

LACLEDE GAS CO  
Form 10-Q  
May 06, 2015

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

FORM 10-Q

QUARTERLY REPORT

For the Quarterly Period Ended March 31, 2015

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

## FORM 10-Q

(Mark One)

- ☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarter Ended March 31, 2015  
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	Registrant, Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification Number
1-16681	The Laclede Group, Inc. 700 Market Street St. Louis, MO 63101 Telephone Number 314-342-0500	Missouri	74-2976504
1-1822	Laclede Gas Company 700 Market Street St. Louis, MO 63101 Telephone Number 314-342-0500	Missouri	43-0368139
2-38960	Alabama Gas Corporation 2101 6th Avenue North Birmingham, Alabama 35203-8100 Telephone Number 205-326-8100	Alabama	63-0022000

Indicate by check mark whether each 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.

The Laclede Group, Inc. Yes ☒ No ☐  
Laclede Gas Company Yes ☒ No ☐  
Alabama Gas Corporation Yes ☒ No ☐

Indicate by check mark whether each registrant 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).

The Laclede Group, Inc. Yes ☒ No ☐  
Laclede Gas Company Yes ☒ No ☐  
Alabama Gas Corporation Yes ☒ No ☐

Indicate by check mark whether the registrant 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

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company” in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non- accelerated filer	Smaller reporting company
The Laclede Group, Inc.	X			
Laclede Gas Company			X	
Alabama Gas Corporation			X	

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

The Laclede Group, Inc. Yes ☐ No ☒

Laclede Gas Company Yes ☐ No ☒

Alabama Gas Corporation Yes ☐ No ☒

The number of shares outstanding of each registrant’s common stock as of April 30, 2015 was as follows:

The Laclede Group, Inc.	Common Stock, par value \$1.00 per share	43,318,933
Laclede Gas Company	Common Stock, par value \$1.00 per share (all owned by The Laclede Group, Inc.)	24,577
Alabama Gas Corporation	Common Stock, par value \$0.01 per share (all owned by the Laclede Group, Inc.)	1,972,052

Laclede Gas Company and Alabama Gas Corporation meet the conditions set forth in General Instructions H(1)(a) and (b) to Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instructions H(2) to Form 10-Q.

This combined Form 10-Q represents separate filings by The Laclede Group, Inc., Laclede Gas Company and Alabama Gas Corporation. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants, except that information relating to Laclede Gas Company and Alabama Gas Corporation are also attributed to The Laclede Group, Inc.

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## GLOSSARY OF KEY TERMS

Alagasco	Alabama Gas Corporation or Alabama Utility	ISRS	Infrastructure System Replacement Surcharge
Alabama Utility	Alabama Gas Corporation or Alagasco; the utility serving the Alabama region	LER	Laclede Energy Resources, Inc.
AOC	Administrative Order on Consent	MDNR	Missouri Department of Natural Resources
APSC	Alabama Public Service Commission	MGE	Missouri Gas Energy
ASC	Accounting Standards Codification	MGP	Manufactured Gas Plant
APUC	Algonquin Power and Utilities Corp.	Missouri Utilities	Laclede Gas Company, including MGE; the utilities serving the Missouri region
Bcf	Billion cubic feet	MMBtu	Million British thermal unit
BVCP	Brownfields/Voluntary Cleanup Program	MoPSC	Missouri Public Service Commission or MPSC
CCM	Cost Control Mechanism	NCP	National Oil and Hazardous Substances Pollution Contingency Plan
CERCLA	Comprehensive Environment Response, Compensation and Liability Act	NEG	New England Gas Company
Energen	Energen Corporation	NPL	National Priorities List
EPA	US Environmental Protection Agency	NSR	Negative Salvage Refund
ESR	Enhanced Stability Reserve	NYMEX	New York Mercantile Exchange, Inc.
ETE	Energy Transfers Equity, LP	O&M	Operations and Maintenance
FASB	Financial Accounting Standards Board	OTCBB	Over-the-Counter Bulletin Board
FERC	Federal Energy Regulatory Commission	PGA	Purchased Gas Adjustment
GAAP	Accounting principles generally accepted in the United States of America	PRP	Potential Responsible Party
Gas Utility	Operating segment including the regulated operations of Laclede Gas Company and Alabama Gas Corporation	RSE	Rate Stabilization and Equalization
Gas Marketing	Operating segment including Laclede Energy Resources (LER), a subsidiary engaged in the non-regulated marketing of natural gas and related activities	SEC	US Securities and Exchange Commission
GSA	Gas Supply Adjustment	SPA	Stock Purchase Agreement with Energen to purchase 100% of the common shares of Alabama Gas Corporation (Alagasco)
ICE	ICE Clear Europe	Spire	Laclede Group's compressed natural gas fueling solutions business
Index Range	Range of Alagasco's CCM, which is 2007 rate year O&M expense (Base Year) inflation-adjusted using the June Consumer Price Index for All Urban Consumers plus or minus 1.75%	US	United States



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PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by three separate registrants — The Laclede Group, Inc. (Laclede Group or the Company), Laclede Gas Company (Laclede Gas or Missouri Utilities) and Alabama Gas Corporation (Alagasco or Alabama Utility) — 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 each registrant's respective Form 10-K for the fiscal year or transition period, as applicable, ended September 30, 2014.

The Financial Information in this Part I includes separate financial statements (i.e., balance sheets, statements of income and comprehensive income, statements of common shareholders' equity and statements of cash flows) for Laclede Group, Laclede Gas and Alagasco. The notes to the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations are also included and presented herein on a combined basis for the Laclede Group, Laclede Gas and Alagasco.



