

LACLEDE GROUP INC
Form DEF 14A
December 18, 2013

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the
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- Definitive Proxy Statement
- Definitive Additional Materials

The Laclede Group, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND PROXY STATEMENT**

JANUARY 30, 2014

Notice of Annual Meeting of Shareholders

January 30, 2014

To the Shareholders of The Laclede Group, Inc:

The annual meeting of shareholders of The Laclede Group, Inc. will be held on Thursday, January 30, 2014, at 10 a.m. Central Standard Time, at the Laclede Gas Building, 720 Olive Street, Yaeger Conference Center, first floor, St. Louis, MO 63101, for the following purposes:

1. To elect three members of the Board of Directors to serve for a three-year term.
 2. To provide advisory approval of compensation of named executives.
 3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accountant for the 2014 fiscal year.
 4. To transact such other business as may properly come before the meeting and any adjournment or postponement.
- You can vote if you are a common shareholder of record on November 21, 2013.

To assure your representation at the annual meeting, you are urged to cast your vote, as instructed in the Notice of Internet Availability of Proxy Materials, via the Internet or by phone. You also may request a paper proxy card to submit your vote by mail, if you prefer.

If your shares are held by a broker, bank or nominee, please follow their voting instructions for your vote to count.

By Order of the Board of Directors,

Mary Caola Kullman
Corporate Secretary

December 18, 2013

IMPORTANT NOTICE

Your vote is important. To assure your representation at the annual meeting, please vote your shares as promptly as possible over the internet at www.ProxyVote.com or by telephone at 1-800-690-6903. Alternatively, you may request a paper proxy card, which you may complete, sign and return by mail.

ADMISSION TO MEETING

Admission to the annual meeting is limited to those who are shareholders of record on November 21, 2013 or who bring documentation to the meeting that shows their beneficial ownership of our common stock through a broker, bank or other nominee as of November 21, 2013.

Proxy Statement Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Shareholders

TIME AND DATE	10 a.m., Central Standard Time, on Thursday, January 30, 2014
PLACE	Laclede Gas Building 720 Olive Street Yaeger Conference Center (First Floor) St. Louis, Missouri 63101
RECORD DATE	November 21, 2013
VOTING	Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals.
ENTRY	If you decide to attend the meeting in person, you will need to register upon your arrival. See page 1 for further instructions.

Voting Matters (page 2)

Proposal	Board Vote	Page Reference
	Recommendation	(for more detail)
Election of three directors	FOR	5
Provide advisory approval of compensation of executives	FOR	8
Ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2014	FOR	10

Nominees for Election (page 5)

The following table provides summary information about each nominee. The nominees receiving a majority of the votes cast at the meeting will be elected as directors.

Name	Director		Occupation	Term	Independent
	Age	Since			
Edward L. Glotzbach	65	2005	Retired Vice Chairman, Information Services Group	Nominee for Term expiring January 2017	X
W. Stephen Maritz	55	2000	Chairman and CEO, Maritz Holdings Inc.	Nominee for Term expiring January 2017	X
John P. Stupp Jr.	63	2005	President, Stupp Bros., Inc.	Nominee for Term expiring January 2017	X

Advisory Approval of Executive Compensation (page 8)

This year we are seeking your approval of the Company's compensation of the named executives as disclosed in this proxy statement. Although the vote on this proposal is advisory and nonbinding, the Compensation Committee

and Board will review the results of the vote and consider the collective views of our shareholders in future determinations concerning our executive compensation program.

Fiscal Year 2013 Corporate Performance (page 21)

