental answers. On December 16, 2005 Staff filed its Recommendation in this case. On February 1, 2006, a public hearing was held in Sullivan, Missouri.

Laclede, Fidelity, the Commission Staff (Staff), and the Office of the Public Counsel (Public Counsel) (collectively Signatory Parties) have engaged in various discovery and discussions, and as a consequence, the Signatory Parties have reached the following agreements which are set forth in this Stipulation and Agreement, and which dispose of all issues in this case with respect to the Signatory Parties.

II. APPROVAL OF THE TRANSACTION

The Signatory Parties agree that the Commission should issue its order, subject to the conditions contained herein, authorizing Laclede to acquire the assets of Fidelity, pursuant to the September 1, 2005 Purchase and Sale Agreement between Fidelity and Laclede which was contained in Appendix 1 of the Application. In addition, the Commission should grant Laclede a Certificate of Convenience and Necessity to serve the service area previously served by Fidelity.

The Signatory Parties also agree that the Commission should issue its order approving the proposed transaction and this Stipulation and Agreement at its earliest opportunity so as to be effective by February 24, 2006, or as soon thereafter as possible. In the event that the proposed transaction is not closed, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof.

III. CONDITIONS OF APPROVAL

1. PROVISION OF SERVICE

Laclede agrees that it will operate the Fidelity system to provide gas service in the areas previously served by Fidelity in accordance with the existing rules, regulations, rates, and tariffs of Fidelity as may be on file with and approved by the Commission from the effective date of the Sale until the effective date of a Commission Report and Order in Laclede's next general rate case. Laclede will operate the Fidelity system separately from the Laclede system and will adopt the current Fidelity tariffs for that purpose. Laclede agrees that Laclede's special deposit and credit requirements that currently differ from Commission rules will not be applied to Fidelity's existing customers or to new Laclede customers in the former Fidelity service area. During the next general rate case, the rules, regulations, rates, and tariffs of Laclede including the former Fidelity service territory will be reviewed and determined by the Commission. Notwithstanding the foregoing, on or before July 1, 2006, Laclede may file an application with the Commission to begin serving the former Fidelity customers under Laclede's rules, regulations, rates, tariffs, deposit and credit requirements. Laclede agrees that it will not request such changes to be effective sooner than November 1, 2006. Such application by Laclede may also propose consolidated treatment of depreciation expense of the Fidelity properties with Laclede's properties. In any such application, Laclede must demonstrate that the application of such rules, regulations, rates, depreciation treatment and tariffs at such time and on the terms proposed by Laclede is in the public interest including the interests of both Laclede's customers and the former Fidelity customers.

2. FINANCIAL ISSUES/COST OF CAPITAL

Laclede will not seek an increase in Cost of Capital as a result of this transaction. Any increases in the Cost of Capital Laclede seeks will be supported by documented proof and affidavits by cost of capital witnesses provided by Laclede that the increases are a result of factors not associated with this transaction; that the increases are not a result of changes in business, market, economic, or other conditions for Laclede caused by this transaction; or that the increases are not a result of changes in the risk profile of Laclede caused by this transaction.

3. ACQUISITION COSTS/PLANT IN SERVICE

There is no acquisition premium associated with Laclede's acquisition of the Fidelity assets and Laclede agrees. For any plant item transferred to Laclede for which Laclede seeks inclusion in rate base in future rate proceedings at a value in excess of the amount reflected in the purchase price for these properties, it shall be Laclede's burden to demonstrate that it is reasonable and otherwise appropriate to include such value in the rate base used to establish just and reasonable rates. The Signatory Parties agree and Laclede expressly acknowledges that there is nothing in the Stipulation that places Laclede in a different position regarding the valuation of the Fidelity assets for ratemaking purposes than existed for Fidelity prior to this acquisition. This includes but is not limited to Fidelity's statement in Mr. Terry Troughton's Direct Testimony filed in Case No. GA-91-299 page 18, lines 10 through 25, attached hereto as Schedule 1.

