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COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

JASON KUNST

Staff Exhibit No. 251
Date 12-14-17 Reporter KF
File No. GR-2017-0215
GR-2017-0216

SPIRE MISSOURI INC. d/b/a SPIRE

**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE**

**CASE NOS. GR-2017-0215
and GR-2017-0216**

*Jefferson City, Missouri
November, 2017*

** Denotes Confidential Information **

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6
7
8
9
10
11
12
13
14
15

**TABLE OF CONTENTS OF
SURREBUTTAL TESTIMONY
OF
JASON KUNST
SPIRE MISSOURI INC. d/b/a SPIRE
LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE
CASE NOS. GR-2017-0215 & GR-2017-0216**

EXECUTIVE SUMMARY..... 1

FOREST PARK DISTRICT SERVICE CENTER FACILITIES SALE AND
RELOCATION AND SUBSEQUENT CONSTRUCTION OF 5311 MANCHESTER
AVENUE REPLACEMENT FACILITY..... 2

CREDIT CARD TRANSACTION FEES..... 18

REBRANDING COSTS 21

800 MARKET LEASE 24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

SURREBUTTAL TESTIMONY
OF
JASON KUNST
SPIRE MISSOURI, INC., d/b/a SPIRE
LACLEDE GAS COMPANY and MISSOURI GAS ENERGY
GENERAL RATE CASE
CASE NOS. GR-2017-0215 and GR-2017-0216

Q. Please state your name and business address.

A. Jason Kunst, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

Q. By who are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as a Utility Regulatory Auditor IV.

Q. Are you the same Jason Kunst who contributed to Staff's Revenue Requirement Cost of Service Report ("Report") filed in this case on September 8, 2017?

A. Yes.

EXECUTIVE SUMMARY

Q. Please provide a brief summary of the purpose of your surrebuttal testimony.

A. My surrebuttal testimony will address the rebuttal testimony of Spire witness Susan M. Kopp and OPC witness Charles R. Hyneman regarding the appropriate regulatory treatment of all proceeds, including relocation funds, that were received as a result of the sale of LAC's Forest Park utility service facilities and subsequent construction of a nearby replacement utility service facility.

My testimony will also address the rebuttal testimony of Spire witness Michael R. Noack regarding the appropriate level of credit card fee expense to include in the cost of

Surrebuttal Testimony of
Jason Kunst

1 service calculation for LAC. Finally, I will address the rebuttal testimony of Spire witness
2 C. Eric Lobser regarding Staff's proposed disallowance of rebranding related costs and a
3 portion of 800 Market costs.

4 **FOREST PARK DISTRICT SERVICE CENTER FACILITIES SALE AND**
5 **RELOCATION AND SUBSEQUENT CONSTRUCTION OF 5311 MANCHESTER**
6 **AVENUE REPLACEMENT FACILITY**

7 Q. Please provide a chronological summary of the events that occurred which
8 pertain to LAC's decision to sell its Forest Park utility service facilities as well as to relocate
9 Forest Park employees, property and equipment to other locations and then subsequently to
10 construct a partial replacement facility located at 5311 Manchester Avenue.

11 A. Please see Confidential Schedule JK-s1 for a timeline of the events leading to
12 the sale of the Forest Park facilities and the subsequent construction of the Manchester
13 facility. This information is based upon documentation that LAC provided in response to
14 numerous Staff data requests, OPC data requests, a review of other LAC case proceedings,
15 several tours of various LAC utility service facilities with operations management personnel,
16 and meetings that were conducted with LAC personnel to gain an understanding of the facts
17 and circumstances related to these issues.

18 Q. How much did LAC receive for the Forest Park utility property that was sold?

19 A. LAC received a total of \$14 million for the property, comprised of \$8.3 million
20 for the sale of the property and an additional \$5.7 million for Forest Park related relocation
21 costs. This resulted in a \$5.8 million gain on the property itself, in addition to the relocation
22 proceeds.¹ Staff proposes that under the unique circumstances of this transaction that a

¹ \$8.3 million sales price less \$2.5 million net book value of utility land, buildings, and structures.

Surrebuttal Testimony of
Jason Kunst

1 sharing of \$5.8 million gain that resulted on the sale of the property and as well as a sharing
2 of the relocation proceeds between LAC ratepayers and shareholders is appropriate.

