

LACLEDE GROUP INC  
Form 10-Q  
August 05, 2015

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

FORM 10-Q

QUARTERLY REPORT

For the Quarterly Period Ended June 30, 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 June 30, 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.<br>700 Market Street<br>St. Louis, MO 63101<br>Telephone Number 314-342-0878           | Missouri               | 74-2976504                            |
| 1-1822                 | Laclede Gas Company<br>700 Market Street<br>St. Louis, MO 63101<br>Telephone Number 314-342-0878               | Missouri               | 43-0368139                            |
| 2-38960                | Alabama Gas Corporation<br>2101 6th Avenue North<br>Birmingham, Alabama 35203<br>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<br>accelerated<br>filer | Accelerated<br>filer | Non-<br>accelerated<br>filer | Smaller<br>reporting<br>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 July 31, 2015 was as follows:

|                         |   |            |
|-------------------------|---|------------|
| The Laclede Group, Inc. | Common Stock, par value \$1.00 per share  | 43,322,653 |
| 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             | Intercontinental Exchange   | 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)

| (\$ Millions, Except Per Share Amounts)               | Three Months Ended |         | Nine Months Ended |           |
|---|--------------------|---------|-------------------|-----------|
|   | June 30,<br>2015   | 2014    | June 30,<br>2015  | 2014      |
| Operating Revenues:                                   |                    |         |                   |           |
| Gas utility   | \$260.2            | \$214.0 | \$1,688.6         | \$1,283.6 |
| Gas marketing and other                               | 15.0               | 27.8    | 83.6              | 121.3     |
| Total Operating Revenues                              | 275.2              | 241.8   | 1,772.2           | 1,404.9   |
| Operating Expenses:                                   |                    |         |                   |           |
| Gas utility   |                    |         |                   |           |
| Natural and propane gas                               | 57.7               | 49.3    | 844.8             | 696.4     |
| Other operation and maintenance expenses              | 90.6               | 73.0    | 291.5             | 207.3     |
| Depreciation and amortization                         | 32.5               | 18.4    | 96.7              | 58.5      |
| Taxes, other than income taxes                        | 26.2               | 22.2    | 119.9             | 92.6      |
| Total Gas Utility Operating Expenses                  | 207.0              | 162.9   | 1,352.9           | 1,054.8   |
| Gas marketing and other                               | 32.2               | 54.2    | 138.3             | 175.3     |
| Total Operating Expenses                              | 239.2              | 217.1   | 1,491.2           | 1,230.1   |
| Operating Income                                      | 36.0               | 24.7    | 281.0             | 174.8     |
| Other Income and (Income Deductions)                  | 0.5                | (2.4)   | ) 2.6             | (1.0)     |
| Interest Charges:                                     |                    |         |                   |           |
| Interest on long-term debt                            | 16.3               | 8.6     | 50.0              | 26.9      |
| Other interest charges                                | 1.5                | 2.8     | 6.1               | 4.3       |
| Total Interest Charges                                | 17.8               | 11.4    | 56.1              | 31.2      |
| Income Before Income Taxes                            | 18.7               | 10.9    | 227.5             | 142.6     |
| Income Tax Expense                                    | 4.6                | (0.8)   | ) 71.9            | 43.1      |
| Net Income  | \$14.1             | \$11.7  | \$155.6           | \$99.5    |
| Weighted Average Number of Common Shares Outstanding: |                    |         |                   |           |
| Basic   | 43.2               | 34.9    | 43.1              | 33.3      |
| Diluted   | 43.3               | 35.0    | 43.2              | 33.4      |
| Basic Earnings Per Share of Common Stock              | \$0.32             | \$0.34  | \$3.59            | \$2.97    |
| Diluted Earnings Per Share of Common Stock            | \$0.32             | \$0.33  | \$3.59            | \$2.97    |
| Dividends Declared Per Share of Common Stock          | \$0.46             | \$0.44  | \$1.38            | \$1.32    |

See the accompanying Notes to the Financial Statements.

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

| (\$ Millions)   | Three Months Ended |         | Nine Months Ended |         |
|---|--------------------|---------|-------------------|---------|
|   | June 30,           |         | June 30,          |         |
|   | 2015               | 2014    | 2015              | 2014    |
| Net Income  | \$ 14.1            | \$ 11.7 | \$ 155.6          | \$ 99.5 |
| Other Comprehensive Income (Loss), Before Tax:  |                    |         |                   |         |
| Cash flow hedging derivative instruments:   |                    |         |                   |         |
| Net hedging gain (loss) arising during the period   | 0.3                | (10.4 ) | (6.2 )            | (15.5 ) |
| Reclassification adjustment for losses included in net income                                   | 1.3                | 0.8     | 3.5               | 2.8     |
| Net unrealized gains (losses) on cash flow hedging derivative instruments                       | 1.6                | (9.6 )  | (2.7 )            | (12.7 ) |
| Defined benefit pension and other postretirement plans:   |                    |         |                   |         |
| Net actuarial gain arising during the period  | 0.1                | —       | 0.1               | —       |
| Amortization of actuarial loss included in net periodic pension and postretirement benefit cost | —                  | 0.1     | 0.2               | 0.3     |
| Net defined benefit pension and other postretirement plans                                      | 0.1                | 0.1     | 0.3               | 0.3     |
| Other Comprehensive Income (Loss), Before Tax   | 1.7                | (9.5 )  | (2.4 )            | (12.4 ) |
| Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income                     | 0.7                | (3.6 )  | (0.9 )            | (4.7 )  |
| Other Comprehensive Income (Loss), Net of Tax   | 1.0                | (5.9 )  | (1.5 )            | (7.7 )  |
| Comprehensive Income  | \$ 15.1            | \$ 5.8  | \$ 154.1          | \$ 91.8 |

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)  | June 30,<br>2015 | September 30,<br>2014 |
|--|------------------|-----------------------|
| <b>ASSETS</b>  |                  |                       |
| Utility Plant  | \$4,108.4        | \$3,928.3             |
| Less: Accumulated depreciation and amortization  | 1,239.1          | 1,168.6               |
| Net Utility Plant  | 2,869.3          | 2,759.7               |
| Non-utility Property (net of accumulated depreciation and amortization, \$7.4 and \$6.7 at June 30, 2015 and September 30, 2014, respectively) | 12.2             | 9.2                   |
| Goodwill   | 946.0            | 937.8                 |
| Other investments  | 63.1             | 60.0                  |
| Total Other Property and Investments   | 1,021.3          | 1,007.0               |
| <b>Current Assets:</b>   |                  |                       |
| Cash and cash equivalents  | 5.7              | 16.1                  |
| Accounts receivable:   |                  |                       |
| Utility  | 139.7            | 148.2                 |
| Other  | 86.7             | 86.5                  |
| Allowance for doubtful accounts  | (15.7            | ) (15.9               |
| Delayed customer billings  | 21.9             | 10.8                  |
| Inventories:   |                  |                       |
| Natural gas  | 136.7            | 245.5                 |
| Propane gas  | 12.0             | 11.7                  |
| Materials and supplies   | 14.6             | 13.0                  |
| Natural gas receivable   | 19.8             | 7.3                   |
| Derivative instrument assets   | 3.6              | 2.4                   |
| Unamortized purchased gas adjustments  | —                | 54.0                  |
| Regulatory assets  | 27.0             | 26.8                  |
| Prepayments and other  | 31.0             | 21.6                  |
| Total Current Assets   | 483.0            | 628.0                 |
| <b>Deferred Charges:</b>   |                  |                       |
| Regulatory assets  | 644.6            | 614.3                 |
| Other  | 64.7             | 65.0                  |
| Total Deferred Charges   | 709.3            | 679.3                 |
| Total Assets   | \$5,082.9        | \$5,074.0             |