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## Item 1. Financial Statements

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

	Three Months Ended March 31,		Six Months Ended March 31,	
(\$ Millions, Except Per Share Amounts)	2015	2014	2015	2014
Operating Revenues:				
Gas utility	\$847.0	\$634.4	\$1,428.4	\$1,069.6
Gas marketing and other	30.4	60.1	68.6	93.5
Total Operating Revenues	877.4	694.5	1,497.0	1,163.1
Operating Expenses:				
Gas utility				
Natural and propane gas	482.8	405.3	787.1	647.1
Other operation and maintenance expenses	103.8	72.0	200.9	134.3
Depreciation and amortization	32.2	20.1	64.2	40.1
Taxes, other than income taxes	55.7	41.8	93.7	70.4
Total Gas Utility Operating Expenses	674.5	539.2	1,145.9	891.9
Gas marketing and other	45.2	68.1	106.1	121.1
Total Operating Expenses	719.7	607.3	1,252.0	1,013.0
Operating Income	157.7	87.2	245.0	150.1
Other Income – Net	0.7	(0.3)	) 2.1	1.4
Interest Charges:				
Interest on long-term debt	16.5	8.6	33.7	18.3
Other interest charges	2.6	0.7	4.6	1.5
Total Interest Charges	19.1	9.3	38.3	19.8
Income Before Income Taxes	139.3	77.6	208.8	131.7
Income Tax Expense	44.9	25.4	67.3	43.9
Net Income	\$94.4	\$52.2	\$141.5	\$87.8
Weighted Average Number of Common Shares Outstanding:				
Basic	43.1	32.6	43.1	32.6
Diluted	43.2	32.6	43.2	32.7
Basic Earnings Per Share of Common Stock	\$2.18	\$1.59	\$3.27	\$2.68
Diluted Earnings Per Share of Common Stock	\$2.18	\$1.59	\$3.26	\$2.68
Dividends Declared Per Share of Common Stock	\$0.46	\$0.44	\$0.92	\$0.88

See the accompanying Notes to the Financial Statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
(\$ Millions)	2015	2014	2015	2014
Net Income	\$94.4	\$52.2	\$141.5	\$87.8
Other Comprehensive Income (Loss), Before Tax:				
Cash flow hedging derivative instruments:				
Net hedging loss arising during the period	(0.6	) (3.5	) (6.5	) (5.1
Reclassification adjustment for losses included in net income	2.3	3.2	2.2	2.0
Net unrealized gains (losses) on cash flow hedging derivative instruments	1.7	(0.3	) (4.3	) (3.1
Defined benefit pension and other postretirement plans:				
Amortization of actuarial loss included in net periodic pension and postretirement benefit cost	0.1	0.1	0.2	0.2
Other Comprehensive Income (Loss), Before Tax	1.8	(0.2	) (4.1	) (2.9
Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income	0.6	(0.1	) (1.6	) (1.1
Other Comprehensive Income (Loss), Net of Tax	1.2	(0.1	) (2.5	) (1.8
Comprehensive Income	\$95.6	\$52.1	\$139.0	\$86.0

See the accompanying Notes to the Financial Statements.

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

(\$ Millions, Except Per Share Amounts)	March 31, 2015	September 30, 2014
<b>ASSETS</b>		
Utility Plant	\$4,037.8	\$3,928.3
Less: Accumulated depreciation and amortization	1,213.1	1,168.6
Net Utility Plant	2,824.7	2,759.7
Non-utility Property (net of accumulated depreciation and amortization, \$7.2 and \$6.7 at March 31, 2015 and September 30, 2014, respectively)	10.5	9.2
Goodwill	946.0	937.8
Other investments	60.8	60.0
Total Other Property and Investments	1,017.3	1,007.0
Current Assets:		
Cash and cash equivalents	46.9	16.1
Accounts receivable:		
Utility	303.8	148.2
Other	70.1	86.5
Allowance for doubtful accounts	(18.6	) (15.9
Delayed customer billings	61.7	10.8
Inventories:		
Natural gas	90.8	245.5
Propane gas	11.9	11.7
Materials and supplies	14.3	13.0
Natural gas receivable	5.9	7.3
Derivative instrument assets	3.0	2.4
Unamortized purchased gas adjustments	—	54.0
Regulatory assets	27.4	26.8
Prepayments and other	20.0	21.6
Total Current Assets	637.2	628.0
Deferred Charges:		
Regulatory assets	632.9	614.3
Other	68.6	65.0
Total Deferred Charges	701.5	679.3
Total Assets	\$5,180.7	\$5,074.0

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

	March 31, 2015	September 30, 2014
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Common stock (par value \$1.00 per share; 70.0 million shares authorized; 43.3 million and 43.2 million shares issued and outstanding, at March 31, 2015 and September 30, 2014, respectively)	\$43.3	\$43.2
Paid-in capital	1,033.3	1,029.4
Retained earnings	539.2	437.5
Accumulated other comprehensive loss	(4.2)	(1.7)
Total Common Stock Equity	1,611.6	1,508.4
Long-term debt (less current portion)	1,736.3	1,851.0
Total Capitalization	3,347.9	3,359.4
Current Liabilities:		
Current portion of long-term debt	80.0	—
Notes payable	247.6	287.1
Accounts payable	160.1	176.7
Advance customer billings	8.4	32.2
Wages and compensation accrued	30.9	36.0
Dividends payable	20.5	19.9
Customer deposits	36.2	34.0
Interest accrued	14.9	15.1
Unamortized purchased gas adjustments	76.7	22.4
Taxes accrued	85.2	63.4
Deferred income taxes	—	9.9
Regulatory liabilities	38.5	41.3
Other	54.7	47.8
Total Current Liabilities	853.7	785.8
Deferred Credits and Other Liabilities:		
Deferred income taxes	438.7	383.8
Pension and postretirement benefit costs	243.9	244.9
Asset retirement obligations	101.5	99.2
Regulatory liabilities	114.3	125.8
Other	80.7	75.1
Total Deferred Credits and Other Liabilities	979.1	928.8
Commitments and Contingencies ( <u>Note 10</u> )		
Total Capitalization and Liabilities	\$5,180.7	\$5,074.0

See the accompanying Notes to the Financial Statements.