3 Q. What is Staff's position with regard to the gain that LAC received as a result of
4 the sale of Forest Park utility assets, which included land, buildings, and structures?

5 A. During May 2014, LAC received \$8.3 million in return for utility assets that
6 had a net book value of \$2.5 million at the time of the sale.² The Manchester facility has an
7 approximate \$7.7 million rate base value. As a result, LAC is asking that ratepayers pay more
8 in rates to cover the costs of the replacement Manchester facility, despite the fact that LAC
9 received a windfall of proceeds related to the sale of Forest Park. Staff's position instead is
10 that, in this unique situation, it is appropriate for LAC's shareholders and ratepayers to share
11 the approximate \$5.8 million gain realized by LAC's sale of utility buildings and land located
12 on Forest Park Avenue, based upon LAC's capital structure as sponsored by Staff witness
13 David Murray. Consistent with the Commission's guidance provided in the *Report and Order*
14 issued in the Missouri Cities Water Company Case No. WR-83-14, et al., Staff recommends
15 sharing the gain on the utility property sale by reducing the cost of service by a percentage of
16 the net gain equal to the non-equity portion of LAC's capital structure. Likewise, LAC
17 shareholders would be allowed "to keep" the percentage of gain representing LAC's capital
18 structure which is equity by recording it "below-the-line." This treatment is appropriate,
19 given the facility sold required a partial replacement facility that came at a higher cost.

20 Q. Why do you consider the Manchester facility to be a partial replacement for the
21 Forest Park facility?

² This is the rate base value at the time of the sale. Since the Forest Park property was reflected in rates in the last rate case, ratepayers have and will continue to pay for a return on and a return of these assets through the effective date of rates in this rate proceeding.

Surrebuttal Testimony of
Jason Kunst

1 A. At the time of the sale, the Forest Park facilities were still necessary and
2 useful. The Forest Park facility was a vital part of LAC's natural gas service operations,
3 strategically located in the central corridor of the city of St. Louis. This location allowed
4 LAC to provide critical services to several nearby hospitals, universities, research institutions,
5 businesses, and industries in St. Louis.

6 The fact that LAC continued to operate at the Forest Park facility through a lease for a
7 year following the date of sale and leased other space until such time that a partial
8 replacement facility was constructed two miles away demonstrates the critical importance of
9 maintaining its operations in that vicinity. The Manchester Avenue service center location
10 allows LAC to continue to provide quick emergency response time to the city and also allows
11 LAC to continue with its accelerated pipe replacement work as LAC previously performed at
12 its Forest Park facility.

13 Q. Has LAC referred to the Manchester facility as a replacement for the Forest
14 Park facility?

15 A. Yes. In LAC's response to OPC data request No. 1 - 94 and 1 -95 in Case No.
16 GC-2016-0297, LAC witness Glenn Buck refers to the Manchester facility as a "partial
17 replacement" for the Forest Park facilities. While some of the services and employees that
18 were located at the previous Forest Park facility were relocated to other sites, many of the
19 vital services that were based at the previous facility are now based at the Manchester facility.
20 Please refer to Schedule JK-s2 for a copy of Mr. Buck's responses to these data requests.

21 Q. Is the fact that the Manchester facility represents a partial replacement of the
22 previous Forest Park service center significant?

Surrebuttal Testimony of
Jason Kunst

1 A. Yes. The fact that a new replacement facility was required to be constructed in
2 the nearby vicinity is germane to this issue because the new facility was necessary and
3 because this replacement facility was more costly than the existing facility.

4 Q. Why has Staff proposed adjustments that reflect a sharing of the proceeds of
5 the sale between LAC ratepayers and its shareholders?

6 A. The circumstances and outcomes for this sales transaction are very unusual.
7 LAC sold a vital operations center for a windfall of proceeds and for which a replacement
8 facility was required. In fact, the operations were so vital that LAC leased back the property
9 from the purchaser to continue operations on that site for an additional year after the sale.
10 After that, LAC leased a warehouse and lot to continue operations in the area while it
11 constructed a new replacement facility. All of these actions demonstrated the importance of
12 maintaining an operations presence in the area. Staff's adjustments were fashioned in an
13 attempt to mitigate harm to the ratepayer because of these unique circumstances and due to
14 the large sum of money that was received as a result of the sale.