The following table provides information on the Company's performance in the last two fiscal years on a GAAP and net economic earnings basis. Management uses the non-GAAP measures of net economic earnings and net economic earnings per share internally when evaluating the Company's performance. Net economic earnings exclude from net income the after-tax impacts of fair value accounting and timing adjustments associated with energy-related transactions. These adjustments, which primarily impact the Gas Marketing segment, include net unrealized gains and losses on energy-related derivatives resulting from the current changes in the fair value of financial and physical transactions prior to their completion and settlement, lower of cost or market inventory adjustments, and realized gains and losses on economic hedges prior to the sale of the physical commodity. In calculating net economic earnings,

management also excludes from net income the after-tax impacts related to acquisition, divestiture and restructuring activities. Management believes that excluding these items provides a useful representation of the economic impact of actual settled transactions and overall results of ongoing operations. When calculating net economic earnings per share, management excludes from the weighted average number of shares the impact of the May 2013 equity issuance, completed in advance of the pending Missouri Gas Energy (MGE) acquisition. Management believes that this presentation provides a useful representation of operating performance by facilitating comparisons of year-over-year results. These internal non-GAAP operating metrics should not be considered as an alternative to, or more meaningful than, GAAP measures such as net income.

(Millions, except per share amounts)	Gas Utility	Gas Marketing	Other	Total	Per Share Amounts
Year Ended September 30, 2013					
Net Income (Loss) (GAAP)	\$56.3	\$ 7.6	\$(11.1)	\$52.8	\$ 2.02
Unrealized loss on energy-related derivatives*	0.1	0.4		0.5	0.02
Lower of cost or market inventory adjustments*		0.9		0.9	0.03
Acquisition, divestiture and restructuring activities*	0.3		10.5	10.8	0.42
Weighted Average Shares Adjustment**					0.38
Net Economic Earnings (Losses) (Non-GAAP)	\$56.7	\$ 8.9	\$ (0.6)	\$65.0	\$ 2.87
Year Ended September 30, 2012					
Net Income (GAAP)	\$48.2	\$12.3	\$ 2.1	\$62.6	\$ 2.79
Unrealized gain on energy-related derivatives*	(0.1)	(0.2)		(0.3)	(0.02)
Realized gain on economic hedges prior to the sale of the physical commodity*		0.2		0.2	0.01
Acquisition, divestiture and restructuring activities*			0.1	0.1	0.01
Net Economic Earnings (Non-GAAP)	\$48.1	\$12.3	\$ 2.2	\$62.6	\$ 2.79

* Amounts presented net of income taxes. Income taxes are calculated by applying federal, state and local income tax rates applicable to ordinary income to the amounts of the pre-tax reconciling items. For the fiscal years ended 2013, 2012 and 2011, the total net amount of income tax (benefit) expense included in the reconciling items above is \$7.5 million, \$0.0 million and \$0.9 million, respectively.

****** *Net economic earnings per share is calculated by replacing consolidated net income with consolidated net economic earnings (losses) in the GAAP diluted earnings per share calculation. Also, net economic earnings per share exclude the impact of the May 2013 equity offering to fund the pending acquisition of MGE. The weighted-average diluted shares used in the net economic earnings per share calculation for the fiscal year ended September 30, 2013 was 22.5 million compared to 26.0 million in the GAAP EPS calculation.*

Note: EPS amounts by segment represent contributions to The Laclede Group's consolidated EPS.

The Company's operating results for fiscal year 2013 reflected an increase in year-over-year net economic earnings in the Company's Gas Utility segment, partially offset by lower net economic earnings in its Gas Marketing segment. Net economic earnings for the Gas Utility segment, which includes the utility operations of Laclede Gas Company, improved by 17.8% to \$8.6 million. The improvement is primarily due to increased sales margins reflecting colder weather in fiscal 2013, higher Infrastructure System Replacement Surcharge revenues, lower bad debt expense, and

a decrease in employee benefit expenses. These factors were partially offset by higher depreciation and amortization expenses due to an increase in utility plant.

Net economic earnings for the Gas Marketing segment (Laclede Energy Resources, Inc.) decreased 27.6% to \$3.4 million primarily due to reduced sales margins from low price volatility and basis differentials, and the expiration of a favorable natural gas supply contract.

Executive Compensation in Fiscal Year 2013 (page 21)

The graph below evidences the Company's commitment to the pay-for-performance philosophy. It compares basic net economic earnings per share to the Annual Incentive Plan (AIP) payments to the named executive officers.

Basic net economic earnings per share is the key metric used to determine funding under our AIP in 2013. The earnings in the graph are based on operations at the time of performance.