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THE LACLEDE GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY  
(UNAUDITED)

(\$ Millions, Except Per Share Amounts)	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Total Loss	
	Shares	Amount				
BALANCE SEPTEMBER 30, 2013	32,696,836	\$32.7	\$594.3	\$420.1	\$ (0.8 )	\$1,046.3
Net income	—	—	—	87.8	—	87.8
Dividend reinvestment plan	15,994	—	0.7	—	—	0.7
Stock-based compensation costs	—	—	2.4	—	—	2.4
Equity Incentive Plan	63,765	0.1	0.6	—	—	0.7
Employees' taxes paid associated with restricted shares withheld upon vesting	—	—	(1.1 )	—	—	(1.1 )
Tax benefit – stock compensation	—	—	0.5	—	—	0.5
Dividends declared	—	—	—	(28.9 )	—	(28.9 )
Other comprehensive loss, net of tax	—	—	—	—	(1.8 )	(1.8 )
BALANCE MARCH 31, 2014	32,776,595	\$32.8	\$597.4	\$479.0	\$ (2.6 )	\$1,106.6
BALANCE SEPTEMBER 30, 2014	43,178,405	\$43.2	\$1,029.4	\$437.5	\$ (1.7 )	\$1,508.4
Net income	—	—	—	141.5	—	141.5
Dividend reinvestment plan	9,494	—	0.9	—	—	0.9
Stock-based compensation costs	—	—	(0.4 )	—	—	(0.4 )
Equity Incentive Plan	125,949	0.1	2.8	—	—	2.9
Tax benefit – stock compensation	—	—	0.6	—	—	0.6
Dividends declared	—	—	—	(39.8 )	—	(39.8 )
Other comprehensive loss, net of tax	—	—	—	—	(2.5 )	(2.5 )
BALANCE MARCH 31, 2015	43,313,848	\$43.3	\$1,033.3	\$539.2	\$ (4.2 )	\$1,611.6

See the accompanying Notes to the Financial Statements.

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

	Six Months Ended March 31,	
(\$ Millions)	2015	2014
Operating Activities:		
Net Income	\$141.5	\$87.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	64.7	40.5
Changes in assets and liabilities:		
Accounts receivable	(139.4 )	(211.7 )
Unamortized purchased gas adjustments	108.2	15.9
Deferred purchased gas costs	(14.3 )	27.8
Accounts payable	(12.1 )	79.4
Delayed/advance customer billings – net	(74.7 )	(53.4 )
Taxes accrued	21.5	38.1
Inventories	153.1	114.2
Other assets and liabilities	(2.1 )	(1.3 )
Other	33.5	5.5
Net cash provided by operating activities	279.9	142.8
Investing Activities:		
Capital expenditures	(129.5 )	(68.2 )
Proceeds from sale of right to acquire New England Gas Company	—	11.0
(Payments for) proceeds from final reconciliation of acquisitions	(8.6 )	23.9
Other	(0.4 )	(5.1 )
Net cash used in investing activities	(138.5 )	(38.4 )
Financing Activities:		
Redemption and maturity of long-term debt	(34.7 )	(80.0 )
Repayment of short-term debt – net	(39.6 )	(38.0 )
Issuance of common stock	2.8	1.4
Dividends paid	(39.2 )	(28.5 )
Employees' taxes paid associated with restricted shares withheld upon vesting	(1.6 )	(1.1 )
Other	1.7	(0.3 )
Net cash used in financing activities	(110.6 )	(146.5 )
Net Increase (Decrease) in Cash and Cash Equivalents	30.8	(42.1 )
Cash and Cash Equivalents at Beginning of Period	16.1	53.0
Cash and Cash Equivalents at End of Period	\$46.9	\$10.9
Supplemental disclosure of cash flow information:		
Interest paid	\$(36.1 )	\$(19.7 )
Income taxes refunded	0.3	2.6

See the accompanying Notes to the Financial Statements.

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LACLEDE GAS COMPANY  
 CONDENSED STATEMENTS OF INCOME  
 (UNAUDITED)

(\$ Millions)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Operating Revenues:				
Utility	\$615.7	\$638.7	\$1,078.1	\$1,073.9
Other	—	0.1	—	0.1
Total Operating Revenues	615.7	638.8	1,078.1	1,074.0
Operating Expenses:				
Utility				
Natural and propane gas	402.7	430.5	686.1	692.1
Other operation and maintenance expenses	69.6	72.2	134.4	134.7
Depreciation and amortization	20.5	20.1	40.7	40.1
Taxes, other than income taxes	42.3	41.8	71.5	70.4
Total Utility Operating Expenses	535.1	564.6	932.7	937.3
Other	—	(0.3 )	—	(0.1 )
Total Operating Expenses	535.1	564.3	932.7	937.2
Operating Income	80.6	74.5	145.4	136.8
Other Income – Net	0.4	(0.7 )	1.3	1.0
Interest Charges:				
Interest on long-term debt	8.3	8.4	16.6	17.9
Other interest charges	1.2	0.7	2.2	1.5
Total Interest Charges	9.5	9.1	18.8	19.4
Income Before Income Taxes	71.5	64.7	127.9	118.4
Income Tax Expense	21.6	20.5	39.0	38.9
Net Income	\$49.9	\$44.2	\$88.9	\$79.5

See the accompanying Notes to the Financial Statements.



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LACLEDE GAS COMPANY  
 STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,		
(\$ Millions)	2015	2014	2015	2014	
Net Income	\$49.9	\$44.2	\$88.9	\$79.5	
Other Comprehensive Income (Loss), Before Tax:					
Net gains (losses) on cash flow hedging derivative instruments:					
Net hedging gains (losses) arising during the period	0.1	0.1	(1.3	) 0.1	
Reclassification adjustment for losses (gains) included in net income	0.3	—	0.4	(0.1	)
Net unrealized gains (losses) on cash flow hedging derivative instruments	0.4	0.1	(0.9	) —	
Defined benefit pension and other postretirement plans:					
Amortization of actuarial loss included in net periodic pension and postretirement benefit cost	—	0.1	0.1	0.2	
Other Comprehensive Income (Loss), Before Tax	0.4	0.2	(0.8	) 0.2	
Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income	0.1	0.1	(0.3	) 0.1	
Other Comprehensive Income (Loss), Net of Tax	0.3	0.1	(0.5	) 0.1	
Comprehensive Income	\$50.2	\$44.3	\$88.4	\$79.6	

See the accompanying Notes to the Financial Statements.