15 Q. Is it Staff's position that LAC's decision to sell its Forest Park utility property,
16 and then to relocate employees from that location to other locations, and then subsequently
17 construct a partial replacement utility service center facility at 5311 Manchester Avenue, were
18 imprudent, unreasonable, or inappropriate?

19 A. No. Based upon the documentation that LAC has made available for Staff to
20 review and examine, Staff does not suggest that LAC acted in an unreasonable or imprudent
21 manner in its decisions. However, Staff asserts that LAC's attempt to keep all of the gain
22 (exclusive of its charitable endeavors) and the vast majority of the relocation proceeds for its
23 shareholders is unreasonable and inappropriate.

Surrebuttal Testimony of
Jason Kunst

1 Q. What is the revenue requirement impact of Staff's proposed sharing of the gain
2 that resulted from the sale of Forest Park?

3 A. Staff's proposal applies the 51.16% non-equity portion of Staff witness
4 David Murray's proposed capital structure to the overall \$5.8 million gain to determine the
5 appropriate portion valued at \$2.96 million to share with ratepayers. Staff proposes that the
6 \$2.96 million ratepayer portion of the gain represents a regulatory liability that should be
7 amortized as a contra-expense over five years without rate base treatment. Staff's proposed
8 adjustment reduces the cost of service calculation by approximately \$593,000 annually for a
9 period covering five years following the effective date of rates in this case.

10 Q. What is Staff's position with regard to the appropriate ratemaking treatment for
11 the relocation proceeds that LAC received in connection with the sale of the Forest Park
12 utility assets?

13 A. During May 2014, LAC received an additional \$5.7 million of funds for
14 purposes of relocating Forest Park employees, property, and equipment elsewhere. During
15 the course of its audit, Staff learned that LAC dedicated approximately \$1.9 million of these
16 funds towards the purchase of furniture and fixtures for LAC's new headquarters located at
17 800 Market Street in downtown St. Louis. LAC subsequently recorded these purchases at a
18 "zero net book value" on its property records, an action that will only benefit customers
19 beginning with the effective date of rates in this rate case. After taking into account LAC's
20 furniture and fixture contribution to ratepayers as well as all quantified costs directly
21 associated with the Forest Park move, a \$3.5 million balance of relocation funds remained.
22 LAC has been unable to specify how it spent these funds, by stating in a response to OPC

Surrebuttal Testimony of
Jason Kunst

1 Data Request Nos. 1-96 and in a meeting with Staff that the “cash is fungible” and therefore
2 much of the spending was not specifically tracked.

3 It is Staff’s position the \$3.5 remaining balance of relocation funds would most
4 appropriately be used to partially offset the capital costs associated with construction of the
5 more expensive partial replacement facility located at 5311 Manchester Avenue. Therefore,
6 Staff recommends that a regulatory liability balance of \$3.5 million be reflected as a rate base
7 offset and be amortized over a five year period beginning with the effective date of rates in
8 the current case. For ratemaking purposes, Staff does not propose a reduction in expense as
9 part of the cost of service calculation to reflect a “return of” the balance through a
10 contra-expense amortization of the rate base regulatory liability. Staff took this approach of
11 sharing the relocation proceeds in a manner similar to Staff’s proposal to share the gain
12 proceeds. Staff’s proposed adjustment reduces the cost of service calculation by
13 approximately \$336,000 annually, for a period covering five years. This amount reflects
14 only a reduction in the cost of service calculation for the “return on” the \$3.5 million rate
15 base offset.

16 Q. Is the current LAC rate case the first rate case that Staff has had the
17 opportunity to address the appropriate ratemaking treatment for the gain associated with the
18 Forest Park utility property sale, the receipt of relocation funds directly associated with the
19 sale of the Forest Park utility property, and the subsequent construction of the new
20 Manchester Avenue utility service partial replacement facility?

21 A. Yes. In the previous LAC rate case, Case No. GR-2013-0171, LAC did not
22 file any testimony regarding its concerns that the Forest Park facilities were no longer

Surrebuttal Testimony of
Jason Kunst

1 necessary and useful or that it was in the process of negotiating a deal to potentially sell the
2 Forest Park assets.

3 Q. As part of this rate case, did any LAC witness file direct testimony to describe
4 or address the sale of the Forest Park utility assets or to explain how LAC used the relocation
5 funds it received to relocate employees, property, and equipment to their new locations?