Basic Net Economic EPS Compared to NEOs Annual Incentive Award

The Company also emphasizes pay for performance by placing a majority of the executives' target total direct compensation at risk through the annual and equity incentive plans. Target total direct compensation (TTDC) includes the current base salary, the 2013 target AIP opportunity, and the market value (target shares X grant date stock price)

of the Equity Incentive Plan awards made during fiscal year 2013. Further, the largest proportion of incentive pay, which is represented by the equity incentive award, focuses on long-term performance. The graph below shows the mix of fixed and at-risk pay. Additional details on long-term incentives can be found on page 30.

Fiscal 2013 TTDC Components

Independent Registered Public Accountant (page 10)

We are asking shareholders to ratify the selection of Deloitte & Touche LLP as our independent registered public accountant for fiscal year 2014. The table contains summary information with respect to Deloitte & Touche's fees for services provided in fiscal year 2012 and fiscal year 2013. Most of the increase in fees, including in particular the Audit related fees, is due to our significant acquisition in fiscal year 2013.

	2013	2012
Audit fees	\$ 1,163,000	\$ 680,000
Audit related fees	943,372	30,000
Tax fees	27,200	26,800
All other fees	2,200	2,200
Total	\$ 2,135,772	\$ 739,000

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ABOUT THE ANNUAL SHAREHOLDERS MEETING

This proxy statement is furnished to solicit proxies by the Board of Directors of The Laclede Group for use at the annual meeting of its shareholders to be held on January 30, 2014, and at any adjournment or postponement of the meeting. The meeting will be held in the Yaeger Conference Center (first floor) at the Company's headquarters at 720

Olive Street, St. Louis, Missouri 63101 at 10 a.m. Central Standard Time. This proxy statement is first being made available to shareholders with the annual report for its fiscal year 2013 on or about December 18, 2013. In this proxy statement, we refer to The Laclede Group as the Company.

Questions and Answers about the Annual Meeting

Who is soliciting my vote?

The Board of Directors of the Company is soliciting your vote for the Company's annual meeting of shareholders.

When will the meeting take place?

The annual meeting will be held on Thursday, January 30, 2014 at 10 a.m. Central Standard Time in the Yaeger Conference Center on the first floor of the Laclede Gas Building, at 720 Olive Street, St. Louis, MO 63101.

Who is entitled to vote at the annual meeting?

If you own Company stock at the close of business on November 21, 2013, you may attend and vote at the annual meeting.

Why did I receive a notice in the mail regarding the Internet availability of proxy materials this year instead of a paper copy of proxy materials?

Under the Notice and Access rules of the Securities and Exchange Commission, we are permitted to furnish proxy materials, including this proxy statement and our annual report to our shareholders, by providing a Notice of Internet Availability of Proxy Materials. Most shareholders will not receive printed copies unless they request them. The Notice instructs you as to how you may access proxy materials on the Internet and how you may submit your proxy via the Internet. If you would like to receive a paper or electronic

copy of our proxy materials, you should follow the instructions for requesting such material in the Notice. Any request to receive proxy materials by mail or electronically will remain in effect until you revoke it.

Can I vote my shares by filling out and returning the Notice?

No, the Notice identifies the items to be voted on at the annual meeting, but you cannot vote by marking the Notice and returning it. The Notice provides instructions on how to: (i) vote by Internet, (ii) vote by phone, and (iii) request and return a paper proxy card or voting instruction card.

Why didn't I receive a Notice in the mail regarding the Internet availability of proxy materials?

If you previously elected to access proxy materials over the Internet, you will not receive a Notice in the mail. You should have received an email with links to the proxy materials and online proxy voting. Also, if you previously requested paper copies of the proxy materials or if applicable regulations required delivery of the proxy materials, you will not receive the Notice.

If you received a paper copy of the proxy materials or the Notice by mail, you can eliminate paper mailings in the future by electing to receive an email that will provide Internet links to these documents. Opting to receive future proxy

materials online will save us the cost of producing and mailing documents and help us conserve natural resources. Enrollment for electronic delivery is effective until canceled.

Who is a shareholder of record?