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

|   | June 30,<br>2015 | September 30,<br>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 June 30, 2015 and September 30, 2014, respectively) | \$43.3           | \$43.2                |
| Paid-in capital   | 1,035.6          | 1,029.4               |
| Retained earnings   | 532.9            | 437.5                 |
| Accumulated other comprehensive loss  | (3.2)            | (1.7)                 |
| Total Common Stock Equity   | 1,608.6          | 1,508.4               |
| Long-term debt (less current portion)   | 1,736.4          | 1,851.0               |
| Total Capitalization  | 3,345.0          | 3,359.4               |
| Current Liabilities:  |                  |                       |
| Current portion of long-term debt   | 80.0             | —                     |
| Notes payable   | 211.4            | 287.1                 |
| Accounts payable  | 148.1            | 176.7                 |
| Advance customer billings   | 12.9             | 32.2                  |
| Wages and compensation accrued  | 30.5             | 36.0                  |
| Dividends payable   | 20.9             | 19.9                  |
| Customer deposits   | 34.2             | 34.0                  |
| Interest accrued  | 19.4             | 15.1                  |
| Unamortized purchased gas adjustments   | 52.3             | 22.4                  |
| Taxes accrued   | 45.0             | 63.4                  |
| Deferred income taxes   | —                | 9.9                   |
| Regulatory liabilities  | 29.4             | 41.3                  |
| Other   | 36.3             | 47.8                  |
| Total Current Liabilities   | 720.4            | 785.8                 |
| Deferred Credits and Other Liabilities:   |                  |                       |
| Deferred income taxes   | 487.7            | 383.8                 |
| Pension and postretirement benefit costs  | 233.3            | 244.9                 |
| Asset retirement obligations  | 102.7            | 99.2                  |
| Regulatory liabilities  | 114.9            | 125.8                 |
| Other   | 78.9             | 75.1                  |
| Total Deferred Credits and Other Liabilities  | 1,017.5          | 928.8                 |
| Commitments and Contingencies ( <u>Note 10</u> )  |                  |                       |
| Total Capitalization and Liabilities  | \$5,082.9        | \$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 |
| Common stock offering   | 10,350,000          | 10.4   | 446.7           | —                 | —  | 457.1       |
| Equity units offering   | —                   | —      | (19.7           | ) —               | —  | (19.7 )     |
| Net income  | —                   | —      | —               | 99.5              | —  | 99.5        |
| Dividend reinvestment plan  | 25,548              | —      | 1.1             | —                 | —  | 1.1         |
| Stock-based compensation costs  | —                   | —      | 4.2             | —                 | —  | 4.2         |
| Equity Incentive Plan   | 86,715              | 0.1    | 1.4             | —                 | —  | 1.5         |
| Employees' taxes paid associated with restricted shares withheld upon vesting | —                   | —      | (1.1            | ) —               | —  | (1.1 )      |
| Tax benefit – stock compensation  | —                   | —      | 0.6             | —                 | —  | 0.6         |
| Dividends declared  | —                   | —      | —               | (48.0             | ) —  | (48.0 )     |
| Other comprehensive loss, net of tax  | —                   | —      | —               | —                 | (7.7                                       | ) (7.7 )    |
| BALANCE JUNE 30, 2014   | 43,159,099          | \$43.2 | \$1,027.5       | \$471.6           | \$ (8.5                                    | ) \$1,533.8 |
| BALANCE SEPTEMBER 30, 2014  | 43,178,405          | \$43.2 | \$1,029.4       | \$437.5           | \$ (1.7                                    | ) \$1,508.4 |
| Net income  | —                   | —      | —               | 155.6             | —  | 155.6       |
| Dividend reinvestment plan  | 6,999               | —      | 1.2             | —                 | —  | 1.2         |
| Stock-based compensation costs  | —                   | —      | 1.4             | —                 | —  | 1.4         |
| Equity Incentive Plan   | 131,409             | 0.1    | 3.0             | —                 | —  | 3.1         |
| Tax benefit – stock compensation  | —                   | —      | 0.6             | —                 | —  | 0.6         |
| Dividends declared  | —                   | —      | —               | (60.2             | ) —  | (60.2 )     |
| Other comprehensive loss, net of tax  | —                   | —      | —               | —                 | (1.5                                       | ) (1.5 )    |
| BALANCE JUNE 30, 2015   | 43,316,813          | \$43.3 | \$1,035.6       | \$532.9           | \$ (3.2                                    | ) \$1,608.6 |

See the accompanying Notes to the Financial Statements.

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

| (\$ Millions)   | Nine Months Ended |           |
|---|-------------------|-----------|
|   | June 30,<br>2015  | 2014      |
| Operating Activities:   |                   |           |
| Net Income  | \$155.6           | \$99.5    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |           |
| Depreciation, amortization, and accretion   | 97.4              | 59.1      |
| Deferred income taxes and investment tax credits                                  | 70.4              | 14.5      |
| Changes in assets and liabilities:  |                   |           |
| Accounts receivable   | (5.2 )            | (36.8 )   |
| Unamortized purchased gas adjustments   | 83.9              | 17.4      |
| Deferred purchased gas costs  | (16.6 )           | 1.7       |
| Accounts payable  | (26.1 )           | 11.3      |
| Delayed/advance customer billings – net   | (30.4 )           | (52.4 )   |
| Taxes accrued   | (18.6 )           | 22.3      |
| Inventories   | 106.9             | 63.8      |
| Other assets and liabilities  | (58.7 )           | (18.7 )   |
| Other   | 7.7               | 3.3       |
| Net cash provided by operating activities   | 366.3             | 185.0     |
| Investing Activities:   |                   |           |
| Capital expenditures  | (202.9 )          | (109.5 )  |
| 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 )            | 2.9       |
| Net cash used in investing activities   | (211.9 )          | (71.7 )   |
| Financing Activities:   |                   |           |
| Issuance of long-term debt  | —                 | 143.8     |
| Repayment of long-term debt   | (34.7 )           | (80.0 )   |
| Repayment of short-term debt – net  | (75.8 )           | (74.0 )   |
| Issuance of common stock  | 3.6               | 459.7     |
| Dividends paid  | (59.1 )           | (42.9 )   |
| Other   | 1.2               | (1.1 )    |
| Net cash (used in) provided by financing activities                               | (164.8 )          | 405.5     |
| Net (Decrease) Increase in Cash and Cash Equivalents                              | (10.4 )           | 518.8     |
| Cash and Cash Equivalents at Beginning of Period                                  | 16.1              | 53.0      |
| Cash and Cash Equivalents at End of Period  | \$5.7             | \$571.8   |
| Supplemental disclosure of cash (paid) refunded for:                              |                   |           |
| Interest  | \$(48.3 )         | \$(26.6 ) |
| Income taxes  | 0.3               | (3.0 )    |

See the accompanying Notes to the Financial Statements.