6 A. No.

7 Q. As part of this rate case, did any LAC witness file direct testimony to describe
8 the acquisition of property located on Manchester Avenue and construction of the new
9 Manchester replacement facility that was placed into service during the test year or to provide
10 a quantification of the cost for the new facility?

11 A. No.

12 Q. As part of this rate case, did any LAC witness file testimony describing the
13 nature of the work that is performed at the new Manchester replacement facility?

14 A. No.

15 Q. Did LAC apply any amount of the gain on sale proceeds that it received from
16 this sale of utility assets as a contribution in aid of construction ("CIAC") offset or reduction
17 to the approximately \$7.7 million of capital costs that LAC subsequently incurred to construct
18 the 5311 Manchester Avenue partial replacement service center?

19 A. No. LAC recorded no CIAC rate base offset related to the gain, nor did it
20 record entries to reflect any "zero net book value" contribution of assets of any kind. In fact,
21 Staff learned during the course of its audit that LAC instead ** _____
22 _____

Surrebuttal Testimony of
Jason Kunst

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Q. On page 3, lines 6-8 of her rebuttal testimony, LAC witness Kopp states that Staff recommends that the gain be shared equally. Is this accurate?

A. No. As explained above, Staff's proposed sharing mechanism is based on Staff witness David Murray's proposed debt and equity portions of his recommended capital structure, rather than a 50/50 sharing.

Q. What gain did LAC calculate at the time of the sale?

A. LAC calculated an approximate \$7.6 million gain at the time of the sale during May 2014.

Q. How did LAC calculate the gain?

A. LAC only deducted the net book value of the land from the proceeds of the sale. The following chart summarizes LAC's calculation:

Sale Proceeds	\$8.3 Million
Less: Land Value	<u>\$0.7 Million</u>
Total Gain	\$7.6 Million

Q. Does Staff agree with LAC's calculation of the gain associated with the Forest Park sale?

A. No. The Staff believes that the net book value of the utility buildings should also be included in the calculation of the gain.

Q. Please show how Staff quantified the \$5.8 million gain that Staff maintains that LAC received as a result of the sale of the Forest Park utility property which includes both land and buildings.

³ **

Surrebuttal Testimony of
Jason Kunst

1 A. The following charts summarize the net book value of the assets that existed at
2 the time of the transaction and the Staff's calculation of the gain:

	<u>Net Book Value</u> <u>In Millions (\$)</u>
3	
4 <u>Utility Asset</u>	
5 Structures and Improvements	\$1.8 M
6 Land	<u>\$0.7 M</u>
7 Total Net Book Value	\$2.5 M
8	
9	<u>Gain</u>
10 Sale Proceeds	\$8.3 Million
11 Less: Total Net Book Value	<u>\$2.5 Million</u>
12 Total Gain	\$5.8 Million

13 Q. Why did LAC exclude the net book value of utility buildings from the
14 calculation of the gain?

15 A. LAC asserts that the Forest Park sale solely represents a "land transaction."
16 Consistent with LAC's preferred characterization of the transaction, LAC recorded journal
17 entries to reflect the retirement of the buildings at the time of the sale in order to remove the
18 net book value of the buildings from its utility property records and then to exclude the value
19 of the buildings from the overall gain calculation. However, Staff asserts that this was not
20 just a land transaction, because LAC owned and operated at least six utility buildings and
21 structures that were providing service to customers that were attached to land that was sold.

22 Those utility buildings and structures had a net book value of \$1.8 million at the time
23 of the sale. LAC also ignores the fact that ratepayers are still currently paying rates that
24 provide a return of and a return on those Forest Park utility buildings and structures that were
25 sold to Cortex.

26 Q. LAC witness Ms. Kopp lists four considerations that led to LAC's decision to
27 sell its Forest Park facility on page 7, lines 12-23 and page 8, lines 1-2 of her rebuttal
28 testimony. Do any of these listed factors change Staff's recommendation to share the gain

Surrebuttal Testimony of
Jason Kunst

1 and to create a regulatory liability for the portion of the employee relocation costs that should
2 have been applied as an offset to the construction cost of the Manchester facility?

3 A. No. None of these reasons justify LAC's attempt to keep \$12 million of the
4 overall \$14 million of total proceeds from ratepayers.

5 Q. Please respond to Ms. Kopp's first listed consideration that the Forest Park
6 sale was part of creating a shared services model and that moving management
7 employees from Forest Park to the downtown headquarters would facilitate better interaction
8 among personnel.