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LACLEDE GAS COMPANY  
 CONDENSED BALANCE SHEETS  
 (UNAUDITED)

(\$ Millions, Except Shares and Per Share Amounts)	March 31, 2015	September 30, 2014
<b>ASSETS</b>		
Utility Plant	\$2,479.8	\$2,403.3
Less: Accumulated depreciation and amortization	566.2	542.3
Net Utility Plant	1,913.6	1,861.0
Goodwill	210.2	210.2
Other Property and Investments	56.5	55.7
Total Other Property and Investments	266.7	265.9
Current Assets:		
Cash and cash equivalents	9.3	3.7
Accounts receivable:		
Utility	224.1	111.1
Other	19.4	19.2
Allowance for doubtful accounts	(14.0)	(10.7)
Delayed customer billings	61.7	10.8
Receivables from associated companies	2.3	11.4
Inventories:		
Natural gas	60.8	191.1
Propane gas	12.0	11.7
Materials and supplies	9.2	7.8
Unamortized purchased gas adjustments	—	54.0
Regulatory assets	17.4	18.0
Prepayments and other	16.2	15.5
Total Current Assets	418.4	443.6
Deferred Charges:		
Regulatory assets	545.3	523.7
Other	11.9	10.8
Total Deferred Charges	557.2	534.5
Total Assets	\$3,155.9	\$3,105.0

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LACLEDE GAS COMPANY  
 CONDENSED BALANCE SHEETS (Continued)  
 (UNAUDITED)

	March 31, 2015	September 30, 2014
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Common stock and Paid-in capital (par value \$1.00 per share; 50,000 authorized; 24,577 shares issued and outstanding)	746.3	744.1
Retained earnings	314.7	265.6
Accumulated other comprehensive loss	(2.4	) (1.9
Total Common Stock Equity	1,058.6	1,007.8
Long-term debt	808.0	807.9
Total Capitalization	1,866.6	1,815.7
Current Liabilities:		
Notes payable	142.6	238.6
Notes payable – associated companies	10.4	—
Accounts payable	77.3	70.1
Accounts payable – associated companies	5.7	6.0
Advance customer billings	—	15.5
Wages and compensation accrued	26.9	30.3
Dividends payable	19.9	19.0
Customer deposits	15.2	14.8
Interest accrued	8.1	8.1
Taxes accrued	79.2	43.9
Unamortized purchase gas adjustments	39.1	—
Other	36.3	41.9
Total Current Liabilities	460.7	488.2
Deferred Credits and Other Liabilities:		
Deferred income taxes	424.3	399.8
Pension and postretirement benefit costs	212.4	215.3
Asset retirement obligations	72.9	71.2
Regulatory liabilities	71.7	72.1
Other	47.3	42.7
Total Deferred Credits and Other Liabilities	828.6	801.1
Commitments and Contingencies ( <u>Note 10</u> )		
Total Capitalization and Liabilities	\$3,155.9	\$3,105.0

See the accompanying Notes to the Financial Statements.

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LACLEDE GAS COMPANY  
 STATEMENTS OF COMMON SHAREHOLDER'S EQUITY  
 (UNAUDITED)

(\$ Millions)	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Total (Loss) Income	
	Shares	Amount				
BALANCE SEPTEMBER 30, 2013	24,549	\$0.1	\$738.1	\$237.8	\$ (2.1 )	\$973.9
Net income	—	—	—	79.5	—	79.5
Stock-based compensation costs	—	—	1.8	—	—	1.8
Tax benefit – stock compensation	—	—	0.4	—	—	0.4
Dividends declared	—	—	—	(28.8 )	—	(28.8 )
Issuance of common stock to Laclede Group	18	—	0.7	—	—	0.7
Other comprehensive income , net of tax	—	—	—	—	0.1	0.1
BALANCE MARCH 31, 2014	24,567	\$0.1	\$741.0	\$288.5	\$ (2.0 )	\$1,027.6
BALANCE SEPTEMBER 30, 2014	24,577	\$0.1	\$744.0	\$265.6	\$ (1.9 )	\$1,007.8
Net income	—	—	—	88.9	—	88.9
Stock-based compensation costs	—	—	1.7	—	—	1.7
Tax benefit – stock compensation	—	—	0.5	—	—	0.5
Dividends declared	—	—	—	(39.8 )	—	(39.8 )
Other comprehensive loss, net of tax	—	—	—	—	(0.5 )	(0.5 )
BALANCE MARCH 31, 2015	24,577	\$0.1	\$746.2	\$314.7	\$ (2.4 )	\$1,058.6

See the accompanying Notes to the Financial Statements.

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LACLEDE GAS COMPANY  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Six Months Ended March 31,	
(\$ Millions)	2015	2014
Operating Activities:		
Net Income	\$88.9	\$79.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40.7	40.1
Changes in assets and liabilities:		
Accounts Receivable	(100.9 )	(170.7 )
Unamortized purchased gas adjustments	93.0	15.9
Deferred purchased gas costs	(14.3 )	27.8
Accounts payable	11.4	55.3
Delayed/advance customer billings – net	(66.4 )	(53.4 )
Taxes accrued	35.4	36.8
Inventories	128.7	105.1
Other assets and liabilities	12.8	2.7
Other	(6.1 )	5.4
Net cash provided by operating activities	223.2	144.5
Investing Activities:		
Capital expenditures	(93.4 )	(67.1 )
Proceeds from final reconciliation of acquisition of Missouri Gas Energy	—	23.9
Other	—	(4.8 )
Net cash used in investing activities	(93.4 )	(48.0 )
Financing Activities:		
Redemption and maturity of first mortgage bonds	—	(80.0 )
Repayment of short-term debt – net	(96.1 )	(38.0 )
Borrowings from Laclede Group	16.8	121.8
Repayment of borrowings from Laclede Group	(6.4 )	(91.2 )
Dividends paid	(38.9 )	(28.3 )
Issuance of common stock to Laclede Group	—	0.7
Other	0.4	(0.4 )
Net cash used in financing activities	(124.2 )	(115.4 )
Net Increase (Decrease) in Cash and Cash Equivalents	5.6	(18.9 )
Cash and Cash Equivalents at Beginning of Period	3.7	23.9
Cash and Cash Equivalents at End of Period	\$9.3	\$5.0
Supplemental disclosure of cash flow information:		
Interest paid	\$(18.4 )	\$(19.5 )
Income taxes refunded	0.6	1.2

See the accompanying Notes to the Financial Statements.