Laclede shall keep its books and records in such a manner that its plant in service balances can be segregated between amounts invested by Fidelity prior to the date of the closing of this transaction, and the net original cost values that Laclede asserts may be invested following the date of the closing of the transaction.

4. RATES

Laclede shall provide natural gas and transportation service to the customers previously served by Fidelity in accordance with the provisions of paragraph III.1 above.

5. ACTUAL COST ADJUSTMENT/PGA ISSUES

The parties agree that, unless the Commission directs otherwise per III.1 above, all PGA filings made between the effective date of the Commission Order approving this Stipulation and Agreement and November 1, 2006, for service provided to customers currently served by Fidelity shall be separate and distinct from Laclede's current PGA and ACA rates, and will continue to be provided under the current Fidelity PGA and ACA rates. It is expressly understood that any open ACA (whether currently docketed or yet to be docketed) case relating to Fidelity's provision of natural gas service prior to the closing of the transaction will remain subject to review by Staff, Public Counsel and potentially other proper parties, and Commission-approved adjustments. The Signatory Parties agree and Laclede expressly acknowledges that there is nothing in the Stipulation that places Laclede in a different position regarding the PGA/ACA prudence reviews. Laclede expressly acknowledges that Laclede is assuming all rights and obligations of Fidelity as existed immediately prior to closing regarding the PGA/ACA issues.

6. DEPRECIATION RATES

Laclede, for purposes of accruing depreciation expense, will continue to use the depreciation rates of Fidelity Natural Gas, Inc. until the Commission orders otherwise. These rates are set forth in the Depreciation Schedule attached hereto as Schedule 2.

7. SURVEILLANCE

Upon approval of this transaction, Laclede will continue to provide surveillance reports to the Auditing Department of the Utility Services Division on the same basis as previously provided to the Staff prior to the closing of the transaction.

8. SERVICE QUALITY STANDARDS

Laclede will continue its commitment to the customer service performance measures and customer service operating procedures previously agreed to by Laclede, Staff and the Office of Public Counsel in Case No. GR-2005-0284.

Further, the Company agrees to provide written notice to all customers in the Fidelity system to inform them of the change in Company management and ownership, including Laclede Gas Company's address and phone numbers. The written notice should include information that the Fidelity system will continue to be subject to regulation by the Missouri Public Service Commission for all matters including rates and service.

9. ADHERENCE TO MISSOURI RULES

Laclede shall comply with all Missouri Commission rules, including the Affiliated Transactions Rule, 4 CSR 240-40.015, reporting requirements and other practices, and its filed and approved tariffs. This paragraph 9 shall not be construed as a waiver of any rights or remedies available to Laclede under the law. No conditions or agreements entered into between Signatory Parties to this case shall restrict or limit Laclede's compliance with Missouri Commission rules.

10. NO DETRIMENTAL IMPACT

Laclede agrees that this transaction will not have any detrimental effect on Laclede's Missouri utility customers, including, but not limited to: increased rates or any effect on quality

of service, but agrees that, should such detrimental effects nevertheless occur, nothing in the approval or implementation of the proposed acquisition shall impair the Commission's ability to protect such customers from such detrimental effects.

11. GAS SUPPLY INCENTIVE PLAN

Laclede agrees that it will forego any incentive revenue associated with natural gas volumes secured or arranged by Fidelity prior to the closing of the transaction under Laclede's gas supply incentive plan. Laclede agrees that its incentive plan calculations shall not reflect those natural gas volumes or prices associated with Fidelity's prior arrangements.

12. OFF-SYSTEM SALES AND CAPACITY RELEASE REVENUES

Laclede also agrees that any off-system sales or capacity release revenues associated with the Fidelity system shall not be treated as Laclede revenues from off-system sales or capacity releases for the purposes of paragraph 11 of the Stipulation and Agreement approved by the Commission in Case No. GR-2005-0284, until such time as the rates of the two companies are combined pursuant to Commission order. Off-system sales and capacity release revenues on the Fidelity System will off-set the cost of natural gas through the PGA/ACA process.