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LACLEDE GAS COMPANY  
 CONDENSED STATEMENTS OF INCOME  
 (UNAUDITED)

| (\$ Millions)                              | Three Months Ended |         | Nine Months Ended |           |
|--|--------------------|---------|-------------------|-----------|
|  | June 30,<br>2015   | 2014    | June 30,<br>2015  | 2014      |
| Operating Revenues:                        |                    |         |                   |           |
| Utility                                    | \$187.5            | \$214.2 | \$1,265.6         | \$1,288.1 |
| Other                                      | —                  | —       | —                 | 0.1       |
| Total Operating Revenues                   | 187.5              | 214.2   | 1,265.6           | 1,288.2   |
| Operating Expenses:                        |                    |         |                   |           |
| Utility                                    |                    |         |                   |           |
| Natural and propane gas                    | 57.5               | 77.6    | 743.6             | 769.7     |
| Other operation and maintenance expenses   | 54.3               | 73.3    | 188.7             | 208.0     |
| Depreciation and amortization              | 20.7               | 18.4    | 61.4              | 58.5      |
| Taxes, other than income taxes             | 20.5               | 22.2    | 92.0              | 92.6      |
| Total Utility Operating Expenses           | 153.0              | 191.5   | 1,085.7           | 1,128.8   |
| Other                                      | —                  | 0.2     | —                 | 0.1       |
| Total Operating Expenses                   | 153.0              | 191.7   | 1,085.7           | 1,128.9   |
| Operating Income                           | 34.5               | 22.5    | 179.9             | 159.3     |
| Other (Income Deductions) and Other Income | (0.2 )             | (2.2 )  | 1.1               | (1.2 )    |
| Interest Charges:                          |                    |         |                   |           |
| Interest on long-term debt                 | 8.2                | 8.2     | 24.8              | 26.1      |
| Other interest charges                     | 0.4                | 0.8     | 2.6               | 2.3       |
| Total Interest Charges                     | 8.6                | 9.0     | 27.4              | 28.4      |
| Income Before Income Taxes                 | 25.7               | 11.3    | 153.6             | 129.7     |
| Income Tax Expense                         | 5.7                | (0.7 )  | 44.7              | 38.2      |
| Net Income                                 | \$20.0             | \$12.0  | \$108.9           | \$91.5    |

See the accompanying Notes to the Financial Statements.

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LACLEDE GAS COMPANY  
 STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

| (\$ Millions)   | Three Months Ended |        | Nine Months Ended |        |
|---|--------------------|--------|-------------------|--------|
|   | June 30,           |        | June 30,          |        |
|   | 2015               | 2014   | 2015              | 2014   |
| Net Income  | \$20.0             | \$12.0 | \$108.9           | \$91.5 |
| Other Comprehensive Income (Loss), Before Tax:  |                    |        |                   |        |
| Net gains (losses) on cash flow hedging derivative instruments:                                 |                    |        |                   |        |
| Net hedging gains (losses) arising during the period  | 0.2                | —      | (1.1 )            | 0.1    |
| Reclassification adjustment for losses (gains) included in net income                           | 0.3                | —      | 0.7               | (0.1 ) |
| Net unrealized gains (losses) on cash flow hedging derivative instruments                       | 0.5                | —      | (0.4 )            | —      |
| Defined benefit pension and other postretirement plans:   |                    |        |                   |        |
| Net actuarial gain arising during the period  | 0.1                | —      | 0.1               | —      |
| Amortization of actuarial loss included in net periodic pension and postretirement benefit cost | 0.1                | —      | 0.2               | 0.2    |
| Net defined benefit pension and other postretirement plans                                      | 0.2                | —      | 0.3               | 0.2    |
| Other Comprehensive Income (Loss), Before Tax   | 0.7                | —      | (0.1 )            | 0.2    |
| Income Tax Expense Related to Items of Other Comprehensive Income                               | 0.3                | —      | —                 | 0.1    |
| Other Comprehensive Income (Loss), Net of Tax   | 0.4                | —      | (0.1 )            | 0.1    |
| Comprehensive Income  | \$20.4             | \$12.0 | \$108.8           | \$91.6 |

See the accompanying Notes to the Financial Statements.

Table of ContentsLACLEDE GAS COMPANY  
CONDENSED BALANCE SHEETS  
(UNAUDITED)

| (\$ Millions, Except Shares and Per Share Amounts) | June 30,<br>2015 | September 30,<br>2014 |
|--|------------------|-----------------------|
| <b>ASSETS</b>                                      |                  |                       |
| Utility Plant                                      | \$2,527.4        | \$2,403.3             |
| Less: Accumulated depreciation and amortization    | 581.2            | 542.3                 |
| Net Utility Plant                                  | 1,946.2          | 1,861.0               |
| Goodwill   | 210.2            | 210.2                 |
| Other Property and Investments                     | 58.4             | 55.7                  |
| Total Other Property and Investments               | 268.6            | 265.9                 |
| Current Assets:                                    |                  |                       |
| Cash and cash equivalents                          | 3.0              | 3.7                   |
| Accounts receivable:                               |                  |                       |
| Utility  | 103.4            | 111.1                 |
| Other  | 28.2             | 19.2                  |
| Allowance for doubtful accounts                    | (10.6            | ) (10.7               |
| Delayed customer billings                          | 21.9             | 10.8                  |
| Receivables from associated companies              | 2.9              | 11.4                  |
| Inventories:                                       |                  |                       |
| Natural gas  | 89.9             | 191.1                 |
| Propane gas  | 12.0             | 11.7                  |
| Materials and supplies                             | 9.3              | 7.8                   |
| Unamortized purchased gas adjustments              | —                | 54.0                  |
| Regulatory assets                                  | 17.5             | 18.0                  |
| Prepayments and other                              | 19.0             | 15.5                  |
| Total Current Assets                               | 296.5            | 443.6                 |
| Deferred Charges:                                  |                  |                       |
| Regulatory assets                                  | 558.0            | 523.7                 |
| Other  | 7.8              | 10.8                  |
| Total Deferred Charges                             | 565.8            | 534.5                 |
| Total Assets                                       | \$3,077.1        | \$3,105.0             |