Table of ContentsALABAMA GAS CORPORATION  
CONDENSED STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(\$ Millions)	2015	2014	2015	2014
Operating Revenues:				
Utility	\$233.3	\$263.9	\$353.3	\$406.7
Total Operating Revenues	233.3	263.9	353.3	406.7
Operating Expenses:				
Utility				
Natural gas	96.4	128.1	142.8	180.1
Operation and maintenance	34.4	36.2	67.0	71.7
Depreciation and amortization	11.7	11.4	23.5	22.6
Taxes, other than income taxes	13.4	15.8	22.2	25.1
Total Operating Expenses	155.9	191.5	255.5	299.5
Operating Income	77.4	72.4	97.8	107.2
Other Income – Net	0.6	1.2	1.0	1.9
Interest Charges:				
Interest on long-term debt	2.8	3.4	6.0	6.8
Other interest charges	0.7	0.6	1.3	1.1
Total Interest Charges	3.5	4.0	7.3	7.9
Income Before Income Taxes	74.5	69.6	91.5	101.2
Income Tax Expense	28.2	26.5	34.6	38.3
Net Income	\$46.3	\$43.1	\$56.9	\$62.9

See the accompanying Notes to the Financial Statements.

Table of ContentsALABAMA GAS CORPORATION  
CONDENSED BALANCE SHEETS  
(UNAUDITED)

(\$ Millions, Except Per Share Amounts)	March 31, 2015	September 30, 2014
<b>ASSETS</b>		
Utility Plant	\$1,558.0	\$1,525.1
Less: Accumulated depreciation and amortization	646.9	626.4
Net Utility Plant	911.1	898.7
Current Assets:		
Cash and cash equivalents	35.4	5.6
Accounts receivable:		
Utility	79.6	39.0
Other	5.2	5.1
Allowance for doubtful accounts	(4.6	) (5.1
Inventories:		
Natural gas	27.6	48.0
Materials and supplies	4.9	5.1
Regulatory assets	10.0	8.8
Deferred income taxes	—	2.3
Prepayments and other	3.3	1.6
Total Current Assets	161.4	110.4
Deferred Charges:		
Regulatory assets	87.6	90.6
Deferred income taxes	249.1	277.8
Other	50.4	47.1
Total Deferred Charges	387.1	415.5
Total Assets	\$1,459.6	\$1,424.6



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ALABAMA GAS CORPORATION  
 CONDENSED BALANCE SHEETS (Continued)  
 (UNAUDITED)

	March 31, 2015	September 30, 2014
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
Common stock (par value \$0.01 per share; 3.0 million shares authorized; 2.0 million shares issued and outstanding)	\$—	\$—
Paid-in capital	506.3	503.9
Retained earnings	402.6	345.7
Total Common Stock Equity	908.9	849.6
Long-term debt	135.0	249.8
Total Capitalization	1,043.9	1,099.4
Current Liabilities:		
Current portion of long-term debt	80.0	—
Notes payable	25.0	16.0
Accounts payable	37.9	34.2
Accounts payable – associated companies	1.2	0.4
Advance customer billings	8.4	16.7
Wages and compensation accrued	4.0	5.7
Customer deposits	21.0	19.1
Interest accrued	3.6	3.9
Taxes accrued	23.0	30.0
Regulatory liabilities	37.9	40.7
Unamortized purchase gas adjustments	37.6	22.4
Other	11.1	6.8
Total Current Liabilities	290.7	195.9
Deferred Credits and Other Liabilities:		
Pension and postretirement benefit costs	31.5	29.6
Asset retirement obligations	28.4	27.7
Regulatory liabilities	42.8	53.7
Other	22.3	18.3
Total Deferred Credits and Other Liabilities	125.0	129.3
Commitments and Contingencies ( <u>Note 10</u> )		
Total Capitalization and Liabilities	\$1,459.6	\$1,424.6

See the accompanying Notes to the Financial Statements.

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ALABAMA GAS CORPORATION  
 STATEMENTS OF COMMON SHAREHOLDER'S EQUITY  
 (UNAUDITED)

(\$ Millions)	Common Stock Issued		Paid-in	Retained	Total
	Shares	Amount	Capital	Earnings	
BALANCE SEPTEMBER 30, 2013	1,972,052	\$—	\$34.5	\$330.2	\$364.7
Net income	—	—	—	62.9	62.9
Dividends declared	—	—	—	(10.8	) (10.8
BALANCE MARCH 31, 2014	1,972,052	\$—	\$34.5	\$382.3	\$416.8
BALANCE SEPTEMBER 30, 2014	1,972,052	\$—	\$503.9	\$345.7	\$849.6
Net income	—	—	—	56.9	56.9
Purchase accounting adjustments	—	—	2.4	—	2.4
BALANCE MARCH 31, 2015	1,972,052	\$—	\$506.3	\$402.6	\$908.9

See the accompanying Notes to the Financial Statements.