13. COMMISSION AUTHORITY

Laclede agrees that the Commission has, and will continue to have, the authority after the proposed acquisition to regulate through the lawful exercise of its statutory powers, and ensure the provision of service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable and not jeopardize the ability of Laclede to meet its Missouri utility obligations.

14. COST ALLOCATIONS TO FIDELITY TELEPHONE COMPANY

To ensure that there is no detriment to the telephone customers of Fidelity Telephone Company as a result of this transaction, Fidelity Telephone Company agrees to maintain its existing records related to cost allocations until its next rate case, and further agrees that it shall be Fidelity Telephone Company's burden to demonstrate that its cost allocations are reasonable and otherwise appropriate in its next rate case. Laclede agrees to separately identify and track any payments for services or other reimbursements made to Fidelity or its affiliates following the closing of the transaction.

15. RATEMAKING TREATMENT

Nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, and that the Signatory Parties expressly agree and acknowledge that the Commission reserves the right to consider the ratemaking treatment to be afforded this transaction in any subsequent proceeding.

16. CONTINGENT WAIVER OF RIGHTS

A. This Stipulation and Agreement has resulted from extensive negotiations among the Signatory Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Signatory Parties to take other positions in other proceedings.

B. This Stipulation and Agreement is being entered into for the purpose of disposing of all issues in this case. None of the Signatory Parties to this Stipulation and Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking

principle or procedural principle, including, without limitation, any method of cost determination or cost allocation or revenue related methodology, 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, whether this Stipulation and Agreement is approved or not, except as otherwise expressly specified herein.

C. All Signatory Parties further understand and agree that the provisions of this Stipulation and Agreement relate only to the specific matters referred to in the Stipulation and Agreement and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Stipulation. All Signatory Parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Stipulation and Agreement in a manner which is adverse to the Party withdrawing its support and further, all Signatory Parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the Party contesting such Commission order.

17. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Signatory Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.070(2), RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1, RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2, RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500, RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510, RSMo 2000. If this Stipulation and Agreement is not approved by the Commission, the Signatory Parties request that a revised Procedural Schedule be established which provides for a

hearing, to include the opportunity for cross-examination.

18. The Staff shall file with the Commission suggestions or a memorandum in support of this Stipulation and Agreement and the other Signatory Parties shall have the right to file responsive suggestions within two (2) business days of receipt of Staff's memorandum. 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 Signatory Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. 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.

19. To assist the Commission in its review of this Stipulation and Agreement, the Signatory Parties also request that the Commission advise them of any additional information that the Commission may desire from the Signatory Parties relating to the matters addressed in this Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

WHEREFORE, the Signatory Parties respectfully request that the Commission issue its order approving the proposed transaction and this Stipulation and Agreement at its earliest opportunity so as to be effective by February 24, 2006, if possible, and by said order:

(a) Authorize the sale of certain Missouri assets of Fidelity, as more fully described in the Agreement, to Laclede;

(b) Authorize Fidelity and Laclede to enter into, execute and perform in accordance with the terms of the Agreement and all other documents reasonably necessary and

incidental to the performance of the Sale that is the subject of this Application;

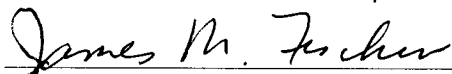
(c) Authorize Fidelity, through the Sale, to transfer to Laclede all the property rights, privileges, immunities and obligations of Fidelity, the works or systems or franchises, as described in the Agreement, effective as of the date of the closing of the transaction;

(d) Authorize Laclede to provide gas service as a public utility subject to the jurisdiction of the Commission in the service areas presently served by Fidelity in Missouri pursuant to a new Certificate or Certificates of Public Convenience and Necessity;

(e) Authorize Fidelity to terminate its responsibilities as a gas corporation in Missouri;

(f) Authorize Laclede to provide gas service in the areas previously served by Fidelity in accordance with the existing rules, regulations, rates, and tariffs of Fidelity as may be on file with and approved by the Commission from the effective date of the Sale until the effective date of a Commission Order in Laclede's next general rate case or until the Commission orders otherwise; and

(g) Grant such other relief as the Commission may deem to be necessary to accomplish the purpose of the Joint Application and to consummate the Sale.
Respectfully submitted,



