LACLEDE GROUP INC
Form 10-Q
July 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Quarter Ended June 30, 2013
OR	
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Transition Period from –__________ to __________

Commission File Number 1-16681

THE LACLEDE GROUP, INC.
(Exact name of registrant as specified in its charter)

Missouri	74-2976504
(State of Incorporation)	(I.R.S. Employer Identification number)

720 Olive Street
St. Louis, MO 63101
(Address and zip code of principal executive offices)

314-342-0500
(Registrant's telephone number, including area code)

Indicate by check mark if the registrant:

(1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [   ]

has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [   ]

is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[X]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[ ]

is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [   ] No [X]

As of July 26, 2013, there were 32,692,182 shares of the registrant's Common Stock, par value $1.00 per share, outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by The Laclede Group, Inc. (Laclede Group or the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company’s Form 10-K for the fiscal year ended September 30, 2012.

Table of Contents

Item 1. Financial Statements

THE LACLEDE GROUP, INC.
STATEMENTS OF CONSOLIDATED INCOME
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands, Except Per Share Amounts)	2013	2012	2013	2012
Operating Revenues:				
Gas Utility	$131,517	$116,459	$735,726	$665,981
Gas Marketing	33,433	70,014	129,937	288,036
Other	339	376	4,242	1,920
Total Operating Revenues	165,289	186,849	869,905	955,937
Operating Expenses:				
Gas Utility				
Natural and propane gas	43,233	46,641	410,189	364,556
Other operation and maintenance expenses	42,404	38,351	123,245	125,028
Depreciation and amortization	11,519	10,186	33,742	30,450
Taxes, other than income taxes	12,968	10,842	49,525	45,602
Total Gas Utility Operating Expenses	110,124	106,020	616,701	565,636
Gas Marketing	40,583	65,420	133,959	279,784
Other	2,301	364	13,029	1,784
Total Operating Expenses	153,008	171,804	763,689	847,204
Operating Income	12,281	15,045	106,216	108,733
Other Income and (Income Deductions) – Net	(398)	451	2,024	3,771
Interest Charges:				
Interest on long-term debt	6,266	5,739	17,393	17,218
Other interest charges	594	427	2,197	1,541
Total Interest Charges	6,860	6,166	19,590	18,759
Income Before Income Taxes	5,023	9,330	88,650	93,745
Income Tax (Benefit) Expense	(1,562)	897	26,256	30,454
Net Income	$6,585	$8,433	$62,394	$63,291
Weighted Average Number of Common Shares Outstanding:				
Basic	26,110	22,282	23,634	22,243
Diluted	26,194	22,357	23,708	22,318
Basic Earnings Per Share of Common Stock	$0.25	$0.38	$2.62	$2.83
Diluted Earnings Per Share of Common Stock	$0.25	$0.38	$2.62	$2.82
Dividends Declared Per Share of Common Stock	$0.425	$0.415	$1.275	$1.245

See Notes to Consolidated Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	2013	2012
Net Income	$6,585	$8,433	$62,394	$63,291
Other Comprehensive Income (Loss), Before Tax:				
Net gains (losses) on cash flow hedging derivative instruments:				
Net hedging gain (loss) arising during the period	27,614	(1,733)	21,414	6,420
Reclassification adjustment for losses (gains) included in net income	1,318	(6,171)	3,544	(8,593)
Net unrealized gains (losses) on cash flow hedging derivative instruments	28,932	(7,904)	24,958	(2,173)
Defined benefit pension and other postretirement plans:				
Net actuarial loss arising during the period	—	—	—	(2,366)
Amortization of actuarial loss included in net periodic pension and postretirement benefit cost	90	66	271	3,639
Net defined benefit pension and other postretirement plans	90	66	271	1,273
Other Comprehensive Income (Loss), Before Tax	29,022	(7,838)	25,229	(900)
Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income	10,846	(3,028)	9,429	(348)
Other Comprehensive Income (Loss), Net of Tax	18,176	(4,810)	15,800	(552)
Comprehensive Income	$24,761	$3,623	$78,194	$62,739

See Notes to Consolidated Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Thousands)	June 30, 2013	Sept. 30, 2012	June 30, 2012
ASSETS			
Utility Plant	$1,567,296	$1,497,419	$1,455,004
Less: Accumulated depreciation and amortization	484,380	478,120	474,008
Net Utility Plant	1,082,916	1,019,299	980,996
Non-utility property	5,892	6,039	5,899
Other investments	53,337	50,775	55,117
Other Property and Investments	59,229	56,814	61,016
Current Assets:			
Cash and cash equivalents	556,489	27,457	21,523
Accounts receivable:			
Utility	70,380	64,027	65,762
Non-utility	53,678	51,042	47,335
Other	17,123	26,478	22,927
Allowance for doubtful accounts	(9,024)	(7,705)	(8,842)
Delayed customer billings	11,319	—	—
Inventories:			
Natural gas stored underground	59,171	92,729	55,192
Propane gas	8,963	10,200	10,051
Materials and supplies at average cost	4,477	3,543	3,917
Natural gas receivable	24,304	22,377	19,710
Derivative instrument assets	21,279	2,855	3,879
Unamortized purchased gas adjustments	6,230	40,674	9,158
Deferred income taxes	2,888	—	—
Prepayments and other	14,112	9,339	11,079
Total Current Assets	841,389	343,016	261,691
Deferred Charges:			
Regulatory assets	432,700	456,047	433,376
Other	5,805	5,086	4,259
Total Deferred Charges	438,505	461,133	437,635
Total Assets	$2,422,039	$1,880,262	$1,741,338

Table of Contents

THE LACLEDE GROUP, INC.
CONSOLIDATED BALANCE SHEETS (Continued)
(UNAUDITED)