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ALABAMA GAS CORPORATION  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Six Months Ended March 31,	
(\$ Millions)	2015	2014
Operating Activities:		
Net Income	\$56.9	\$62.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23.5	22.6
Changes in assets and liabilities:		
Accounts receivable	(44.0 )	(64.5 )
Unamortized purchase gas adjustments	15.2	23.8
Accounts payable	4.2	19.9
Advance customer billings	(8.3 )	(13.6 )
Taxes accrued	(7.0 )	18.5
Inventories	20.5	21.9
Other assets and liabilities	(7.0 )	29.0
Other	35.2	(3.7 )
Net cash provided by operating activities	89.2	116.8
Investing Activities:		
Capital expenditures	(34.2 )	(34.4 )
Proceeds from sale of assets	—	—
Other	(0.2 )	3.1
Net cash used in investing activities	(34.4 )	(31.3 )
Financing Activities:		
Redemption and maturity of long-term debt	(34.7 )	—
Issuance (repayment) of short-term debt – net	9.0	(49.0 )
Borrowings from affiliates	0.8	—
Dividends paid	—	(10.8 )
Other	(0.1 )	(0.1 )
Net cash used in financing activities	(25.0 )	(59.9 )
Net Increase in Cash and Cash Equivalents	29.8	25.6
Cash and Cash Equivalents at Beginning of Period	5.6	8.5
Cash and Cash Equivalents at End of Period	\$35.4	\$34.1
Supplemental disclosure of cash flow information:		
Interest paid	\$(6.7 )	\$(6.8 )
Income taxes paid	—	(5.3 )

See the accompanying Notes to the Financial Statements.

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THE LACLEDE GROUP, INC., LACLEDE GAS COMPANY AND ALABAMA GAS CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

(\$ in millions, except per share amounts)

(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION** - These notes are an integral part of the accompanying unaudited financial statements of The Laclede Group, Inc. (Laclede Group or the Company), as well as Laclede Gas Company (Laclede Gas or the Missouri Utilities) and Alabama Gas Corporation (Alagasco or the Alabama Utility). Laclede Gas, which includes the operations of Missouri Gas Energy (MGE), and Alagasco are wholly owned subsidiaries of the Company.

Collectively, Laclede Gas and Alagasco are referred to as the Utilities. The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the disclosures required for complete financial statements. In the opinion of management, the accompanying unaudited financial statements include 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 the Financial Statements contained in Laclede Group's, Laclede Gas' and Alagasco's Annual Reports on Form 10-K or 10-KT for the fiscal year or transition period, as applicable, ended September 30, 2014.

The consolidated financial position, results of operations, and cash flows of Laclede Group are primarily derived from the financial position, results of operations, and cash flows of the Utilities. In compliance with GAAP, transactions between the Utilities and their affiliates, as well as intercompany balances on the Utilities' Balance Sheets, have not been eliminated from the Utilities' financial statements. As a result of the Company's August 31, 2014 acquisition of Alagasco, the Company's results of operations for the three and six months ended March 31, 2015 include Alagasco, which impacts the comparability of the current year financial statements to prior years. For a further discussion of the acquisition, see Note 2, Alagasco Acquisition.

The Utilities are regulated natural gas distribution utilities. Due to the seasonal nature of the Utilities, Laclede Group's earnings are typically concentrated during the heating season of November through April each fiscal year. As a result, the interim statements of income for Laclede Group are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year.

**NATURE OF OPERATIONS** - Laclede Group, headquartered in St. Louis, Missouri, is a public utility holding company. It has two key operating segments: Gas Utility and Gas Marketing. The Gas Utility segment is comprised of the operations of the Missouri Utilities and the Alabama Utility and serves St. Louis and eastern Missouri through legacy Laclede Gas, serves Kansas City and western Missouri through MGE, and serves central and northern Alabama through Alagasco. Laclede Group's primary non-utility business, Laclede Energy Resources, Inc. (LER), included in the Gas Marketing segment, provides non-regulated natural gas services. The activities of other subsidiaries are described in Note 9, Information by Operating Segment, and are reported as Other. The Company's earnings are primarily derived from its Gas Utility segment.

**REVENUE RECOGNITION** - The Utilities read meters and bill customers on monthly cycles. The Missouri Utilities record their 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 for Laclede Gas at March 31, 2015 and September 30, 2014 were \$63.5 and \$29.4, respectively.

Alagasco records natural gas distribution revenues in accordance with the tariff established by the Alabama Public Service Commission (APSC). The amount of accrued unbilled revenues, which is not recorded as revenue until billed, for Alagasco at March 31, 2015 and September 30, 2014 were \$15.0 and \$5.2, respectively.

Laclede Group's other subsidiaries, including LER, record revenues when earned, either when the product is delivered or when services are performed.

In the course of its business, LER 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, "Derivatives and Hedging." Those contracts are accounted for as executory contracts and recorded on an accrual basis. Revenues and expenses from such contracts are recorded using a gross presentation. Contracts not designated as normal purchases or normal sales are recorded as derivatives with changes in fair value recognized in earnings in the periods prior to physical delivery. Certain of LER's wholesale purchase and sale transactions entered on or after January 1, 2012 are classified as trading activities for financial reporting purposes. Under GAAP, revenues and expenses associated with trading activities are presented on a net basis in Gas

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Marketing Operating Revenues in the Condensed Consolidated Statements of Income. This net presentation has no effect on operating income or net income.

**GROSS RECEIPTS TAXES** - Gross receipts taxes associated with the Utilities' services are imposed on the Utilities and billed to customers. These amounts are recorded gross in the Operating Revenues line in the Company's Condensed Consolidated Statements of Income and the Utilities' Condensed Statements of Income. Gross receipts taxes are expensed by the Utilities and are included in the "Taxes, other than income taxes" line in the Company's Condensed Consolidated Statements of Income and the Utilities' Condensed Statements of Income.