You are a shareholder of record if your shares are registered directly in your name with our transfer agent, Computershare. You will receive a Notice or these proxy materials by delivery directly to you. You are entitled to vote your shares by Internet, telephone, in person at the meeting, or, if you have requested printed proxy materials, by completing and returning the enclosed proxy card.

Who is a beneficial owner?

You are a beneficial owner if you hold your stock in a stock brokerage account, or by a bank or other nominee. Your shares are held in street name and the Notice or these proxy materials are being sent to you by your broker, bank or nominee, who is considered the shareholder of record. As a beneficial owner, you have the right to direct your broker, bank or nominee on how to vote. You may attend the annual meeting, but you will need to bring a letter or statement from that firm that shows you were a beneficial owner of Company shares on November 21, 2013. You may not vote these shares in person at the annual meeting unless you request, complete and deliver a legal proxy from your broker, bank or nominee. If you requested printed proxy materials, your broker, bank or nominee provided a voting instruction card for you to use in directing the broker, bank or nominee on how to vote your shares.

How many shares must be present to hold the annual meeting?

A majority of our issued and outstanding shares entitled to vote at the annual meeting as of the record date must be present in person or represented by proxy to have a quorum. As of November 21, 2013, there were 32,709,763 shares outstanding. Both abstentions and broker non-votes are counted as present for purposes of determining quorum.

How many votes are required for each item of business?

Election of Directors: The election of directors requires the affirmative vote FOR each nominee of a majority of those shares present at the meeting in person or by proxy. Withhold votes will have the effect of votes against the nominee, while abstentions will not be counted as votes cast.

Advisory Vote on Executive Compensation: This proposal, which is non-binding, requires an affirmative vote FOR of a majority of the votes cast to be approved. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the outcome.

Ratification of Independent Registered Public Accountant: This proposal requires an affirmative vote FOR of a majority of the votes cast to be approved. Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the outcome.

Voting Matters

How do I vote?

You may vote on the Internet, by phone, by mail, or by attending the annual meeting and voting by ballot. The Internet and phone voting procedures are designed to authenticate that you are a shareholder by use of a control number. The procedures allow you to confirm that your instructions have been properly recorded. If you vote by telephone or Internet, you do not need to mail back your proxy card or voting instruction card.

By Internet: If you have Internet access, you may submit your proxy by following the instructions provided in the Notice, or, if you requested printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card. On the Internet voting site, you can confirm that your instructions have been properly recorded. If you vote on the Internet, you can also request electronic delivery of future proxy materials.

By phone: You also can vote by phone by following the instructions provided in the Notice, or, if you requested printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card.

By mail: If you elected to receive printed proxy materials by mail, you may choose to vote by mail by marking your proxy card or voting instruction card, dating and signing it, and returning it in the postage-paid envelope provided. Please allow sufficient time for mailing if you decide to vote by mail.

At the annual meeting: The method or timing of your vote will not limit your right to vote at the annual meeting if you attend the annual meeting and vote in person. However, if your shares are held in the name of a bank, broker or the nominee, you must obtain a legal proxy, executed in your favor, from the holder of record to be able to vote at the annual meeting. You should allow yourself enough time prior to the annual meeting to obtain this proxy from the holder of record.

The shares voted electronically, by phone or represented by proxy cards received, properly marked, dated, signed and not revoked, will be voted at the annual meeting.

If you hold your shares through a broker, please note that your broker will not be permitted to vote on your behalf for the first two proposals unless you provide instructions as to how to vote your shares. Voting your shares is important to ensure that you are represented at the meeting. If you have any questions about the voting process, please contact the broker where you hold your shares.

Can I vote my shares that are held in The Laclede Group Dividend Reinvestment and Stock Purchase Plan or any of the Company's 401k plans?

If you participate in The Laclede Group Dividend Reinvestment and Stock Purchase Plan or in the Company Stock Fund of the Laclede Gas Wage Deferral Savings Plan, Salary Deferral Savings Plan, or Missouri Natural Wage Deferral Savings Plan,

you are entitled to vote those shares. If you do not give voting instructions for shares owned by you through any of these plans, none of your shares held in the plans will be voted. To allow sufficient time for voting by the administrator and trustee of the plans, your voting instructions must be received by January 28, 2014.