(Thousands, except share amounts)	June 30,. 2013	Sept. 30,. 2012	June 30, 2012
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock (70,000,000 shares authorized, 32,675,659, 22,539,431, and 22,505,440 shares issued, respectively)	$32,676	$22,539	$22,505
Paid-in capital	592,946	168,607	166,717
Retained earnings	443,691	414,581	424,588
Accumulated other comprehensive income (loss)	11,684	(4,116)	(2,652)
Total Common Stock Equity	1,080,997	601,611	611,158
Long-term debt (less current portion)	464,444	339,416	339,401
Total Capitalization	1,545,441	941,027	950,559
Current Liabilities:			
Notes payable	—	40,100	—
Accounts payable	104,862	89,503	81,322
Advance customer billings	—	25,146	6,225
Current portion of long-term debt	—	25,000	25,000
Wages and compensation accrued	13,386	13,908	12,653
Dividends payable	14,454	9,831	9,664
Customer deposits	7,828	8,565	9,123
Interest accrued	3,887	8,590	5,405
Taxes accrued	28,522	11,304	13,040
Deferred income taxes	—	6,675	311
Other	9,862	13,502	16,540
Total Current Liabilities	182,801	252,124	179,283
Deferred Credits and Other Liabilities:			
Deferred income taxes	377,965	355,509	335,366
Unamortized investment tax credits	2,953	3,113	3,166
Pension and postretirement benefit costs	181,691	196,558	158,011
Asset retirement obligations	42,097	40,368	28,723
Regulatory liabilities	58,382	56,319	53,867
Other	30,709	35,244	32,363
Total Deferred Credits and Other Liabilities	693,797	687,111	611,496
Commitments and Contingencies (Note 12)			
Total Capitalization and Liabilities	$2,422,039	$1,880,262	$1,741,338

See Notes to Consolidated Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
(Thousands)	2013	2012
Operating Activities:		
Net Income	$62,394	$63,291
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization, and accretion	34,721	30,900
Deferred income taxes and investment tax credits	13,208	22,448
Other – net	1,753	(425)
Changes in assets and liabilities:		
Accounts receivable – net	1,685	(2,699)
Unamortized purchased gas adjustments	34,444	16,561
Deferred purchased gas costs	12,160	(25,429)
Accounts payable	21,717	(15,025)
Delayed customer billings - net	(36,465)	(9,005)
Taxes accrued	16,562	568
Natural gas stored underground	33,558	59,978
Other assets and liabilities	(28,693)	(12,964)
Net cash provided by operating activities	167,044	128,199
Investing Activities:		
Capital expenditures	(96,816)	(76,780)
Other investments	(2,558)	(1,388)
Net cash used in investing activities	(99,374)	(78,168)
Financing Activities:		
Issuance of long-term debt	125,000	—
Maturity of first mortgage bonds	(25,000)	—
Repayment of short-term debt – net	(40,100)	(46,000)
Changes in book overdrafts	(1,139)	223
Issuance of common stock	431,329	3,162
Non-employee directors’ restricted stock awards	—	(565)
Dividends paid	(28,651)	(27,599)
Employees’ taxes paid associated with restricted shares withheld upon vesting	(736)	(1,171)
Excess tax benefits from stock-based compensation	1,135	208
Other	(476)	(43)
Net cash provided by (used in) financing activities	461,362	(71,785)
Net Increase (Decrease) in Cash and Cash Equivalents	529,032	(21,754)
Cash and Cash Equivalents at Beginning of Period	27,457	43,277
Cash and Cash Equivalents at End of Period	$556,489	$21,523
Supplemental Disclosure of Cash Paid (Refunded) During the Period for:		
Interest	$22,666	$21,811
Income taxes	(2,844)	7,064

See Notes to Consolidated Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These notes are an integral part of the accompanying unaudited consolidated financial statements of The Laclede Group, Inc. (Laclede Group or the Company) and its subsidiaries. In the opinion of Laclede Group, this interim report includes all adjustments (consisting of only normal recurring accruals) necessary for the fair presentation of the results of operations for the periods presented. This Form 10-Q should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's Fiscal Year 2012 Form 10-K.
The consolidated financial position, results of operations, and cash flows of Laclede Group are comprised primarily from the financial position, results of operations, and cash flows of Laclede Gas Company (Laclede Gas or the Utility). Laclede Gas is a regulated natural gas distribution utility having a material seasonal cycle. As a result, these interim statements of income for Laclede Group are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year. Due to the seasonal nature of the business of Laclede Gas, earnings are typically concentrated in the November through April period, which generally corresponds with the heating season. Laclede Energy Resources, Inc. (LER) includes its wholly owned subsidiary, LER Storage Services, Inc., which became operational on January 1, 2012.
REVENUE RECOGNITION - Laclede Gas reads meters and bills its customers on monthly cycles. The Utility records its gas utility revenues from gas sales and transportation services on an accrual basis that includes estimated amounts for gas delivered, but not yet billed. The accruals for unbilled revenues are reversed in the subsequent accounting period when meters are actually read and customers are billed. The amounts of accrued unbilled revenues at June 30, 2013 and 2012, for the Utility, were $8.7 million and $9.0 million, respectively. The amount of accrued unbilled revenue at September 30, 2012 was $11.6 million.
GROSS RECEIPTS TAXES - Gross receipts taxes associated with Laclede Gas' natural gas utility service are imposed on the Utility and billed to its customers. These amounts are recorded gross in the Statements of Consolidated Income. Amounts recorded in Gas Utility Operating Revenues for the quarters ended June 30, 2013 and 2012 were $7.8 million and $5.7 million, respectively. Amounts recorded in Gas Utility Operating Revenues for the nine months ended June 30, 2013 and 2012 were $35.3 million and $31.4 million, respectively. Gross receipts taxes are expensed by the Utility and included in the Taxes, other than income taxes line.
NEW ACCOUNTING STANDARDS - In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, "Presentation of Comprehensive Income," to amend ASC Topic 220, "Comprehensive Income," by changing certain financial statement presentation requirements. Under the amended guidance, entities may either present a single continuous statement of comprehensive income or, consistent with the Company's current presentation, provide separate but consecutive statements (a statement of income and a statement of comprehensive income). ASU No. 2011-05 would have required that, regardless of the method chosen, reclassification adjustments from other comprehensive income to net income be presented on the face of the financial statements, displaying the effect on both net income and other comprehensive income. However, in December 2011, the FASB issued ASU No. 2011-12 to defer the effective date of this particular requirement while it reconsiders this provision of the guidance. The amendments in these ASUs do not change the items that are required to be reported in other comprehensive income and, accordingly, did not impact total net income, comprehensive income, or earnings per share upon adoption in the first quarter of fiscal year 2013.
In December 2011, the FASB issued ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities," to amend ASC Topic 210, "Balance Sheet," to require additional disclosures about financial instruments and derivative instruments that have been presented on a net basis (offset) in the balance sheet. Additionally, information about financial instruments and derivative instruments that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are presented net in the balance sheet, is required to be disclosed. The ASU impacts disclosures only and will not require any changes to financial statement presentation. The Company will

present the new disclosures retrospectively beginning in the first quarter of fiscal year 2014.