9 A. Staff has taken into consideration all costs that LAC has quantified with regard
10 to relocating employees to other locations. There has been no exclusion of any costs that
11 LAC has provided to Staff with regard to any relocation of Forest Park employees to other
12 locations to facilitate better interaction among personnel.

13 Q. Please respond to Ms. Kopp's second consideration that "around the same
14 time, the Company began a reorganization of its operations that reduced its operating districts
15 from 3 to 2 – eliminating the need to maintain the remaining field personnel at Forest Park."

16 A. The fact that 5311 Manchester is a different facility in comparison to the Forest
17 Park operating district has no bearing on the appropriate ratemaking treatment for the funds
18 that LAC received as a result of the sale. Furthermore, the 5311 Manchester facility
19 maintains oversight over approximately 100 operational personnel, the vast majority of which
20 were previously housed at the Forest Park facility. While the 5311 Manchester facility is
21 smaller in terms of employees and totality of operations in comparison to Berkeley,
22 Shrewsbury, and the prior Forest Park facility, it is significantly larger than any other

Surrebuttal Testimony of
Jason Kunst

1 satellite facility in terms of employees and typically deals with more complicated
2 infrastructure matters.

3 In a news article dated May 6, 2016, LAC Vice President of Field Operations stated
4 that the Manchester facility would house approximately 100 construction and maintenance
5 workers who previously worked at the Forest Park facilities. For a copy of this news article
6 please see Schedule JK-s3.

7 Q. Please respond to Ms. Kopp's third rebuttal testimony consideration as stated
8 on page 7, lines 20-23 that the previous Forest Park facilities had significant building
9 related issues.

10 A. LAC did not mention any of these concerns in testimony that was filed in Case
11 No. GR-2013-0171. Nevertheless, LAC did not incur any costs related to any of the
12 investment items needed at the Forest Park facilities or address any of these issues because the
13 sale did occur. Again Staff is not questioning the decision to sell the facilities but rather is
14 opposed to LAC shareholders receiving the entirety of the windfall as a result of the sale of
15 these facilities; one that required a partial replacement of critical aspects of Forest Parks'
16 facilities at 5311 Manchester.

17 Q. Please respond to Ms. Kopp's fourth consideration as stated on page 8,
18 lines 1-2 of her rebuttal that the Forest Park facility was subject to being taken through
19 eminent domain.

20 A. I am not an attorney, but I have been advised by counsel that the property was
21 subject to eminent domain. However, when Staff requested all documentation that LAC
22 possessed with regard to Cortex communicating any intention to use eminent domain, LAC
23 provided no such documents and referred Staff to the sales agreement contract. The sales

Surrebuttal Testimony of
Jason Kunst

1 agreement has a reference within the body that states that the property was subject to eminent
2 domain. During the context of the LAC 2013 rate case and the proposed merger case that
3 were ongoing during the time of the sale, LAC did not file any testimony or provide any
4 information in those proceedings regarding the possibility that Forest Park could be taken
5 under threat of eminent domain. Eminent domain was not actually exercised, and is not
6 relevant to how the windfall of proceeds received from the sale should be addressed for
7 ratemaking purposes.

8 Q. On page 9 of her rebuttal testimony, Ms. Kopp refers to the Manchester facility
9 as a "satellite service center." Do you disagree with her characterization?

10 A. Yes. During the course of its audit, Staff toured the service centers located
11 in Berkley and Shrewsbury, the new Manchester facility, and two of LAC's largest
12 satellite centers and interviewed LAC operations management personnel. The Manchester
13 facility fits in somewhere between the service centers and the satellite centers.
14 Approximately ** ___ ** employees are based out of the Berkley and Shrewsbury service
15 centers, however some of these employees are dedicated to job functions and services that are
16 more easily centralized, such as the vehicle, truck, and heavy duty equipment maintenance
17 performed at a centralized mechanic's garage, a laboratory for testing, and a tool shop.
18 The largest satellite center, located at Trade Center, only has ** ___ ** employees assigned to
19 it, and that facility functions differently than the Manchester facility, which has approximately
20 100 employees based there. As described earlier, the Manchester facility maintains a large
21 workforce of employees who are experienced with dealing with the more complex
22 infrastructure located in the city. This large workforce at Manchester provides leak detection
23 and emergency response to critical areas, facilitates the continued accelerated pace of the

Surrebuttal Testimony of
Jason Kunst

1 oldest LAC infrastructure which is located in the city, and also provides all of the other
2 services that LAC's other satellite centers provide, such as service and installation, meter
3 replacement, and diversion services. Finally, even though the new Manchester facility is not a
4 full service center, it is still a replacement for the Forest Park facilities that were sold to
5 Cortex, because the work performed at the Manchester facility is the same work that was
6 previously performed at the Forest Park facility.