The following table presents gross receipts taxes recorded:

	Three Months Ended March 31,		Six Months Ended March 31,	
(\$ Millions)	2015	2014	2015	2014
Laclede Group	\$44.7	\$34.3	\$72.4	\$54.3
Laclede Gas	33.9	34.3	55.8	54.3
Alagasco	10.8	13.0	16.6	19.4

**REGULATED OPERATIONS** - The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." This Topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. In addition, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process. As authorized by the MoPSC, the Purchased Gas Adjustment (PGA) clauses allow the Missouri Utilities to flow through to customers, subject to prudence review by the MoPSC, the cost of purchased gas supplies. Similarly, Alagasco's rate schedules for natural gas distribution charges contain a Gas Supply Adjustment (GSA) rider, which permits the pass-through to customers of changes in the cost of gas supply. Regulatory assets and liabilities related to the PGA clauses and GSA rider are both labeled Unamortized Purchased Gas Adjustments herein. See additional discussion on regulated operations in Note 4, Regulatory Matters.

**TRANSACTIONS WITH AFFILIATES** - Transactions between the Company and its affiliates have been eliminated from the consolidated financial statements of Laclede Group. Alagasco had no significant transactions with affiliates. Laclede Gas had the following transactions with affiliates:

	Three Months Ended March 31,		Six Months Ended March 31,	
(\$ Millions)	2015	2014	2015	2014
Sales of natural gas from Laclede Gas to LER	\$1.9	\$4.2	\$2.9	\$4.3
Sales of natural gas from LER to Laclede Gas	16.0	25.0	41.3	44.5
Transportation services provided by Laclede Pipeline Company to Laclede Gas	0.2	0.2	0.5	0.5

**GOODWILL** - Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. The following table represents total goodwill of Laclede Group and Laclede Gas, by acquisition, all included in the Gas Utility segment:

	Laclede Group		Laclede Gas	
(\$ Millions)	March 31, 2015	September 30, 2014	March 31, 2015	September 30, 2014
Acquisition of MGE	\$210.2	\$210.2	\$210.2	\$210.2
Acquisition of Alagasco	735.8	727.6	—	—

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Total	\$946.0	\$937.8	\$210.2	\$210.2
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Alagasco has no goodwill on its balance sheet as push down accounting was not applied. As part of the Alagasco acquisition, the Company initially recorded \$727.6 of goodwill. As part of the final reconciliation of net assets, \$8.6 was paid by the Company to Energen Corporation (Energen) on January 6, 2015. This payment, offset partly by other immaterial purchase

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price adjustments in the second quarter of 2015, resulted in goodwill of \$735.8 as of March 31, 2015 related to the Alagasco acquisition.

UTILITY PLANT - Laclede Gas had accrued capital expenditures of \$4.2 and \$3.0 as of March 31, 2015 and September 30, 2014. Alagasco had accrued capital expenditures of \$4.7 and \$5.0 as of March 31, 2015 and September 30, 2014.

REVISIONS TO PRIOR FINANCIAL STATEMENTS - In the Statements of Shareholder's Equity in Alagasco's most recent Annual Report on Form 10-KT, \$31.7 was misclassified between common stock and paid-in capital, with no impact on total shareholder's equity. The prior period balances have been corrected in this filing. In addition, certain current and noncurrent assets and liabilities in the prior period have been adjusted to conform with the current period presentation for Laclede Group, Laclede Gas and Alagasco.

NEW ACCOUNTING PRONOUNCEMENTS - In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. This standard is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principles-based approach to the recognition of revenue. The core principle of the standard is when an entity transfers goods or services to customers it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services. The standard outlines a five-step model and related application guidance, which replaces most existing revenue recognition guidance. ASU 2014-09 also requires disclosures that will enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is currently effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption not permitted. In April 2015, the FASB proposed (for public comment) a one-year deferral of the effective date (which also would permit early application as of the standard's original effective date). The Company, Laclede Gas and Alagasco are currently assessing the available transition methods and the potential impacts of the standard, which must be adopted by the first quarter of fiscal 2018 (or fiscal 2019, if the effective date is delayed as proposed).

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. Currently different balance sheet presentation requirements exist for debt issuance costs and debt discount and premium. Debt issuance costs are recorded as a deferred charge (asset), while debt discount and debt premium costs are recorded as a liability adjustment. This standard will require debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this standard. The guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those years, with early adoption permitted. The application of this standard will be retrospective, wherein the balance sheet of each individual period presented will be adjusted to reflect the period-specific impacts of applying the new guidance. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2017.

## 2. ALAGASCO ACQUISITION

The Company completed the acquisition of 100% of the common stock of Alagasco (Alagasco Transaction) from Energen for \$1,600.0, including cash and assumed debt. The acquisition date (Closing Date) was September 2, 2014, with an effective time under the Stock Purchase Agreement of 11:59 p.m. on August 31, 2014. The Alagasco Transaction was subject to certain post-closing adjustments for cash, indebtedness and working capital as discussed below. Total cash consideration paid at closing, net of cash acquired and debt assumed, was \$1,305.2. Subsequently, the Company and Energen agreed to a final reconciliation of net assets, and \$8.6 was paid by the Company to Energen on January 6, 2015, effectively increasing the total net consideration to \$1,313.8. This payment, offset partly by other immaterial purchase price adjustments in the second quarter of 2015, increased goodwill related to the transaction from \$727.6 recorded as of September 30, 2014, to \$735.8 as of March 31, 2015. The Alagasco Transaction was accounted for under the acquisition method of accounting in accordance with FASB ASC Topic 805, "Business Combinations." The Company determined that the Alagasco Transaction met the scope exceptions for pushdown accounting, and as such the excess consideration transferred over the fair value of assets acquired was recorded at Laclede Group. The Company and Energen made an election under Section 338(h)(10) of the Internal Revenue Code



of 1986, as amended, to treat the Alagasco Transaction as a deemed purchase and sale of assets for tax purposes. As a result, the existing deferred tax assets and liabilities were re-measured as of the Closing Date.