In February 2013, the FASB issued ASU No. 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” This ASU amends Accounting Standards Codification (ASC) Topic 220, “Comprehensive Income,” by requiring entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to provide information on significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The Company will present the new disclosures prospectively beginning in the first quarter of fiscal year 2014.

Table of Contents

2. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Plans

Laclede Gas has non-contributory, defined benefit, trusteed forms of pension plans covering substantially all employees. Plan assets consist primarily of corporate and U.S. government obligations and a growth segment consisting of exposure to equity markets, commodities, real estate and inflation-indexed securities, achieved through derivative instruments.

Pension costs for quarters ended June 30, 2013 and 2012 were $4.2 million and $4.1 million, respectively, including amounts charged to construction. Pension costs for nine months ended June 30, 2013 and 2012 were $12.5 million and $15.9 million, respectively, including amounts charged to construction.

The net periodic pension costs include the following components:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	2013	2012
Service cost – benefits earned during the period	$2,311	$2,295	$6,933	$6,908
Interest cost on projected benefit obligation	4,066	4,824	12,198	14,535
Expected return on plan assets	(4,741)	(4,899)	(14,223)	(14,697)
Amortization of prior service cost	136	148	408	444
Amortization of actuarial loss	2,839	2,252	8,517	6,788
Loss on lump-sum settlement	12,346	—	12,346	3,407
Sub-total	16,957	4,620	26,179	17,385
Regulatory adjustment	(12,780)	(484)	(13,647)	(1,451)
Net pension cost	$4,177	$4,136	$12,532	$15,934

Pursuant to the provisions of the Laclede Gas pension plans, pension obligations may be satisfied by lump-sum cash payments. Pursuant to a Missouri Public Service Commission (MoPSC or Commission) Order, lump-sum payments are recognized as settlements (which can result in gains or losses) only if the total of such payments exceeds 100% of the sum of service and interest costs. Lump-sum payments recognized as settlements were $39.7 million and $6.4 million during the nine months ended June 30, 2013 and June 30, 2012, respectively.

Pursuant to a MoPSC Order, the return on plan assets is based on the market-related value of plan assets implemented prospectively over a four-year period. Gains or losses not yet includible in pension cost are amortized only to the extent that such gain or loss exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets. Such excess is amortized over the average remaining service life of active participants. The recovery in rates for the Utility's qualified pension plans is based on an annual allowance of $15.5 million effective January 1, 2011. The difference between these amounts and pension expense as calculated pursuant to the above and that otherwise would be included in the Statements of Consolidated Income and Statements of Consolidated Comprehensive Income is deferred as a regulatory asset or regulatory liability.

The funding policy of Laclede Gas is to contribute an amount not less than the minimum required by government funding standards, nor more than the maximum deductible amount for federal income tax purposes. Fiscal year 2013 contributions to the pension plans through June 30, 2013 were $23.4 million to the qualified trusts and approximately $0.4 million to the non-qualified plans. Laclede Gas does not expect to make additional contributions to its qualified, trusteed pension plans during the remaining three months of fiscal year 2013. Contributions to the non-qualified pension plans for the remaining three months of fiscal 2013 are anticipated to be approximately $0.8 million.

Postretirement Benefits

Laclede Gas provides certain life insurance benefits at retirement. Medical insurance is available after early retirement until age 65. The transition obligation not yet includible in postretirement benefit cost is being amortized over 20 years. Postretirement benefit costs for both the quarters ended June 30, 2013 and 2012 were $2.4 million, including amounts charged to construction. Postretirement benefit costs for both the nine months ended June 30, 2013 and 2012 were $7.1 million, including amounts charged to construction.

Table of Contents

Net periodic postretirement benefit costs consisted of the following components:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	2013	2012
Service cost – benefits earned during the period	$2,534	$2,015	$7,601	$6,045
Interest cost on accumulated postretirement benefit obligation	1,278	1,380	3,836	4,140
Expected return on plan assets	(1,082)	(991)	(3,244)	(2,973)
Amortization of transition obligation	24	34	70	102
Amortization of prior service cost (credit)	—	(518)	2	(1,554)
Amortization of actuarial loss	1,325	1,065	3,975	3,195
Sub-total	4,079	2,985	12,240	8,955
Regulatory adjustment	(1,699)	(604)	(5,097)	(1,812)
Net postretirement benefit cost	$2,380	$2,381	$7,143	$7,143

Missouri state law provides for the recovery in rates of costs accrued pursuant to GAAP provided that such costs are funded through an independent, external funding mechanism. Laclede Gas established Voluntary Employees' Beneficiary Association (VEBA) and Rabbi trusts as its external funding mechanisms. VEBA and Rabbi trusts' assets consist primarily of money market securities and mutual funds invested in stocks and bonds.

Pursuant to a MoPSC Order, the return on plan assets is based on the market-related value of plan assets implemented prospectively over a four-year period. Gains and losses not yet includible in postretirement benefit cost are amortized only to the extent that such gain or loss exceeds 10% of the greater of the accumulated postretirement benefit obligation or the market-related value of plan assets. Such excess is amortized over the average remaining service life of active participants. The recovery in rates for the Utility's postretirement benefit plans is based on an annual allowance of $9.5 million effective January 1, 2011. The difference between these amounts and postretirement benefit cost based on the above and that otherwise would be included in the Statements of Consolidated Income and Statements of Consolidated Comprehensive Income is deferred as a regulatory asset or regulatory liability.

Laclede Gas' funding policy is to contribute amounts to the trusts equal to the periodic benefit cost calculated pursuant to GAAP as recovered in rates. Fiscal year 2013 contributions to the postretirement plans through June 30, 2013 were $8.2 million to the qualified trusts and approximately $0.4 million paid directly to participants from Laclede Gas' funds. Contributions to the postretirement plans for the remaining three months of fiscal year 2013 are anticipated to be $8.2 million to the qualified trusts and $0.2 million paid directly to participants from Laclede Gas' funds.

3. STOCK-BASED COMPENSATION

Awards of stock-based compensation are made pursuant to The Laclede Group 2006 Equity Incentive Plan (2006 Plan). Refer to Note 3 of the Consolidated Financial Statements included in the Company's Form 10-K for the fiscal year ended September 30, 2012 for descriptions of the plan.