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

|  | June 30,<br>2015 | September 30,<br>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) | \$747.3          | \$744.1               |
| Retained earnings  | 314.8            | 265.6                 |
| Accumulated other comprehensive loss   | (2.0             | ) (1.9                |
| Total Common Stock Equity  | 1,060.1          | 1,007.8               |
| Long-term debt   | 808.1            | 807.9                 |
| Total Capitalization   | 1,868.2          | 1,815.7               |
| Current Liabilities:   |                  |                       |
| Notes payable  | 135.2            | 238.6                 |
| Notes payable – associated companies   | —                | —                     |
| Accounts payable   | 57.0             | 70.1                  |
| Accounts payable – associated companies  | 6.9              | 6.0                   |
| Advance customer billings  | —                | 15.5                  |
| Wages and compensation accrued   | 26.4             | 30.3                  |
| Dividends payable  | 19.9             | 19.0                  |
| Customer deposits  | 14.7             | 14.8                  |
| Interest accrued   | 9.4              | 8.1                   |
| Taxes accrued  | 39.0             | 43.9                  |
| Unamortized purchase gas adjustments   | 20.8             | —                     |
| Other  | 20.2             | 41.9                  |
| Total Current Liabilities  | 349.5            | 488.2                 |
| Deferred Credits and Other Liabilities:  |                  |                       |
| Deferred income taxes  | 466.7            | 399.8                 |
| Pension and postretirement benefit costs   | 200.4            | 215.3                 |
| Asset retirement obligations   | 73.8             | 71.2                  |
| Regulatory liabilities   | 70.9             | 72.1                  |
| Other  | 47.6             | 42.7                  |
| Total Deferred Credits and Other Liabilities   | 859.4            | 801.1                 |
| Commitments and Contingencies ( <u>Note 10</u> )   |                  |                       |
| Total Capitalization and Liabilities   | \$3,077.1        | \$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<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive Total<br>(Loss) Income |           |
|---|---------------------|--------|--------------------|----------------------|--|-----------|
|   | Shares              | Amount |                    |                      |  |           |
| BALANCE SEPTEMBER 30, 2013                | 24,549              | \$0.1  | \$738.1            | \$237.8              | \$ (2.1 )  | \$973.9   |
| Net income                                | —                   | —      | —                  | 91.5                 | —  | 91.5      |
| Stock-based compensation costs            | —                   | —      | 3.1                | —                    | —  | 3.1       |
| Tax benefit – stock compensation          | —                   | —      | 0.5                | —                    | —  | 0.5       |
| Dividends declared                        | —                   | —      | —                  | (43.2 )              | —  | (43.2 )   |
| Issuance of common stock to Laclede Group | 28                  | —      | 1.1                | —                    | —  | 1.1       |
| Other comprehensive income , net of tax   | —                   | —      | —                  | —                    | 0.1  | 0.1       |
| BALANCE JUNE 30, 2014                     | 24,577              | \$0.1  | \$742.8            | \$286.1              | \$ (2.0 )  | \$1,027.0 |
| BALANCE SEPTEMBER 30, 2014                | 24,577              | \$0.1  | \$744.0            | \$265.6              | \$ (1.9 )  | \$1,007.8 |
| Net income                                | —                   | —      | —                  | 108.9                | —  | 108.9     |
| Stock-based compensation costs            | —                   | —      | 2.7                | —                    | —  | 2.7       |
| Tax benefit – stock compensation          | —                   | —      | 0.5                | —                    | —  | 0.5       |
| Dividends declared                        | —                   | —      | —                  | (59.7 )              | —  | (59.7 )   |
| Other comprehensive loss, net of tax      | —                   | —      | —                  | —                    | (0.1 )   | (0.1 )    |
| BALANCE JUNE 30, 2015                     | 24,577              | \$0.1  | \$747.2            | \$314.8              | \$ (2.0 )  | \$1,060.1 |

See the accompanying Notes to the Financial Statements.

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LACLEDE GAS COMPANY  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

|   | Nine Months Ended<br>June 30, |           |
|---|-------------------------------|-----------|
| (\$ Millions)   | 2015                          | 2014      |
| Operating Activities:   |                               |           |
| Net Income  | \$108.9                       | \$91.5    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |           |
| Depreciation and amortization   | 61.4                          | 58.5      |
| Deferred income taxes and investment tax credits                                  | 34.0                          | 16.3      |
| Changes in assets and liabilities:  |                               |           |
| Accounts Receivable   | 7.0                           | (20.3 )   |
| Unamortized purchased gas adjustments   | 74.8                          | 17.4      |
| Deferred purchased gas costs  | (16.6 )                       | 1.7       |
| Accounts payable  | (11.1 )                       | 4.7       |
| Delayed/advance customer billings – net   | (26.5 )                       | (52.4 )   |
| Taxes accrued   | (4.8 )                        | 19.9      |
| Inventories   | 99.4                          | 50.7      |
| Other assets and liabilities  | (24.9 )                       | (12.4 )   |
| Other   | 1.5                           | 2.0       |
| Net cash provided by operating activities   | 303.1                         | 177.6     |
| Investing Activities:   |                               |           |
| Capital expenditures  | (142.4 )                      | (108.4 )  |
| Proceeds from final reconciliation of acquisition of Missouri Gas Energy          | —                             | 23.9      |
| Other   | 0.5                           | 3.1       |
| Net cash used in investing activities   | (141.9 )                      | (81.4 )   |
| Financing Activities:   |                               |           |
| Redemption and maturity of first mortgage bonds                                   | —                             | (80.0 )   |
| Repayment of short-term debt – net  | (103.5 )                      | (74.0 )   |
| Borrowings from Laclede Group   | 18.4                          | 198.8     |
| Repayment of borrowings from Laclede Group  | (18.4 )                       | (118.6 )  |
| Dividends paid  | (58.8 )                       | (42.8 )   |
| Issuance of common stock to Laclede Group   | —                             | 1.2       |
| Other   | 0.4                           | 1.3       |
| Net cash used in financing activities   | (161.9 )                      | (114.1 )  |
| Net Decrease in Cash and Cash Equivalents   | (0.7 )                        | (17.9 )   |
| Cash and Cash Equivalents at Beginning of Period                                  | 3.7                           | 23.9      |
| Cash and Cash Equivalents at End of Period  | \$3.0                         | \$6.0     |
| Supplemental disclosure of cash (paid) refunded for:                              |                               |           |
| Interest  | \$(22.0 )                     | \$(26.1 ) |
| Income taxes  | (0.6 )                        | 0.5       |

See the accompanying Notes to the Financial Statements.