7 Q. On page 9, lines 4 and 5 of her rebuttal testimony Ms. Kopp states the
8 buildings had a negative value. Does Staff agree with this statement?

9 A. Staff disagrees. The structures and improvements that were located at Forest
10 Park had a net book value of \$1.8 million. Staff took into account the book value of the land
11 when it recalculated the gain on the sale of the facilities.

12 Q. Throughout her rebuttal testimony, Ms. Kopp references the savings from the
13 facilities' restructuring and how this has benefited ratepayers. How does Staff respond?

14 A. Despite several references to savings, Staff found no quantification of savings
15 anywhere in Ms. Kopp's rebuttal testimony.

16 Q. Will the ratepayers realize any savings from the facilities' restructuring?

17 A. No. The current allocated portions of the leases for the new headquarters at
18 700 and 800 Market Street in downtown St. Louis amount to approximately twice the cost in
19 terms of lease payments and other related costs compared to what was being paid for the
20 previous LAC headquarters at 720 Olive Street in St. Louis and MGE's Broadway office
21 building in downtown Kansas City, Missouri. Additionally, the net book value of the new
22 Manchester facility is over \$5 million above the net book value of the previous Forest Park
23 facility. Even with the "substantial investments" mentioned by Ms. Kopp on page 7,

Surrebuttal Testimony of
Jason Kunst

1 lines 20-23 of her rebuttal testimony, the ratepayers would be paying less had LAC not
2 restructured its facilities. Therefore, her claims regarding savings are inaccurate.

3 Q. Please respond to Ms. Kopp's comments found on page 12, lines 11
4 through 18 of her rebuttal testimony regarding the overall restructuring of all Missouri
5 facilities resulting in synergies and savings for ratepayers.

6 A. As explained above, the facility decision pertaining specifically to Forest Park
7 did not result in cost savings to ratepayers, nor did the decision to relocate the corporate
8 headquarters to 700 and 800 Market Street. Much of the synergies and savings occurred as a
9 result of the termination of MGE employees that provided duplicate functions following the
10 merger and through a spreading of overheads to other recently acquired gas utilities located in
11 Alabama and Mississippi. The acquisitions and the restructuring decisions had little to do
12 with LAC's decision to sell the Forest Park properties in June 2013.

13 Q. What is LAC's rebuttal testimony response to the Staff's proposed
14 ratemaking recommendation to establish a \$3.5 million regulatory liability pertaining to the
15 relocation proceeds as a rate base offset to be amortized over five years as described in the
16 Staff Report?

17 A. Staff found no LAC rebuttal testimony responsive to Staff's proposed
18 ratemaking treatment for establishing a regulatory liability rate base offset for the \$3.5 million
19 of relocation proceeds.

20 Q. Has LAC sold other properties in recent years for which Staff did not
21 recommend sharing of the proceeds of the gain of the sale?

22 A. Yes. In LAC rate case, Case No. GR-2010-0171, Staff agreed that the
23 gain on the sale of the gas holders that were located near the Shrewsbury service center

Surrebuttal Testimony of
Jason Kunst

1 should be booked "below-the-line," so these gains were retained entirely by
2 LAC shareholders.

3 Q. How does the sale of the gas holders differ from the sale of the Forest Park
4 facility?

5 A. The gas holders were incapable of providing service, were fully depreciated,
6 and were not replaced. In a prior LAC rate case, Case No. GR-99-315, LAC witness
7 Richard A. Kottemann addressed LAC gas holders on page 15, lines 8-10 of his direct
8 testimony, stating, "Unlike a mass property account that is perpetuated by additions
9 and replacements of retired plant, the holder assets that are in place will not be added to
10 or replaced."