Restricted Stock Awards

During the nine months ended June 30, 2013, the Company granted 108,419 performance-contingent restricted stock units to executive officers and key employees at a weighted average grant date fair value of $34.48 per share. This number represents the maximum shares that can be earned pursuant to the terms of the awards. Most of these stock units have a performance period ending September 30, 2015. While the participants have no interim voting rights on these stock units, dividends accrue during the performance period and are paid to the participants upon vesting, but are subject to forfeiture if the underlying stock units do not vest. The number of stock units that will ultimately vest is dependent upon the attainment of certain levels of earnings and other strategic goals, as well as the Company's level of total shareholder return (TSR) during the performance period relative to a comparator group of companies. This TSR provision is considered a market condition under GAAP.

Table of Contents

Activity of restricted stock and restricted stock units subject to performance and/or market conditions during the nine months ended June 30, 2013 is presented below:

	Restricted Stock/ Stock Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2012	232,403	$30.89
Granted (maximum shares that can be earned)	108,419	$34.48
Vested	(37,436)	$27.02
Forfeited	(48,782)	$25.71
Nonvested at June 30, 2013	254,604	$33.98

During the nine months ended June 30, 2013, the Company granted 58,924 shares of time-vested restricted stock and stock units to executive officers, key employees, and directors at a weighted average grant date fair value of $39.98 per share. Most of these shares were awarded on December 3, 2012 and vest December 3, 2015. In the interim, participants receive full voting rights and dividends, which are not subject to forfeiture.
Time-vested restricted stock and stock unit activity for the nine months ended June 30, 2013 is presented below:

	Restricted Stock/ Stock Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2012	115,115	$36.54
Granted	58,924	$39.98
Vested	(20,600)	$30.55
Forfeited	(6,500)	$38.54
Nonvested at June 30, 2013	146,939	$38.67

During the nine months ended June 30, 2013, 58,036 shares of restricted stock and stock units (performance-contingent and time-vested), awarded on November 4, 2009, December 1, 2009, January 4, 2010, and May 3, 2010 vested. The Company withheld 18,898 of the vested shares at a weighted average price of $38.96 per share pursuant to elections by employees to satisfy tax withholding obligations.

Stock Option Awards

Stock option activity for the nine months ended June 30, 2013 is presented below:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($000)
Outstanding at September 30, 2012	214,000	$31.02		
Granted	—	$—		
Exercised	(70,500)	$29.42		
Forfeited	—	$—		

Expired	—	$—		
Outstanding at June 30, 2013	143,500	$31.81	2.0	$1,988
Fully Vested and Expected to Vest at June 30, 2013	143,500	$31.81	2.0	$1,988
Exercisable at June 30, 2013	143,500	$31.81	2.0	$1,988

Table of Contents

The closing price of the Company's common stock was $45.66 at June 30, 2013.

Equity Compensation Costs

The amounts of compensation cost recognized for share-based compensation arrangements are presented below:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	2013	2012
Total equity compensation cost	$1,654	$678	$3,413	$2,029
Compensation cost capitalized	(536)	(230)	(1,075)	(589)
Compensation cost recognized in net income, before income taxes	1,118	448	2,338	1,440
Income tax benefit recognized in net income	(428)	(173)	(895)	(556)
Compensation cost recognized in net income, net of income tax	$690	$275	$1,443	$884

As of June 30, 2013, there was $6.1 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.1 years.

4. EARNINGS PER COMMON SHARE

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands, Except Per Share Amounts)	2013	2012	2013	2012
Basic EPS:				
Net Income	$6,585	$8,433	$62,394	$63,291
Less: Income allocated to participating securities	81	42	389	356
Net Income Available to Common Shareholders	$6,504	$8,391	$62,005	$62,935
Weighted Average Shares Outstanding	26,110	22,282	23,634	22,243
Earnings Per Share of Common Stock	$0.25	$0.38	$2.62	$2.83
Diluted EPS:				
Net Income	$6,585	$8,433	$62,394	$63,291
Less: Income allocated to participating securities	81	42	388	355
Net Income Available to Common Shareholders	$6,504	$8,391	$62,006	$62,936
Weighted Average Shares Outstanding	26,110	22,282	23,634	22,243
Dilutive Effect of Stock Options, Restricted Stock, and Restricted Stock Units	84	75	74	75
Weighted Average Diluted Shares	26,194	22,357	23,708	22,318
Earnings Per Share of Common Stock	$0.25	$0.38	$2.62	$2.82
Outstanding Shares Excluded from the Calculation of Diluted EPS Attributable to:				
Restricted stock and stock units subject to performance and/or market conditions	196	204	196	202

13

Table of Contents

5. STOCKHOLDERS' EQUITY

On May 29, 2013, Laclede Group issued 10,005,000 shares of its common stock in a public offering at a price of $44.50 per share. Proceeds from the offering, net of underwriting expenses, were $428.0 million and were recorded as additions to common stock and paid-in capital on the consolidated balance sheets. The Company intends to use the proceeds from the offering to fund a portion of the pending acquisition of MGE, as discussed further in Note 13, Acquisition Agreements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis are as follows:

			Classification of Estimated Fair Value		
(Thousands)	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2013					
Cash and cash equivalents	$556,489	$556,489	$421,518	$134,971	$—
Short-term debt	—	—	—	—	—
Long-term debt, including current portion	464,444	506,328	—	506,328	—
As of Sept. 30, 2012					
Cash and cash equivalents	$27,457	$27,457	$17,380	$10,077	$—
Short-term debt	40,100	40,100	—	40,100	—
Long-term debt, including current portion	364,416	452,768	—	452,768	—
As of June 30, 2012					
Cash and cash equivalents	$21,523	$21,523	$11,560	$9,963	$—
Short-term debt	—	—	—	—	—
Long-term debt, including current portion	364,401	445,961	—	445,961	—

The carrying amounts for cash and cash equivalents and short-term debt approximate fair value due to the short maturity of these instruments. The fair values of long-term debt are estimated based on market prices for similar issues. Refer to Note 7, Fair Value Measurements, for information on financial instruments measured at fair value on a recurring basis.

Table of Contents

7. FAIR VALUE MEASUREMENTS

The following table categorizes the assets and liabilities in the Consolidated Balance Sheets that are accounted for at fair value on a recurring basis in periods subsequent to initial recognition.

(Thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of June 30, 2013					
Assets					
U. S. Stock/Bond Mutual Funds	$13,980	$—	$—	$—	$13,980
NYMEX/ICE natural gas contracts	7,066	399	—	(4,635)	2,830
NYMEX gasoline and heating oil contracts	136	—	—	(136)	—
Natural gas commodity contracts	—	740	372	(243)	869
Interest rate swaps	$—	$17,689	$—	$—	$17,689
Total	$21,182	$18,828	$372	$(5,014)	$35,368
Liabilities					
NYMEX/ICE natural gas contracts	$3,950	$329	$—	$(4,279)	$—
Natural gas commodity contracts	—	1,083	—	(243)	840
Total	$3,950	$1,412	$—	$(4,522)	$840
As of September 30, 2012					
Assets					
U. S. Stock/Bond Mutual Funds	$13,187	$—	$—	$—	$13,187
NYMEX/ICE natural gas contracts	7,411	994	—	(8,405)	—
NYMEX gasoline and heating oil contracts	344	—	—	(344)	—
Natural gas commodity contracts	—	3,060	113	(299)	2,874
Total	$20,942	$4,054	$113	$(9,048)	$16,061
Liabilities					
NYMEX/ICE natural gas contracts	$12,253	$1,891	$—	$(14,144)	$—
Natural gas commodity contracts	—	428	4	(299)	133
Total	$12,253	$2,319	$4	$(14,443)	$133
As of June 30, 2012					
Assets					
U. S. Stock/Bond Mutual Funds	$17,535	$—	$—	$—	$17,535
NYMEX/ICE natural gas contracts	3,273	1,240	—	(4,513)	—
NYMEX gasoline and heating oil contracts	107	—	—	(107)	—
Natural gas commodity contracts	—	4,288	107	(516)	3,879
Total	$20,915	$5,528	$107	$(5,136)	$21,414
Liabilities					
NYMEX/ICE natural gas contracts	$22,141	$1,590	$—	$(23,731)	$—
Natural gas commodity contracts	—	587	—	(516)	71
Total	$22,141	$2,177	$—	$(24,247)	$71

Table of Contents

The mutual funds included in Level 1 are valued based on exchange-quoted market prices of identical securities. Derivative instruments included in Level 1 are valued using quoted market prices on the New York Mercantile Exchange (NYMEX). Derivative instruments classified in Level 2 include physical commodity derivatives that are valued using broker or dealer quotation services whose prices are derived principally from, or are corroborated by, observable market inputs. Also included in Level 2 are certain derivative instruments that have values that are similar to, and correlate with, quoted prices for exchange-traded instruments in active markets. Derivative instruments included in Level 3 are valued using generally unobservable inputs that are based upon the best information available and reflect management's assumptions about how market participants would price the asset or liability. The Company's policy is to recognize transfers between the levels of the fair value hierarchy, if any, as of the beginning of the interim reporting period in which circumstances change or events occur to cause the transfer. The following is a reconciliation of the Level 3 beginning and ending net derivative balances:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	2013	2012
Beginning of period	$93	$58	$109	$13
Net settlements	33	(9)	4	(16)
Net losses related to derivatives not held at end of period	(9)	(8)	(99)	(68)
Net gains related to derivatives still held at end of period	255	66	358	178
End of period	$372	$107	$372	$107

The mutual funds are included in the Other investments line of the Consolidated Balance Sheets. Derivative assets and liabilities, including receivables and payables associated with cash margin requirements, are presented net in the Consolidated Balance Sheets when a legally enforceable netting agreement exists between the Company and the counterparty to a derivative contract. For additional information on derivative instruments, see Note 8, Derivative Instruments and Hedging Activities.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Laclede Gas has a risk management policy that allows for the purchase of natural gas derivative instruments with the goal of managing price risk associated with purchasing natural gas on behalf of its customers. This policy prohibits speculation and permits the Utility to hedge up to 70% of its normal volumes purchased for up to a 36-month period. Costs and cost reductions, including carrying costs, associated with the Utility's use of natural gas derivative instruments are allowed to be passed on to the Utility's customers through the operation of its Purchased Gas Adjustment (PGA) Clause, through which the MoPSC allows the Utility to recover gas supply costs, subject to prudence review by the MoPSC. Accordingly, Laclede Gas does not expect any adverse earnings impact as a result of the use of these derivative instruments. The Utility does not designate these instruments as hedging instruments for financial reporting purposes because gains or losses associated with the use of these derivative instruments are deferred and recorded as regulatory assets or regulatory liabilities pursuant to ASC Topic 980, "Regulated Operations," and, as a result, have no direct impact on the Statements of Consolidated Income. The timing of the operation of the PGA Clause may cause interim variations in short-term cash flows, because the Utility is subject to cash margin requirements associated with changes in the values of these instruments. Nevertheless, carrying costs associated with such requirements are recovered through the PGA Clause.

From time to time, Laclede Gas purchases NYMEX futures and options contracts to help stabilize operating costs associated with forecasted purchases of gasoline and diesel fuels used to power vehicles and equipment used in the course of its business. At June 30, 2013, Laclede Gas held 0.4 million gallons of gasoline futures contracts at an average price of $2.25 per gallon. Most of these contracts, the longest of which extends to April 2014, are designated as cash flow hedges of forecasted transactions pursuant to ASC Topic 815. The gains or losses on these derivative instruments are not subject to the Utility's PGA Clause.