How can I revoke or change my vote?

You may revoke your proxy at any time before it is voted at the meeting by:

- ◆ Sending timely written notice of revocation to the corporate secretary;
- ◆ Submitting another timely proxy by telephone, Internet or proxy card; or
- ◆ Attending the annual meeting and voting in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy executed in your favor from the holder of record to be able to vote at the meeting.

How many votes do I have?

You are entitled to one vote for each share that you own on November 21, 2013.

What happens if I don't give specific voting instructions?

Shareholders of record: If you are a shareholder of record and you either indicate that you want to vote as recommended by the Board of Directors or you return a signed proxy card but do not indicate how you want to vote, then your shares will be voted in accordance with the recommendations of the Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion regarding any other matters properly presented for a vote at the meeting. If you indicate a choice for any matter to be acted upon, the shares will be voted in accordance with your instructions.

Beneficial owners: If you hold shares in street name and do not provide instructions, your shares may constitute broker non-votes on certain proposals. Generally, broker non-votes occur on a non-routine proposal where a broker is not permitted to vote on that proposal without

instructions from the beneficial owner and instructions are not given. Broker non-votes are considered present at the annual meeting, but not as voting on a matter. Thus, broker non-votes are counted as present for purposes of determining if there is a quorum, but are not counted for purposes of determining whether a matter has been approved. Broker non-votes will not affect the outcome of the election of directors, approval of the compensation of the named executives, or the ratification of the appointment of our independent registered public accountant. If you do not provide instructions to your broker, under the rules of the New York Stock Exchange, your broker will not be authorized to vote the

shares it holds for you with respect to the first two proposals. Your broker has the discretion, however, to vote the shares it holds for you on the ratification of the independent registered public accountant.

Who counts the votes?

We hired Broadridge Investor Communications as an independent tabulator of votes to ensure confidentiality of the voting process. However, if you write comments on your proxy card, the comments will be shared with us. We also have hired IVS Associates, Inc. to serve as independent inspector of elections.

PROPOSAL 1

Election of Directors

The Board of Directors is divided into three classes. Directors Glotzbach, Maritz and Stupp, whose terms will expire upon the election of directors at the meeting on January 30, 2014, have been nominated to stand for reelection for terms expiring upon the election of their successors in January 2017. The persons named as proxies

intend to vote FOR the election of the three nominees. If any nominee becomes unavailable for any reason before the meeting, which is not anticipated, the proxies will vote the shares indicated for that nominee for a person to be selected by our Board of Directors.

Information About the Nominees and Directors

Nominees for Term Expiring in 2017:

Edward L. Glotzbach, 65, served as Vice Chairman, Mergers and Acquisitions, of Information Services Group from November 2007 when it acquired Technology Partners International, Inc. to March 1, 2012. From December 2004 to November 2007, he served as President and CEO of Technology Partners International, Inc., an organization that assists clients with the evaluation, negotiation, implementation and management of information technology and business process sourcing initiatives. From October 2003 to December 2004, he served as Vice President and Chief Financial Officer of the firm. From 1970 to September 2003, he served in many positions with SBC Communications, with his most recent position there being Executive Vice President and Chief Information Officer for six years. Mr. Glotzbach served as a director of Perficient, Inc. from 2010 to May 2012.

Mr. Glotzbach brings to the Board business and leadership experience as an executive of a public company, regulated utility experience as a former executive of a telephone utility regulated by the Missouri Public Service Commission, financial expertise having served as a chief financial officer at other companies, and his information technology expertise given his experience at Information Services Group as well as his prior chief information officer experience at a major

telephone company. He also provides insight to the Company as to potential exposures and risks in those areas.

Director since 2005

W. Stephen Maritz, 55, has been Chairman of the Board of Maritz Holdings Inc. since February 2001 and Chief Executive Officer since November 1998. Maritz Holdings Inc. provides performance improvement, marketing research and travel services on a global basis.