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

| (\$ Millions)                  | Three Months Ended |         | Nine Months Ended |         |
|--------------------------------|--------------------|---------|-------------------|---------|
|                                | June 30,           |         | June 30,          |         |
|                                | 2015               | 2014    | 2015              | 2014    |
| Operating Revenues:            |                    |         |                   |         |
| Utility                        | \$73.7             | \$93.8  | \$427.0           | \$500.5 |
| Total Operating Revenues       | 73.7               | 93.8    | 427.0             | 500.5   |
| Operating Expenses:            |                    |         |                   |         |
| Utility                        |                    |         |                   |         |
| Natural gas                    | 15.7               | 38.5    | 158.5             | 218.6   |
| Operation and maintenance      | 36.6               | 34.8    | 103.6             | 106.5   |
| Depreciation and amortization  | 11.8               | 11.4    | 35.3              | 34.0    |
| Taxes, other than income taxes | 5.7                | 7.3     | 27.9              | 32.4    |
| Total Operating Expenses       | 69.8               | 92.0    | 325.3             | 391.5   |
| Operating Income               | 3.9                | 1.8     | 101.7             | 109.0   |
| Other Income – Net             | 0.5                | 0.8     | 1.5               | 2.7     |
| Interest Charges:              |                    |         |                   |         |
| Interest on long-term debt     | 2.8                | 3.3     | 8.8               | 10.1    |
| Other interest charges         | 0.5                | 0.4     | 1.8               | 1.5     |
| Total Interest Charges         | 3.3                | 3.7     | 10.6              | 11.6    |
| Income Before Income Taxes     | 1.1                | (1.1)   | ) 92.6            | 100.1   |
| Income Tax Expense             | 0.4                | (0.5)   | ) 35.0            | 37.8    |
| Net Income                     | \$0.7              | \$(0.6) | ) \$57.6          | \$62.3  |

See the accompanying Notes to the Financial Statements.

Table of ContentsALABAMA GAS CORPORATION  
CONDENSED BALANCE SHEETS  
(UNAUDITED)

| (\$ Millions, Except Per Share Amounts)         | June 30,<br>2015 | September 30,<br>2014 |
|---|------------------|-----------------------|
| <b>ASSETS</b>                                   |                  |                       |
| Utility Plant                                   | \$1,581.0        | \$1,525.1             |
| Less: Accumulated depreciation and amortization | 657.8            | 626.4                 |
| Net Utility Plant                               | 923.2            | 898.7                 |
| Current Assets:                                 |                  |                       |
| Cash and cash equivalents                       | 0.2              | 5.6                   |
| Accounts receivable:                            |                  |                       |
| Utility   | 36.3             | 39.0                  |
| Other   | 5.7              | 5.1                   |
| Allowance for doubtful accounts                 | (5.1             | ) (5.1                |
| Inventories:                                    |                  |                       |
| Natural gas                                     | 35.3             | 48.0                  |
| Materials and supplies                          | 5.1              | 5.1                   |
| Regulatory assets                               | 9.5              | 8.8                   |
| Deferred income taxes                           | 3.6              | 2.3                   |
| Prepayments and other                           | 6.4              | 1.6                   |
| Total Current Assets                            | 97.0             | 110.4                 |
| Deferred Charges:                               |                  |                       |
| Regulatory assets                               | 86.6             | 90.6                  |
| Deferred income taxes                           | 245.2            | 277.8                 |
| Other   | 51.3             | 47.1                  |
| Total Deferred Charges                          | 383.1            | 415.5                 |
| Total Assets                                    | \$1,403.3        | \$1,424.6             |

Table of ContentsALABAMA GAS CORPORATION  
CONDENSED BALANCE SHEETS (Continued)  
(UNAUDITED)

|   | June 30,<br>2015 | September 30,<br>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   | 481.1            | 503.9                 |
| Retained earnings   | 403.3            | 345.7                 |
| Total Common Stock Equity   | 884.4            | 849.6                 |
| Long-term debt  | 135.0            | 249.8                 |
| Total Capitalization  | 1,019.4          | 1,099.4               |
| Current Liabilities:  |                  |                       |
| Current portion of long-term debt   | 80.0             | —                     |
| Notes payable   | 8.5              | 16.0                  |
| Accounts payable  | 33.6             | 34.2                  |
| Accounts payable – associated companies   | 1.7              | 0.4                   |
| Advance customer billings   | 12.9             | 16.7                  |
| Wages and compensation accrued  | 4.0              | 5.7                   |
| Customer deposits   | 19.5             | 19.1                  |
| Interest accrued  | 3.2              | 3.9                   |
| Taxes accrued   | 25.0             | 30.0                  |
| Regulatory liabilities  | 28.8             | 40.7                  |
| Unamortized purchased gas adjustments   | 31.5             | 22.4                  |
| Other   | 6.7              | 6.8                   |
| Total Current Liabilities   | 255.4            | 195.9                 |
| Deferred Credits and Other Liabilities:   |                  |                       |
| Pension and postretirement benefit costs  | 32.9             | 29.6                  |
| Asset retirement obligations  | 28.7             | 27.7                  |
| Regulatory liabilities  | 44.3             | 53.7                  |
| Other   | 22.6             | 18.3                  |
| Total Deferred Credits and Other Liabilities  | 128.5            | 129.3                 |
| Commitments and Contingencies ( <u>Note 10</u> )  |                  |                       |
| Total Capitalization and Liabilities  | \$1,403.3        | \$1,424.6             |

See the accompanying Notes to the Financial Statements.

Table of ContentsALABAMA GAS CORPORATION  
STATEMENTS OF COMMON SHAREHOLDER'S EQUITY  
(UNAUDITED)

| (\$ Millions)                      | Common Stock Issued |        | Paid-in<br>Capital | Retained<br>Earnings | Total   |   |
|------------------------------------|---------------------|--------|--------------------|----------------------|---------|---|
|                                    | Shares              | Amount |                    |                      |         |   |
| BALANCE SEPTEMBER 30, 2013         | 1,972,052           | \$—    | \$34.5             | \$330.2              | \$364.7 |   |
| Net income                         | —                   | —      | —                  | 62.3                 | 62.3    |   |
| Dividends declared                 | —                   | —      | —                  | (21.6                | ) (21.6 | ) |
| BALANCE JUNE 30, 2014              | 1,972,052           | \$—    | \$34.5             | \$370.9              | \$405.4 |   |
| BALANCE SEPTEMBER 30, 2014         | 1,972,052           | \$—    | \$503.9            | \$345.7              | \$849.6 |   |
| Net income                         | —                   | —      | —                  | 57.6                 | 57.6    |   |
| Purchase accounting adjustments    | —                   | —      | 4.2                | —                    | 4.2     |   |
| Return of capital to Laclede Group | —                   | \$—    | (27.0              | ) \$—                | (27.0   | ) |
| BALANCE JUNE 30, 2015              | 1,972,052           | \$—    | \$481.1            | \$403.3              | \$884.4 |   |

See the accompanying Notes to the Financial Statements.