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## 3. EARNINGS PER COMMON SHARE

(Millions, except per share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Basic EPS:				
Net Income	\$94.4	\$52.2	\$141.5	\$87.8
Less: Income allocated to participating securities	0.3	0.2	0.5	0.3
Net Income Available to Common Shareholders	\$94.1	\$52.0	\$141.0	\$87.5
Weighted Average Shares Outstanding	43.1	32.6	43.1	32.6
Basic Earnings Per Share of Common Stock	\$2.18	\$1.59	\$3.27	\$2.68
Diluted EPS:				
Net Income	\$94.4	\$52.2	\$141.5	\$87.8
Less: Income allocated to participating securities	0.3	0.2	0.5	0.3
Net Income Available to Common Shareholders	\$94.1	\$52.0	\$141.0	\$87.5
Weighted Average Shares Outstanding	43.1	32.6	43.1	32.6
Dilutive Effect of Stock Options, Restricted Stock and Restricted Stock Units	0.1	—	0.1	0.1
Weighted Average Diluted Shares	43.2	32.6	43.2	32.7
Diluted Earnings Per Share of Common Stock	\$2.18	\$1.59	\$3.26	\$2.68

There were 0.4 and 0.3 shares of restricted stock and stock units subject to performance or market conditions for the three and six months ended March 31, 2015 and 2014, respectively, excluded from the calculation of diluted EPS. Also, Laclede Group's 2014 2.0% Series Equity Units issued in June 2014 are potentially dilutive securities but were anti-dilutive for the three and six months ended March 31, 2015; accordingly, they were excluded from the calculation of weighted average diluted shares for those periods.

## 4. REGULATORY MATTERS

As explained in Note 1, Summary of Significant Accounting Policies, Laclede Gas and Alagasco account for regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." The following regulatory assets and regulatory liabilities, including purchase gas adjustments, were reflected in the balance sheets of the Company and the Utilities as of March 31, 2015 and September 30, 2014.

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	Laclede Group		Laclede Gas		Alagasco	
	March 31,	September 30,	March 31,	September 30,	March 31,	September 30,
(\$ Millions)	2015	2014	2015	2014	2015	2014
Regulatory Assets:						
Current:						
Pension and postretirement benefit costs	\$21.4	\$21.4	\$15.0	\$15.0	\$6.4	\$6.4
Unamortized purchased gas adjustments	—	54.0	—	54.0	—	—
Other	6.0	5.4	2.4	3.0	3.6	2.4
Total Regulatory Assets (current)	27.4	80.8	17.4	72.0	10.0	8.8
Non-current:						
Future income taxes due from customers	125.6	117.0	125.6	117.0	—	—
Pension and postretirement benefit costs	420.8	431.5	357.9	365.4	62.9	66.1
Accretion and depreciation of asset retirement obligations	19.1	18.4	—	—	19.1	18.4
Purchased gas costs	18.6	4.3	18.6	4.3	—	—
Energy efficiency	20.4	18.9	20.4	18.9	—	—
Other	28.4	24.2	22.8	18.1	5.6	6.1
Total Regulatory Assets (non-current)	632.9	614.3	545.3	523.7	87.6	90.6
Total Regulatory Assets	\$660.3	\$695.1	\$562.7	\$595.7	\$97.6	\$99.4
Regulatory Liabilities:						
Current:						
RSE adjustment	\$9.9	\$19.8	\$—	\$—	\$9.9	\$19.8
Unbilled service margin	15.0	5.2	—	—	15.0	5.2
Refundable negative salvage	10.8	13.4	—	—	10.8	13.4
Unamortized purchased gas adjustments	76.7	22.4	39.1	—	37.6	22.4
Other	2.8	2.9	0.6	0.6	2.2	2.3
Total Regulatory Liabilities (current)	115.2	63.7	39.7	0.6	75.5	63.1
Non-current:						
Postretirement liabilities	25.1	26.2	—	—	25.1	26.2
Refundable negative salvage	17.0	26.8	—	—	17.0	26.8
Accrued cost of removal	59.9	60.5	59.9	60.5	—	—
Other	12.3	12.3	11.8	11.6	0.7	0.7
Total Regulatory Liabilities (non-current)	114.3	125.8	71.7	72.1	42.8	53.7
Total Regulatory Liabilities	\$229.5	\$189.5	\$111.4	\$72.7	\$118.3	\$116.8



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A portion of the Company's and Laclede Gas' regulatory assets are not earning a return, as shown in the schedule below:

(\$ Millions)	Laclede Group		Laclede Gas	
	March 31, 2015	September 30, 2014	March 31, 2015	September 30, 2014
Regulatory Assets Not Earning a Return:				
Future income taxes due from customers	\$ 125.6	\$ 117.0	\$ 125.6	\$ 117.0
Pension and postretirement benefit costs	232.3	240.9	232.3	240.9
Other	15.2	16.0	15.2	16.0
Total Regulatory Assets Not Earning a Return	\$ 373.1	\$ 373.9	\$ 373.1	\$ 373.9

Like all the Company's regulatory assets, these regulatory assets are expected to be recovered from customers in future rates. The Company and Laclede Gas expect these items to be recovered over a period not to exceed 15 years consistent with precedent set by the Missouri Public Service Commission (MoPSC). The portion of regulatory assets related to pensions and other postemployment benefits that pertains to unfunded differences between the projected benefit obligation and plan assets also does not earn a rate of return. Alagasco does not have any regulatory assets that are not earning a return.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of 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 6, Fair Value Measurements, for information on financial instruments measured at fair value on a recurring basis.

### Laclede Group

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

(\$ Millions)	Carrying Amount	Fair Value	Classification of Estimated Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2015					
Cash and cash equivalents	\$46.9	\$46.9	\$46.9	\$—	\$—
Short-term debt	247.6	247.6	—	247.6	—
Long-term debt, including current portion	1,816.3	1,971.0	—	1,971.0	—
As of September 30, 2014					
Cash and cash equivalents	\$16.1	\$16.1	\$16.1	\$—	\$—
Short-term debt	287.1	287.1	—	287.1	—
Long-term debt	1,851.0	1,937.3	—	1,937.3	—

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## Laclede Gas

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

(\$ Millions)	Carrying Amount	Fair Value	Classification of Estimated Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2015					
Cash and cash equivalents	\$9.3	\$9.3	\$9.3	\$—	\$—
Short-term debt	153.0	—	—	153.0	—
Long-term debt	808.0				