In addition to his current business and leadership experience in managing a large, international company, Mr. Maritz brings to the Board his expertise in pursuing and measuring customer satisfaction as well as engaging and motivating employees. Further, he understands the importance of demographics in the marketplace and implications for business.

Director since 2000

John P. Stupp Jr., 63, has been President of Stupp Bros., Inc. since March 2004 and Chief Executive Officer of Stupp Corporation since August 1995. He previously served as Executive Vice President of Stupp Bros., Inc. from April 1995 to March 2004 and its Chief Operating Officer from April 1996 to March 2004. Stupp Bros., Inc. has two operating divisions: Stupp Bridge Company, a fabricator of steel highway and railroad bridges; and Stupp Corporation, producer of custom-made HFW

(high frequency weld) and spiral weld pipe for gas and oil transmission; and three subsidiaries: APCI, an integrator of linear friction welding technology; Bayou Coating LLC, coating applicators for steel line pipe; and Midwest BankCentre, a Missouri bank holding company. During the past five years, he has served and continues to serve as a director of Stupp Bros., Inc. and Atrion Corp.

As President of Stupp Bros., Inc., one of the Company's largest shareholders with a long-term investment relationship with the Company, Mr. Stupp has historic institutional knowledge of the Company and directly represents the shareholder interest. Further, his experience with the various subsidiaries of Stupp Bros., Inc., provides insight as to the pipeline and other infrastructure industries on a national basis as well as insight into the regional economy.

Director since 2005

The Board of Directors recommends a vote FOR election of these nominees as directors.

Directors with Term Expiring in 2015:

Arnold W. Donald, 58, was appointed President and CEO of Carnival Corporation and PLC, a global cruise and vacation company, in July 2013. He was President and CEO of the Executive Leadership Council, a professional network of African-American executives of major U.S. companies from November 2010 to June 2012. Previously, he served as President and Chief Executive Officer of Juvenile Diabetes Research Foundation International, the leading charitable funder and advocate of type 1 (juvenile) diabetes research worldwide, from January 2006 to March 2008. He served as Chairman of the Board of Merisant Company from March 2000 to November 2005 and as its CEO from March 2000 to June 2003. During the past five years, he has served and continues to serve as a director of Bank of America, Crown Holdings, Inc. and Carnival Corporation. During the past five years, he has also served as a director of Scotts Miracle-Gro Co. from March 2000 to January 2009 and Oil Dri Brand from 1997 to January 2013.

Mr. Donald's breadth of experience in chief executive officer and board roles at various companies outside of the energy industry assist the Company in its strategic development and consideration of challenges and opportunities, particularly as it considers opportunities for growth beyond the traditional utility business. Given his role as a director of a number of other NYSE-listed companies in various industries, he also brings governance insight and experience to the Board.

Director since 2003

Anthony V. Leness, 73, was Managing Director Investment Banking - Global Power & Energy Group at Merrill Lynch & Co., Inc., in New York City from 1978 to his retirement on June 30, 2006. Merrill Lynch provides wealth management, capital market, investment banking and consulting services. He served as a relationship manager on a broad range of large and small companies, including industrial, communications, oil and gas exploration, natural gas pipeline, and, from 1990, exclusively on power and natural gas distribution companies.

Mr. Leness' prior investment banking experience gives him extensive knowledge of the Company and the utility, pipeline, and oil and natural gas industries. He provides critical insight and analysis relative to the capital markets and corporate finance as well as investment strategy. Having previously provided expert testimony before Federal and State regulatory commissions, he also understands and advises relative to regulatory approaches in different markets as well as the implications of regulation to the Company and the industry.

Director since 2006

William E. Nasser, 74, was appointed as the independent Chairman of the Board effective February 1, 2012. He was, until October 2003, CEO of SouthWest NanoTechnologies, Inc., a privately held specialty chemical firm. He served as Chairman of Enchira Biotechnology Corp. from April 1998 to January 2003. He retired as Chairman of the Board, Chief Executive Officer and President of Petrolite Corporation in November 1995.