Table of Contents

In the course of its business, Laclede Group's gas marketing subsidiary, LER, which includes its wholly owned subsidiary LER Storage Services, Inc., enters into commitments associated with the purchase or sale of natural gas. Certain of LER's derivative natural gas contracts are designated as normal purchases or normal sales and, as such, are excluded from the scope of ASC Topic 815 and are accounted for as executory contracts on an accrual basis. Any of LER's derivative natural gas contracts that are not designated as normal purchases or normal sales are accounted for at fair value. At June 30, 2013, the fair values of 57.7 million MMBtu of non-exchange traded natural gas commodity contracts were reflected in the Consolidated Balance Sheet. Of these contracts, 34.3 million MMBtu will settle during fiscal year 2013, 21.6 million MMBtu will settle during fiscal year 2014, while the remaining 1.8 million MMBtu will settle during fiscal year 2015. These contracts have not been designated as hedges; therefore, changes in the fair value of these contracts are reported in earnings each period. Furthermore, LER manages the price risk associated with its fixed-priced commitments by either closely matching the offsetting physical purchase or sale of natural gas at fixed prices or through the use of NYMEX or Ice Clear Europe (ICE) futures, swap, and option contracts to lock in margins. At June 30, 2013, LER's unmatched fixed-price positions were not material to Laclede Group's financial position or results of operations. LER's NYMEX and ICE natural gas futures, swap, and option contracts used to lock in margins may be designated as cash flow hedges of forecasted transactions for financial reporting purposes.
The Company's exchange-traded/cleared derivative instruments consist primarily of NYMEX and ICE positions. The NYMEX is the primary national commodities exchange on which natural gas derivatives are traded. Open NYMEX/ICE natural gas futures and swap positions at June 30, 2013 were as follows:

	Laclede Gas Company		Laclede Energy Resources, Inc.	
	MMBtu (millions)	Avg. Price Per MMBtu	MMBtu (millions)	Avg. Price Per MMBtu
Open short futures positions				
Fiscal 2013	—	$—	5.00	$4.03
Fiscal 2014	—	—	6.04	3.84
Fiscal 2015	—	—	0.28	4.18
Open long futures positions				
Fiscal 2013	3.42	$3.42	0.63	$3.82
Fiscal 2014	4.87	3.97	0.01	4.03
Fiscal 2015	—	—	2.42	3.91

At June 30, 2013, Laclede Gas had 17.0 million MMBtu of other price mitigation in place through the use of NYMEX natural gas option-based strategies while LER had none.
In February 2013, Laclede Group entered into certain interest rate swap agreements to effectively lock in interest rates on a portion of the long-term debt it anticipates issuing to finance its pending acquisition of Missouri Gas Energy (MGE). These derivative instruments have been designated as cash flow hedges of forecasted transactions. These forward starting swaps involve the payment of a fixed interest rate and the receipt of a floating interest rate (the London Interbank Offered Rate, also known as LIBOR) over the terms specified in the contracts. At June 30, 2013, the notional amount of interest rate swaps outstanding was $355 million with stated maturities ranging from 2018 to 2043 and fixed interest rates ranging between 1.28% and 3.14%.
Derivative instruments designated as cash flow hedges of forecasted transactions are recognized on the Consolidated Balance Sheets at fair value and the change in the fair value of the effective portion of these hedge instruments is recorded, net of tax, in other comprehensive income (OCI). Accumulated other comprehensive income (AOCI) is a component of Total Common Stock Equity. Amounts are reclassified from AOCI into earnings when the hedged items affect net income, using the same revenue or expense category that the hedged item impacts. Based on market prices at June 30, 2013, it is expected that approximately $5.3 million of pre-tax unrealized gains will be reclassified into the Statements of Consolidated Income during the next twelve months. Cash flows from hedging transactions are

classified in the same category as the cash flows from the items that are being hedged in the Statements of Consolidated Cash Flows.

Table of Contents

The Effect of Derivative Instruments on the Statements of Consolidated Income and Statements of Consolidated Comprehensive Income

(Thousands)	Location of Gain (Loss) Recorded in Income	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Nine Months Ended June 30, 2013	Nine Months Ended June 30, 2012
Derivatives in Cash Flow Hedging Relationships					
Effective portion of gain (loss) recognized in OCI on derivatives:					
NYMEX/ICE natural gas contracts		$5,501	$(1,802)	$3,646	$6,218
NYMEX gasoline and heating oil contracts		(125)	69	79	202
Interest rate swaps		22,238	—	17,689	—
Total		$27,614	$(1,733)	$21,414	$6,420
Effective portion of gain (loss) reclassified from AOCI to income:					
NYMEX/ICE natural gas contracts	Gas Marketing Operating Revenues	$(1,570)	$7,646	$(3,229)	$18,434
	Gas Marketing Operating Expenses	199	(1,492)	(453)	(9,861)
Sub-total		(1,371)	6,154	(3,682)	8,573
NYMEX gasoline and heating oil contracts	Gas Utility Other Operations and Maintenance Expenses	53	17	138	20
Total		$(1,318)	$6,171	$(3,544)	$8,593
Ineffective portion of gain (loss) on derivatives recognized in income:					
NYMEX/ICE natural gas contracts	Gas Marketing Operating Revenues	$16	$(84)	$(396)	$(15)
	Gas Marketing Operating Expenses	(22)	(95)	(151)	(291)
Sub-total		(6)	(179)	(547)	(306)
NYMEX gasoline and heating oil contracts	Gas Utility Other Operations and Maintenance Expenses	5	(46)	(127)	(12)
Total		$(1)	$(225)	$(674)	$(318)
Derivatives Not Designated as Hedging Instruments *					
Gain (loss) recognized in income on derivatives:					
Natural gas commodity contracts	Gas Marketing Operating Revenues	$(993)	$2,641	$(218)	$3,431
	Gas Marketing Operating Expenses	—	—	—	687
NYMEX/ICE natural gas contracts	Gas Marketing Operating Revenues	1,163	(1,123)	551	425
	Gas Marketing Operating Expenses	—	(655)	—	(625)
NYMEX gasoline and heating oil contracts	Other Income and (Income Deductions) - Net	(5)	(11)	41	2
Total		$165	$852	$374	$3,920

* Gains and losses on Laclede Gas' natural gas derivative instruments, which are not designated as hedging instruments for financial reporting purposes, are deferred pursuant to the Utility's PGA Clause and initially recorded as regulatory assets or regulatory liabilities. These gains and losses are excluded from the table above because they have no direct impact on the Statements of Consolidated Income. Such amounts are recognized in the Statements of Consolidated Income as a component of Gas Utility Natural and Propane Gas operating expenses when they are recovered through the PGA Clause and reflected in customer billings.