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ALABAMA GAS CORPORATION  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

|   | Nine Months Ended<br>June 30, |           |
|---|-------------------------------|-----------|
| (\$ Millions)   | 2015                          | 2014      |
| Operating Activities:   |                               |           |
| Net Income  | \$57.6                        | \$62.3    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |           |
| Depreciation and amortization   | 35.3                          | 34.0      |
| Deferred income taxes and investment tax credits                                  | 35.0                          | 10.0      |
| Changes in assets and liabilities:  |                               |           |
| Accounts receivable   | (11.1 )                       | (30.4 )   |
| Unamortized purchased gas adjustments   | 9.1                           | 36.9      |
| Accounts payable  | (0.4 )                        | 6.2       |
| Advance customer billings   | (3.8 )                        | (10.4 )   |
| Taxes accrued   | (5.0 )                        | 8.6       |
| Inventories   | 12.6                          | 7.9       |
| Other assets and liabilities  | (12.0 )                       | 15.1      |
| Other   | 2.5                           | (9.3 )    |
| Net cash provided by operating activities   | 119.8                         | 130.9     |
| Investing Activities:   |                               |           |
| Capital expenditures  | (56.7 )                       | (50.7 )   |
| Proceeds from sale of assets  | —                             | 0.8       |
| Other   | (0.5 )                        | (0.4 )    |
| Net cash used in investing activities   | (57.2 )                       | (50.3 )   |
| Financing Activities:   |                               |           |
| Repayment of long-term debt   | (34.7 )                       | —         |
| Repayment of short-term debt – net  | (7.5 )                        | (49.0 )   |
| Dividends paid  | —                             | (21.6 )   |
| Return of capital to Laclede Group  | (27.0 )                       | —         |
| Other   | 1.2                           | (6.7 )    |
| Net cash used in financing activities   | (68.0 )                       | (77.3 )   |
| Net (Decrease) Increase in Cash and Cash Equivalents                              | (5.4 )                        | 3.3       |
| Cash and Cash Equivalents at Beginning of Period                                  | 5.6                           | 8.5       |
| Cash and Cash Equivalents at End of Period  | \$0.2                         | \$11.8    |
| Supplemental disclosure of cash (paid) refunded for:                              |                               |           |
| Interest  | \$(9.9 )                      | \$(10.5 ) |
| Income taxes  | —                             | (22.9 )   |

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 nine months ended June 30, 2015 include Alagasco, which impacts the comparability of the current year financial statements to prior years for Laclede Group.

Nonetheless, the separate financial statements for Alabama Gas Corporation are comparable as presented. 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 June 30, 2015 and September 30, 2014 were \$26.4 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 June 30, 2015 and September 30, 2014 were \$5.4 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 are classified as trading activities for financial reporting purposes. Under GAAP,

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revenues and expenses associated with trading activities are presented on a net basis in Gas 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. The revenue and expense amounts are recorded gross in the "Operating Revenues" and "Taxes, other than income taxes" lines, respectively, in the Company's Condensed Consolidated Statements of Income and the Utilities' Condensed Statements of Income.

The following table presents gross receipts taxes recorded:

| (\$ Millions) | Three Months Ended |        | Nine Months Ended |        |
|---------------|--------------------|--------|-------------------|--------|
|               | June 30,           | 2014   | June 30,          | 2014   |
| Laclede Group | \$14.6             | \$13.7 | \$87.0            | \$67.9 |
| Laclede Gas   | 11.1               | 13.7   | 66.9              | 67.9   |
| Alagasco      | 3.5                | 4.7    | 20.1              | 24.1   |

**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 Missouri Public Service Commission (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. In addition to the normal intercompany shared services transactions, there were approximately \$1.7 of employee-related integration transactions between Alagasco and Laclede Group in the quarter ended June 30, 2015. Laclede Gas had the following transactions with affiliates:

| (\$ Millions)   | Three Months Ended |       | Nine Months Ended |       |
|---|--------------------|-------|-------------------|-------|
|   | June 30,           | 2014  | June 30,          | 2014  |
| Sales of natural gas from Laclede Gas to LER                                | \$0.9              | \$0.2 | \$3.8             | \$4.5 |
| Sales of natural gas from LER to Laclede Gas                                | 15.2               | 28.1  | 56.5              | 72.5  |
| Transportation services provided by Laclede Pipeline Company to Laclede Gas | 0.3                | 0.3   | 0.8               | 0.8   |

**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.

As part of the Alagasco acquisition (discussed in Note 2, Alagasco Acquisition), the Company initially recorded \$727.6 of goodwill as of September 30, 2014. 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 price adjustments in the second quarter of 2015, resulted in goodwill of \$735.8 as of June 30, 2015 related to the Alagasco acquisition, included in Other for segment reporting purposes. Alagasco has no goodwill

on its balance sheet as push down accounting was not applied. For Laclede Group and Laclede Gas, goodwill related to the 2013 acquisition of MGE, included in the Gas Utility segment, was \$210.2 as of both June 30, 2015 and September 30, 2014.

UTILITY PLANT - Laclede Gas had accrued capital expenditures of \$5.3 and \$3.0 as of June 30, 2015 and September 30, 2014, respectively. Alagasco had accrued capital expenditures of \$5.0 as of both June 30, 2015 and September 30, 2014. Accrued capital expenditures are excluded from the capital expenditures shown in the statements of cash flows.

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

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shareholder's equity. The prior period balances have been corrected in this filing and the filings for the prior two quarters. 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 was originally to be effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption not permitted. In July 2015, the FASB approved a one-year deferral of the effective date, but companies may choose to adopt it as of the 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 2019.

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. 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 June 30, |         | Nine Months Ended June 30, |         |
|---|-----------------------------|---------|----------------------------|---------|
|   | 2015                        | 2014    | 2015                       | 2014    |
| Basic EPS:  |                             |         |                            |         |
| Net Income  | \$ 14.1                     | \$ 11.7 | \$ 155.6                   | \$ 99.5 |
| Less: Income allocated to participating securities                            | 0.1                         | —       | 0.5                        | 0.4     |
| Net Income Available to Common Shareholders                                   | \$ 14.0                     | \$ 11.7 | \$ 155.1                   | \$ 99.1 |
| Weighted Average Shares Outstanding   | 43.2                        | 34.9    | 43.1                       | 33.3    |
| Basic Earnings Per Share of Common Stock                                      | \$ 0.32                     | \$ 0.34 | \$ 3.59                    | \$ 2.97 |
| Diluted EPS:  |                             |         |                            |         |
| Net Income  | \$ 14.1                     | \$ 11.7 | \$ 155.6                   | \$ 99.5 |
| Less: Income allocated to participating securities                            | 0.1                         | —       | 0.5                        | 0.4     |
| Net Income Available to Common Shareholders                                   | \$ 14.0                     | \$ 11.7 | \$ 155.1                   | \$ 99.1 |
| Weighted Average Shares Outstanding   | 43.2                        | 34.9    | 43.1                       | 33.3    |
| Dilutive Effect of Stock Options, Restricted Stock and Restricted Stock Units | 0.1                         | 0.1     | 0.1                        | 0.1     |
| Weighted Average Diluted Shares   | 43.3                        | 35.0    | 43.2                       | 33.4    |
| Diluted Earnings Per Share of Common Stock                                    | \$ 0.32                     | \$ 0.33 | \$ 3.59                    | \$ 2.97 |

In the three and nine months ended June 30, 2015 and 2014, there were approximately 300,000 shares of restricted stock and stock units subject to performance or market conditions excluded from the calculation of diluted EPS. Also, Laclede Group's 2014 2.0% Series Equity Units issued in June 2014 were anti-dilutive for the three and nine months ended June 30, 2015 and 2014; 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 purchased gas adjustments, were reflected in the balance sheets of the Company and the Utilities as of June 30, 2015 and September 30, 2014.