Mr. Nasser's experience on the Company's Board provides him with institutional knowledge of the Company and positions him well to serve as the Board's Chairman and to facilitate effective communications between the Board and senior management. Further, his experience outside the Company provides insight into the broader oil and gas industry, its key risks and opportunities and potential impact on the utility industry.

Director since 2000

Directors with Term Expiring in 2016:

Brenda D. Newberry, 60, is the Chief Executive Officer of Neshor, LLC, which provides consulting services that include advising, speaking and writing on diverse business, board service, entrepreneurial, leadership and life management topics. She was, until May 2010, Chairman of the Board of The Newberry Group. From 2006 to 2009, she served as its Chairman and Chief Executive Officer. From 1996 to 2005, she served as its President and Chief Executive Officer. Ms. Newberry founded The Newberry Group in 1996 with her husband. The Newberry Group provides information technology consulting services on a global basis, specializing in cyber-security services, information systems consulting, and project management services. Since 2007, she also has served as a director of Enterprise Financial Services Corp.

As technology becomes a larger part of business, Ms. Newberry provides valuable insight into the Company's information technology strategy and related risks and exposures. Further, her experience in creating and building her own businesses assists the Company as it considers growth opportunities and her government contractor experience provides insight in conducting business in a highly regulated industry.

Her experience on another public company board brings governance experience and insight to the Board.

Director since 2007

Suzanne Sitherwood, 53, has served as the Company's President since September 1, 2011 and Chief Executive Officer since February 1, 2012. Until August 2011, she was Senior Vice President of Southern Operations for AGL Resources, Inc. and President of Atlanta Gas Light, Chattanooga Gas and Florida City Gas.

Ms. Sitherwood has over 30 years' experience in the natural gas industry. Her experience ranges from chief engineer to vice president gas operations and capacity planning to her most recent title of president of three natural gas utilities with over 1.5 million customers and \$2.37 billion in revenues. She also brings to the Company her experience in working in a regulatory environment while implementing strategic growth initiatives.

Director since 2011

Mary Ann Van Lokeren, 66, retired as Chairman and Chief Executive Officer of Krey Distributing Co., an Anheuser-Busch wholesaler, in October 2006. She served in that capacity from December 1986. During the past five years, she has served, and continues to serve, as a director of Masco Corporation.

With her prior experience as CEO of one of the largest Anheuser-Busch wholesalers in Missouri, Ms. Van Lokeren has strong business and leadership expertise that assists the Board as it evaluates the Company's financial and operational risks, controls and strategy. She also has strong ties to the customer service area of the utility. Further, her experience on other public company boards provides insight as to the Board's role in oversight of management as well as corporate governance.

Director since 2000

PROPOSAL 2

ADVISORY APPROVAL OF COMPENSATION OF EXECUTIVES

We are seeking your approval of the Company's compensation of the named executives as disclosed in this proxy statement. Although the vote on this proposal is advisory and nonbinding, the Compensation Committee and Board will review the results of the vote and consider the collective views of our shareholders in future determinations concerning our executive compensation program.

As noted in the Compensation Discussion and Analysis, the Company's philosophy is to pay for performance by making compensation decisions based on what promotes our corporate strategy, creates shareholder value and remains equitable for the Company, its employees and its shareholders. In the process of making these decisions, we also consider the types and levels of compensation in the marketplace. We urge you to read the Compensation Discussion and Analysis section of this proxy statement, which discusses in more detail our compensation policies and procedures. Throughout the year, our Compensation Committee assesses our compensation programs to ensure they are consistent with our pay philosophy. In determining how to vote on this proposal, please consider our compensation governance and pay structure:

- ◆ **Recoupment:** Our policy addresses recoupment of amounts from employees' performance-based awards under the annual and equity incentive plans to the extent that they would have been materially less due to inaccurate financial statements, fraud or intentional, willful or gross misconduct.
- ◆ **Prohibition of hedging/pledging of stock:** Our policy on the purchase and sale of securities generally prohibits our executive officers and directors pledging or hedging their positions in our stock so that their interests are similarly aligned

with our shareholders. Any exceptions for an executive officer to this pledging prohibition must be approved by the Chairman of the Board or Lead Director as applicable.