Table of Contents

Fair Value of Derivative Instruments in the Consolidated Balance Sheet at June 30, 2013

	Asset Derivatives			Liability Derivatives		
(Thousands)	Balance Sheet Location	Fair Value	*	Balance Sheet Location	Fair Value	*
Derivatives designated as hedging instruments						
NYMEX/ICE natural gas contracts	Derivative Instrument Assets	$4,574		Derivative Instrument Assets	$437	
NYMEX/ICE natural gas contracts	Other Deferred Charges	77		Other Deferred Charges	9	
NYMEX gasoline and heating oil contracts	Accounts Receivable – Other	136		Accounts Receivable – Other	—	
Interest rate swaps	Derivative Instrument Assets	17,689		Derivative Instrument Assets	—	
Sub-total		22,476			446	
Derivatives not designated as hedging instruments						
NYMEX/ICE natural gas contracts	Derivative Instrument Assets	859		Derivative Instrument Assets	146	
	Accounts Receivable – Other	1,956		Accounts Receivable – Other	3,688	
Natural gas commodity contracts	Derivative Instrument Assets	944		Derivative Instrument Assets	89	
	Other Deferred Charges	14		Other Deferred Charges	—	
	Other Current Liabilities	122		Other Current Liabilities	836	
	Other Deferred Credits	33		Other Deferred Credits	159	
Sub-total		3,928			4,918	
Total derivatives		$26,404			$5,364	

Fair Value of Derivative Instruments in the Consolidated Balance Sheet at September 30, 2012

	Asset Derivatives			Liability Derivatives		
(Thousands)	Balance Sheet Location	Fair Value	*	Balance Sheet Location	Fair Value	*
Derivatives designated as hedging instruments						
NYMEX/ICE natural gas contracts	Accounts Receivable - Other	$405		Accounts Receivable - Other	$3,413	
NYMEX gasoline and heating oil contracts	Accounts Receivable - Other	334		Accounts Receivable - Other	—	
Sub-total		739			3,413	
Derivatives not designated as hedging instruments						
NYMEX/ICE natural gas contracts	Accounts Receivable - Other	8,000		Accounts Receivable - Other	10,731	
Natural gas commodity contracts	Derivative Instrument Assets	3,150		Derivative Instrument Assets	295	
	Other Current Liabilities	4		Other Current Liabilities	137	
	Other Deferred Charges	19		Other Deferred Charges	—	
NYMEX gasoline and heating oil contracts	Accounts Receivable - Other	10		Accounts Receivable - Other	—	
Sub-total		11,183			11,163	
Total derivatives		$11,922			$14,576	

19

Table of Contents

Fair Value of Derivative Instruments in the Consolidated Balance Sheet at June 30, 2012

	Asset Derivatives			Liability Derivatives		
(Thousands)	Balance Sheet Location	Fair Value	*	Balance Sheet Location	Fair Value	*
Derivatives designated as hedging instruments						
NYMEX/ICE natural gas contracts	Accounts Receivable - Other	$1,064		Accounts Receivable - Other	$2,529	
NYMEX gasoline and heating oil contracts	Accounts Receivable - Other	106		Accounts Receivable - Other	—	
Sub-total		1,170			2,529	
Derivatives not designated as hedging instruments						
NYMEX/ICE natural gas contracts	Accounts Receivable - Other	3,449		Accounts Receivable - Other	21,202	
Natural gas commodity contracts	Derivative Instrument Assets	4,356		Derivative Instrument Assets	478	
	Other Current Liabilities	39		Other Current Liabilities	109	
NYMEX gasoline and heating oil contracts	Accounts Receivable - Other	1		Accounts Receivable - Other	—	
Sub-total		7,845			21,789	
Total derivatives		$9,015			$24,318	

* The fair values of Asset Derivatives and Liability Derivatives exclude the fair value of cash margin receivables or payables with counterparties subject to netting arrangements. Fair value amounts of derivative contracts (including the fair value amounts of cash margin receivables and payables) for which there is a legal right to set off are presented net on the Consolidated Balance Sheets. As such, the gross balances presented in the table above are not indicative of the Company's net economic exposure. Refer to , Fair Value Measurements, for information on the valuation of derivative instruments.

Following is a reconciliation of the amounts in the tables above to the amounts presented in the Consolidated Balance Sheets:

(Thousands)	June 30, 2013	Sept. 30, 2012	June 30, 2012
Fair value of asset derivatives presented above	$26,404	$11,922	$9,015
Fair value of cash margin receivables offset with derivatives	1,596	5,478	19,111
Netting of assets and liabilities with the same counterparty	(6,612)	(14,526)	(24,247)
Total	$21,388	$2,874	$3,879
Derivative Instrument Assets, per Consolidated Balance Sheets:			
Derivative instrument assets	$21,279	$2,855	$3,879
Other deferred charges	109	19	—
Total	$21,388	$2,874	$3,879
Fair value of liability derivatives presented above	$5,364	$14,576	$24,318
Fair value of cash margin payables offset with derivatives	2,088	83	—
Netting of assets and liabilities with the same counterparty	(6,612)	(14,526)	(24,247)
Total	$840	$133	$71
Derivative Instrument Liabilities, per Consolidated Balance Sheets:			
Other Current Liabilities	$727	$133	$71

Other Deferred Credits	113	—	—
Total	$840	$133	$71

Additionally, at June 30, 2013, September 30, 2012, and June 30, 2012, the Company had $3.6 million, $10.0 million, and $10.6 million, respectively, in cash margin receivables not offset with derivatives, that are presented in Accounts Receivable - Other.

Table of Contents

9. CONCENTRATIONS OF CREDIT RISK

A significant portion of LER's transactions are with (or are associated with) energy producers, utility companies, and pipelines. These concentrations of transactions with these counterparties have the potential to affect the Company's overall exposure to credit risk, either positively or negatively, in that each of these three groups may be affected similarly by changes in economic, industry, or other conditions. To manage this risk, as well as credit risk from significant counterparties in these and other industries, LER has established procedures to determine the creditworthiness of its counterparties. These procedures include obtaining credit ratings and credit reports, analyzing counterparty financial statements to assess financial condition, and considering the industry environment in which the counterparty operates. This information is monitored on an ongoing basis. In some instances, LER may require credit assurances such as prepayments, letters of credit, or parental guarantees. In addition, LER may enter into netting arrangements to mitigate credit risk with counterparties in the energy industry from which LER both sells and purchases natural gas. Sales are typically made on an unsecured credit basis with payment due the month following delivery. Accounts receivable amounts are closely monitored and provisions for uncollectible amounts are accrued when losses are probable. To date, losses have not been significant. LER records accounts receivable, accounts payable, and prepayments for physical sales and purchases of natural gas on a gross basis. The amount included in accounts receivable attributable to energy producers and their marketing affiliates amounted to $22.2 million at June 30, 2013. Net receivable amounts from these customers on the same date, reflecting netting arrangements, were $12.0 million Accounts receivable attributable to utility companies and their marketing affiliates comprised $18.6 million of total accounts receivable at June 30, 2013, while net receivable amounts from these customers, reflecting netting arrangements, were $11.3 million. LER also has concentrations of credit risk with certain individually significant counterparties. At June 30, 2013, the amounts included in accounts receivable from LER's five largest counterparties (in terms of net accounts receivable exposure), were $25.7 million. These five counterparties are either investment-grade rated or owned by investment-grade rated companies. Net receivable amounts from these customers on the same date, reflecting netting arrangements, were $17.0 million. Additionally, LER has concentrations of credit risk with pipeline companies associated with its natural gas receivable amounts.