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| (\$ Millions)  | Laclede Group    |                          | Laclede Gas      |                          | Alagasco         |                          |
|--|------------------|--------------------------|------------------|--------------------------|------------------|--------------------------|
|  | June 30,<br>2015 | September<br>30,<br>2014 | June 30,<br>2015 | September<br>30,<br>2014 | June 30,<br>2015 | September<br>30,<br>2014 |
| <b>Regulatory Assets:</b>                                  |                  |                          |                  |                          |                  |                          |
| <b>Current:</b>  |                  |                          |                  |                          |                  |                          |
| Pension and postretirement benefit costs                   | \$21.6           | \$21.4                   | \$15.2           | \$15.0                   | \$6.4            | \$6.4                    |
| Unamortized purchased gas adjustments                      | —                | 54.0                     | —                | 54.0                     | —                | —                        |
| Other  | 5.4              | 5.4                      | 2.3              | 3.0                      | 3.1              | 2.4                      |
| <b>Total Regulatory Assets (current)</b>                   | <b>27.0</b>      | <b>80.8</b>              | <b>17.5</b>      | <b>72.0</b>              | <b>9.5</b>       | <b>8.8</b>               |
| <b>Non-current:</b>  |                  |                          |                  |                          |                  |                          |
| Future income taxes due from customers                     | 130.3            | 117.0                    | 130.3            | 117.0                    | —                | —                        |
| Pension and postretirement benefit costs                   | 424.6            | 431.5                    | 362.9            | 365.4                    | 61.7             | 66.1                     |
| Accretion and depreciation of asset retirement obligations | 19.5             | 18.4                     | —                | —                        | 19.5             | 18.4                     |
| Purchased gas costs  | 20.9             | 4.3                      | 20.9             | 4.3                      | —                | —                        |
| Energy efficiency  | 21.3             | 18.9                     | 21.3             | 18.9                     | —                | —                        |
| Other  | 28.0             | 24.2                     | 22.6             | 18.1                     | 5.4              | 6.1                      |
| <b>Total Regulatory Assets (non-current)</b>               | <b>644.6</b>     | <b>614.3</b>             | <b>558.0</b>     | <b>523.7</b>             | <b>86.6</b>      | <b>90.6</b>              |
| <b>Total Regulatory Assets</b>                             | <b>\$671.6</b>   | <b>\$695.1</b>           | <b>\$575.5</b>   | <b>\$595.7</b>           | <b>\$96.1</b>    | <b>\$99.4</b>            |
| <b>Regulatory Liabilities:</b>                             |                  |                          |                  |                          |                  |                          |
| <b>Current:</b>  |                  |                          |                  |                          |                  |                          |
| RSE adjustment   | \$10.3           | \$19.8                   | \$—              | \$—                      | \$10.3           | \$19.8                   |
| Unbilled service margin                                    | 5.4              | 5.2                      | —                | —                        | 5.4              | 5.2                      |
| Refundable negative salvage                                | 10.8             | 13.4                     | —                | —                        | 10.8             | 13.4                     |
| Unamortized purchased gas adjustments                      | 52.3             | 22.4                     | 20.8             | —                        | 31.5             | 22.4                     |
| Other  | 2.9              | 2.9                      | 0.6              | 0.6                      | 2.3              | 2.3                      |
| <b>Total Regulatory Liabilities (current)</b>              | <b>81.7</b>      | <b>63.7</b>              | <b>21.4</b>      | <b>0.6</b>               | <b>60.3</b>      | <b>63.1</b>              |
| <b>Non-current:</b>  |                  |                          |                  |                          |                  |                          |
| Postretirement liabilities                                 | 24.5             | 26.2                     | —                | —                        | 24.5             | 26.2                     |
| Refundable negative salvage                                | 16.2             | 26.8                     | —                | —                        | 16.2             | 26.8                     |
| Accrued cost of removal                                    | 59.1             | 60.5                     | 59.1             | 60.5                     | —                | —                        |
| Other  | 15.1             | 12.3                     | 11.8             | 11.6                     | 3.6              | 0.7                      |
| <b>Total Regulatory Liabilities (non-current)</b>          | <b>114.9</b>     | <b>125.8</b>             | <b>70.9</b>      | <b>72.1</b>              | <b>44.3</b>      | <b>53.7</b>              |
| <b>Total Regulatory Liabilities</b>                        | <b>\$196.6</b>   | <b>\$189.5</b>           | <b>\$92.3</b>    | <b>\$72.7</b>            | <b>\$104.6</b>   | <b>\$116.8</b>           |



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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      |                       |
|--|------------------|--------------------------|------------------|-----------------------|
|  | June 30,<br>2015 | September<br>30,<br>2014 | June 30,<br>2015 | September 30,<br>2014 |
| Regulatory Assets Not Earning a Return:      |                  |                          |                  |                       |
| Future income taxes due from customers       | \$130.3          | \$117.0                  | \$130.3          | \$117.0               |
| Pension and postretirement benefit costs     | 221.2            | 240.9                    | 221.2            | 240.9                 |
| Other  | 14.6             | 16.0                     | 14.6             | 16.0                  |
| Total Regulatory Assets Not Earning a Return | \$366.1          | \$373.9                  | \$366.1          | \$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 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<br>Amount | Fair<br>Value | Classification of Estimated Fair Value                |  |  |
|---|--------------------|---------------|---|--|--|
|   |                    |               | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| As of June 30, 2015                       |                    |               |   |  |  |
| Cash and cash equivalents                 | \$5.7              | \$5.7         | \$5.7   | \$—  | \$—  |
| Short-term debt                           | 211.4              | 211.4         | —   | 211.4  | —  |
| Long-term debt, including current portion | 1,816.4            | 1,888.4       | —   | 1,888.4  | —  |
| 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 June 30, 2015       |                 |            |   |   |   |
| Cash and cash equivalents | \$3.0           | \$3.0      | \$3.0                                     | \$—                                     | \$—                                       |
| Short-term debt           | 135.2           | 135.2      | —   | 135.2                                   | —   |
| Long-term debt            | 808.1           | 868.5      | —   | 868.5                                   | —   |
| As of September 30, 2014  |                 |            |   |   |   |
| Cash and cash equivalents | \$3.7           | \$3.7      | \$3.7                                     | \$—                                     | \$—                                       |
| Short-term debt           | 238.6           | 238.6      | —   | 238.6                                   | —   |
| Long-term debt            | 807.9           | 876.2      | —   | 876.2                                   | —   |