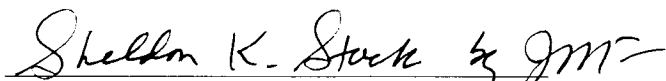
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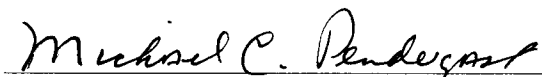
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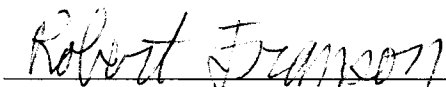
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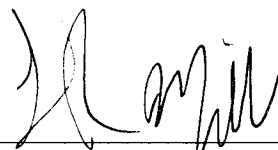
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SCHEDULE 1
TO STIPULATION AND AGREEMENT

Excerpt from Direct Testimony of Mr. Terry Troughton in Case No. GA-91-299:

Q. What risk do the customers and the City of Sullivan, Missouri face in connection with your proposal to the Commission?

A. This proposal is presented at the risk of the Company's shareholders. The customers bear no risks on this project nor does the City. There is no effort on our part to obtain a subsidy, a guarantee or any other promise which in some way would shift risk from the shareholders of the Company to its customers. This is an entrepreneurial effort on the part of the Company and we understand there are risks associated with this project. We will not subsidize our customers from any other services. We don't plan to charge any customers for any potential failure of the Company. In the very unlikely event that the Company is not successful, it will be at the cost of the shareholders and we believe that that is the way it should be.

SCHEDULE 2
TO STIPULATION AND AGREEMENT

FIDELITY DEPRECIATION RATES

**FIDELITY NATURAL GAS COMPANY
BROAD GROUP - AVERAGE SERVICE LIFE
DEPRECIATION RATES
CASE NO. GM-2006-0183**

ACCOUNT NUMBER	ACCOUNT	DEP. RATES (%)	ASL (YEARS)	NET SALVAGE (%)
355	MEASURING & REGULATING EQPT.	2.22	45	0.00%
367	TRANSMISSION MAINS	1.67	60	0.00%
371.7	OTHER EQUIPMENT-TRANSMISSION-MONAT			
375.01**	STRUCTURES & IMPROVEMENTS	2	50	0.00%
376.01	MAINS--STEEL* (INCLUDES ACCOUNT 367.70 TRANSMISSION MAINS)	2	50	0.00%
376.02	MAINS--CAST IRON*	2	50	0.00%
378.01	MEASURING & REGULATING STA. EQPT.	2.22	45	0.00%
379.01	MEAS. & REG. STA. EQUIP-CITY GATE STATIONS	3.71	35	-30.00%
380.01	SERVICES--STEEL*	2	50	0.00%
380.02	SERVICES--PLASTIC & COPPER*	2.86	35	0.00%
381.01	METERS*	2	50	0.00%
383.01	HOUSE REGULATORS*	2.5	40	0.00%
385.01	COMMERCIAL & INDUSTRIAL REGULATING EQPT	3.25	40	-30.00%
387.01	OTHER EQUIPMENT	2.78	36	0.00%
390.01	STRUCTURES & IMPROVEMENTS	2	50	0.00%
391.01	OFFICE FURNITURE & EQUIPMENT	3.33	30	0.00%
391.02	DATA PROCESSING EQPT.	12.25	8	2.00%
392.01	TRANSPORTATION EQUIPMENT-AUTOS	9	10	10.00%
392.02	TRANSPORTATION EQUIPMENT-TRUCKS	18	5	10.00%
393.01	STORES EQUIPMENT	3.6	25	10.00%
394.01	TOOLS, SHOP & GARAGE EQUIPMENT	3.92	25	2.00%
395.01	LABORATORY EQUIPMENT	4	25	0.00%
396.01	POWER OPERATED EQUIPMENT	10	9	10.00%
397.01	COMMUNICATIONS EQUIPMENT	4	25	0.00%
398.01	MISCELLANEOUS EQUIPMENT	4	25	0.00%