10. OTHER INCOME AND (INCOME DEDUCTIONS) - NET

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	2013	2012
Interest income	$164	$337	$827	$1,001
Net investment gain	24	264	1,127	2,458
Other income	156	(15)	233	(4)
Other income deductions	(742)	(135)	(163)	316
Other Income and (Income Deductions) – Net	$(398)	$451	$2,024	$3,771

Table of Contents

11. INFORMATION BY OPERATING SEGMENT

All of Laclede Group's subsidiaries are wholly owned. In the first quarter of fiscal year 2013, the Company retitled its segment names. The Gas Utility segment, previously titled Regulated Gas Distribution, consists of the regulated operations of Laclede Gas and is the core business segment of Laclede Group. Laclede Gas is a public utility engaged in the retail distribution and sale of natural gas serving an area in eastern Missouri, with a population of approximately 2.2 million, including the City of St. Louis and parts of ten counties in eastern Missouri. The Gas Marketing segment, previously titled Non-Regulated Gas Marketing, includes the results of LER, a subsidiary engaged in the non-regulated marketing of natural gas and related activities, and LER Storage Services, Inc., which became operational in January 2012 and utilizes natural gas storage contracts for providing natural gas sales. Other includes Laclede Pipeline Company's transportation of liquid propane regulated by the Federal Energy Regulatory Commission (FERC) as well as non-regulated activities, including, among other activities, real estate development, the compression of natural gas, and financial investments in other enterprises. These operations are conducted through seven subsidiaries. Other also includes Laclede Gas' non-regulated business activities, which are comprised of its propane storage and related services. Accounting policies are described in Note 1. Intersegment transactions include sales of natural gas from Laclede Gas to LER, propane storage services provided by Laclede Gas to Laclede Pipeline Company, sales of natural gas from LER to Laclede Gas, and propane transportation services provided by Laclede Pipeline Company to Laclede Gas.

Management evaluates the performance of the operating segments based on the computation of net economic earnings. Net economic earnings exclude from reported net income the after-tax impacts of net unrealized gains and losses and other timing differences associated with energy-related transactions. Net economic earnings also excludes the after-tax impacts related to unique acquisition, divestiture, and restructuring activities.

Table of Contents

(Thousands)	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended June 30, 2013					
Revenues from external customers	$131,517	$33,433	$339	$—	$165,289
Intersegment revenues	23	9,354	546	(9,923)	—
Total Operating Revenues	131,540	42,787	885	(9,923)	165,289
Operating Expenses					
Gas Utility					
Natural and Propane Gas	52,847	—	—	(9,614)	43,233
Other Operation and Maintenance Expenses	42,090	—	—	314	42,404
Depreciation and Amortization	11,519	—	—	—	11,519
Taxes, Other than Income Taxes	12,968	—	—	—	12,968
Total Gas Utility Operating Expenses	119,424	—	—	(9,300)	110,124
Gas Marketing	—	40,583	—	—	40,583
Other	—	—	2,924	(623)	2,301
Total Operating Expenses	119,424	40,583	2,924	(9,923)	153,008
Operating Income	12,116	2,204	(2,039)	—	12,281
Net Economic Earnings (Losses)	6,834	1,632	(302)	—	8,164
Total assets	1,766,198	220,162	584,488	(148,809)	2,422,039
Three Months Ended June 30, 2012					
Revenues from external customers	$116,459	$70,014	$376	$—	$186,849
Intersegment revenues	1,175	587	259	(2,021)	—
Total Operating Revenues	117,634	70,601	635	(2,021)	186,849
Operating Expenses					
Gas Utility					
Natural and Propane Gas	48,662	—	—	(2,021)	46,641
Other Operation and Maintenance Expenses	38,351	—	—	—	38,351
Depreciation and Amortization	10,186	—	—	—	10,186
Taxes, Other than Income Taxes	10,842	—	—	—	10,842
Total Gas Utility Operating Expenses	108,041	—	—	(2,021)	106,020
Gas Marketing	—	65,420	—	—	65,420
Other	—	—	364	—	364
Total Operating Expenses	108,041	65,420	364	(2,021)	171,804
Operating Income	9,593	5,181	271	—	15,045
Net Economic Earnings	4,597	3,605	694	—	8,896
Total assets	1,640,101	186,394	150,117	(235,274)	1,741,338

Table of Contents

(Thousands)	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Nine Months Ended June 30, 2013					
Revenues from external customers	$735,726	$129,937	$4,242	$—	$869,905
Intersegment revenues	10,517	13,928	1,124	(25,569)	—
Total Operating Revenues	746,243	143,865	5,366	(25,569)	869,905
Operating Expenses					
Gas Utility					
Natural and Propane Gas	435,329	—	—	(25,140)	410,189
Other Operation and Maintenance Expenses	122,936	—	—	309	123,245
Depreciation and Amortization	33,742	—	—	—	33,742
Taxes, Other than Income Taxes	49,525	—	—	—	49,525
Total Gas Utility Operating Expenses	641,532	—	—	(24,831)	616,701
Gas Marketing	—	133,959	—	—	133,959
Other	—	—	13,767	(738)	13,029
Total Operating Expenses	641,532	133,959	13,767	(25,569)	763,689
Operating Income	104,711	9,906	(8,401)	—	106,216
Net Economic Earnings (Losses)	62,372	7,281	(742)	—	68,911
Total assets	1,766,198	220,162	584,488	(148,809)	2,422,039
Nine Months Ended June 30, 2012					
Revenues from external customers	$665,981	$288,036	$1,920	$—	$955,937
Intersegment revenues	1,178	9,125	778	(11,081)	—
Total Operating Revenues	667,159	297,161	2,698	(11,081)	955,937
Operating Expenses					