## Alagasco

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for Alagasco 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 June 30, 2015                       |                 |            |   |   |   |
| Cash and cash equivalents                 | \$0.2           | \$0.2      | \$0.2                                     | \$—                                     | \$—                                       |
| Short-term debt                           | 8.5             | 8.5        | —   | 8.5                                     | —   |
| Long-term debt, including current portion | 215.0           | 226.7      | —   | 226.7                                   | —   |
| As of September 30, 2014                  |                 |            |   |   |   |
| Cash and cash equivalents                 | \$5.6           | \$5.6      | \$5.6                                     | \$—                                     | \$—                                       |
| Short-term debt                           | 16.0            | 16.0       | —   | 16.0                                    | —   |
| Long-term debt                            | 249.8           | 266.4      | —   | 266.4                                   | —   |

## 6. FAIR VALUE MEASUREMENTS

The following tables for Laclede Group and Laclede Gas categorize the assets and liabilities in the balance sheets that are accounted for at fair value on a recurring basis in periods subsequent to initial recognition. Currently Alagasco has no assets or liabilities that are accounted for at fair value on a recurring basis in periods subsequent to initial recognition.

The mutual funds included in Level 1 are valued based on exchange-quoted market prices of individual securities. The mutual funds included in Level 2 are valued based on the closing net asset value per unit.

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 Over-the-Counter Bulletin Board (OTCBB), 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 Level 3 balances as of June 30, 2015 and September 30, 2014 consisted of gas commodity contracts. The Company's and the Utilities' 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 mutual funds are included in the "Other investments" line of the balance sheets. Derivative assets and liabilities, including receivables and payables associated with cash margin requirements, are presented net in the balance sheets when a legally enforceable netting agreement exists between the Company or Laclede Gas and the counterparty to a derivative contract.

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## Laclede Group

| (\$ Millions)                            | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Effects of<br>Netting and<br>Cash Margin<br>Receivables<br>/Payables | Total    |
|--|---|--|--|--|----------|
| As of June 30, 2015                      |   |  |  |  |          |
| ASSETS                                   |   |  |  |  |          |
| Gas Utility                              |   |  |  |  |          |
| U. S. stock/bond mutual funds            | \$16.0  | \$4.0  | \$—  | \$—  | \$20.0   |
| NYMEX/ICE natural gas contracts          | 1.7   | —  | —  | (1.7)  | ) —      |
| Subtotal                                 | 17.7  | 4.0  | —  | (1.7)  | ) 20.0   |
| Gas Marketing                            |   |  |  |  |          |
| NYMEX/ICE natural gas contracts          | 2.7   | 2.6  | —  | (4.1)  | ) 1.2    |
| Natural gas commodity contracts          | \$—   | \$2.4  | \$0.7  | \$(0.5)  | ) 2.6    |
| Total                                    | \$20.4  | \$9.0  | \$0.7  | \$(6.3)  | ) \$23.8 |
| LIABILITIES                              |   |  |  |  |          |
| Gas Utility                              |   |  |  |  |          |
| NYMEX/ICE natural gas contracts          | \$9.5   | \$—  | \$—  | \$(9.5)  | ) \$—    |
| OTCBB natural gas contracts              | —   | 7.1  | —  | —  | ) 7.1    |
| NYMEX gasoline and heating oil contracts | 0.4   | —  | —  | (0.4)  | ) —      |
| Subtotal                                 | 9.9   | 7.1  | —  | (9.9)  | ) 7.1    |
| Gas Marketing                            |   |  |  |  |          |
| NYMEX/ICE natural gas contracts          | 0.4   | 2.9  | —  | (3.3)  | ) —      |
| Natural gas commodity contracts          | —   | 0.9  | —  | (0.5)  | ) 0.4    |
| Total                                    | \$10.3  | \$10.9   | \$—  | \$(13.7)   | ) \$7.5  |
| As of September 30, 2014                 |   |  |  |  |          |
| ASSETS                                   |   |  |  |  |          |
| Gas Utility                              |   |  |  |  |          |
| U. S. stock/bond mutual funds            | \$15.7  | \$3.9  | \$—  | \$—  | \$19.6   |
| NYMEX/ICE natural gas contracts          | 2.4   | —  | —  | (2.4)  | ) —      |
| OTCBB natural gas contracts              | —   | 0.1  | —  | (0.1)  | ) —      |
| Subtotal                                 | 18.1  | 4.0  | —  | (2.5)  | ) 19.6   |
| Gas Marketing                            |   |  |  |  |          |
| NYMEX natural gas contracts              | 1.0   | 1.2  | —  | (1.8)  | ) 0.4    |
| Natural gas commodity contracts          | —   | 2.7  | 0.2  | (0.2)  | ) 2.7    |
| Total                                    | \$19.1  | \$7.9  | \$0.2  | \$(4.5)  | ) \$22.7 |
| LIABILITIES                              |   |  |  |  |          |
| Gas Utility                              |   |  |  |  |          |
| NYMEX/ICE natural gas contracts          | \$5.2   | \$—  | \$—  | \$(5.2)  | ) \$—    |
| OTCBB natural gas contracts              | —   | 4.1  | —  | (0.1)  | ) 4.0    |
| Gasoline and heating oil contracts       | 0.2   | —  | —  | (0.2)  | ) —      |
| Subtotal                                 | 5.4   | 4.1  | —  | (5.5)  | ) 4.0    |
| Gas Marketing                            |   |  |  |  |          |
| NYMEX/ICE natural gas contracts          | 1.1   | 0.7  | —  | (1.8)  | ) —      |
| Natural gas commodity contracts          | —   | 0.7  | —  | (0.2)  | ) 0.5    |
| Total                                    | \$6.5   | \$5.5  | \$—  | \$(7.5)  | ) \$4.5  |



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## Laclede Gas

| (\$ Millions)                      | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Effects of<br>Netting and<br>Cash Margin<br>Receivables<br>/Payables | Total   |
|------------------------------------|---|--|--|--|---------|
| As of June 30, 2015                |   |  |  |  |         |
| ASSETS                             |   |  |  |  |         |
| U. S. stock/bond mutual funds      | \$16.0  | \$4.0  | \$—  | \$—  | \$20.0  |
| NYMEX/ICE natural gas contracts    | 1.7   | —  | —  | (1.7)  | ) —     |
| Total                              | 17.7  | 4.0  | —  | (1.7)  | ) 20.0  |
| LIABILITIES                        |   |  |  |  |         |
| NYMEX/ICE natural gas contracts    | 9.5   | —  | —  | (9.5)  | ) —     |
| OTCBB natural gas contracts        | —   | 7.1  | —  | —  | 7.1     |
| Gasoline and heating oil contracts | 0.4   | —  | —  | (0.4)  | ) —     |
| Total                              | \$9.9   | \$7.1  | \$—  | \$(9.9)  | ) \$7.1 |