11 Q. Are there any other instances where LAC routinely receives funds to relocate
12 its infrastructure?

13 A. Yes. LAC is often required to relocate its natural gas mains and other
14 infrastructure for road improvements and other governmental projects. In almost every such
15 occasion, LAC receives reimbursement.

16 Q. When LAC is reimbursed for relocating its infrastructure in these instances,
17 how are these funds accounted for?

18 A. The reimbursement for relocation cost is recorded as CIAC in an amount equal
19 to capital investment costs incurred. The result is a zero net book value for the capital costs
20 that were incurred to relocate the gas mains. Therefore, ratepayers are not required to pay
21 either a return on or return of this relocated property. Likewise, Staff proposes that ratepayers
22 receive some appropriate recognition for the relocation proceeds that LAC received as a result
23 of the sale of Forest Park property.

Surrebuttal Testimony of
Jason Kunst

1 Q. How does Staff respond to OPC witness Charles R. Hyneman's proposed
2 treatment of the gain on the sale of the Forest Park facilities, as described on pages 2
3 through 6 of his rebuttal testimony?

4 A. Staff's position is that Mr. Hyneman's proposal to treat the adjusted level of
5 proceeds that LAC received as a result of selling Forest Park utility assets as an increase to
6 depreciation reserve in order to offset the overall rate base value of the Manchester facility
7 also represents an acceptable alternative recommendation for the Commission. This treatment
8 would be somewhat akin to a typical situation where a utility sells a utility vehicle and then
9 takes into account this salvage value of the sold vehicle in a manner that reduces the rate base
10 value of the replacement vehicle.

11 Q. Please summarize Staff's recommendation regarding the proceeds of the sale
12 of the Forest Park facility.

13 A. It is Staff's position that the newly constructed Manchester facility is a
14 replacement for the previous facilities that were located at Forest Park Ave. In this unique
15 circumstance where utility property was sold for a substantial gain and subsequently replaced,
16 Staff believes that it is appropriate to share the gain on the sale of the property between the
17 ratepayers and the shareholders. Staff recommends that the gain be split using Staff's capital
18 structure. Staff recommends that the ratepayer portion of the gain be put into a regulatory
19 liability, without rate base treatment, and amortized over five years.

20 Furthermore, Staff recommends that the relocation funds, less any expenses used to
21 relocate the employees and equipment from Forest Park, and all zero net book value property
22 reflected on LAC's books be recorded as a regulatory liability, with rate base treatment,

Surrebuttal Testimony of
Jason Kunst

1 and amortized over five years, with no reduction to the cost of service to reflect a
2 contra-expense amortization.

3 **CREDIT CARD TRANSACTION FEES**

4 Q. Please provide a brief description of the issue.

5 A. In the Partial Stipulation and Agreement filed as part of Case No.
6 GR-2009-0355, MGE was allowed to begin recovering in rates the per-transaction expense
7 associated with processing customer credit card payments. Prior to that case, each customer
8 who utilized this form of payment was responsible for those transaction fees. This cost
9 recovery was not challenged by the parties in MGE's last rate case, Case No. GR-2014-0007,
10 and MGE has continued to recover these transaction fees in rates. LAC requested similar
11 treatment for credit card processing fees as part of its direct testimony in this case.

12 Staff has included a level of credit card processing fees for both MGE and LAC in this
13 current case. The company also proposes to include a level of credit card processing fees in
14 the cost of service.

15 Q. What position has OPC taken on this issue?

16 A. OPC did not include a level of credit card processing fees and states that this is
17 socialization of a cost rather than a cost based on cost causation. They believe that
18 socialization of credit-card fees means all customers will pay for these fees, even though
19 only some customers actually pay their bills using this method.

20 Q. How did Staff calculate the annualized amount to include in rates for
21 these fees?

22 A. Staff recommended as part of its direct testimony that the actual credit card
23 processing fees for the 12 months ending June 30, 2017, be included as the annualized amount

Surrebuttal Testimony of
Jason Kunst

1 to include in rates for MGE. Since MGE is allowed to recover these payments in rates, for
2 consistency purposes, Staff recommends similar treatment for the credit card processing fees
3 for IAC. Staff has included an annualized amount for credit card processing fees for LAC,
4 based on the number of actual credit card payments that occurred for LAC during the
5 12 months ending June 30, 2017, multiplied by the known and measureable average per
6 payment transaction fee incurred by MGE for the same period. Staff also intends on
7 reviewing this issue as part of its true-up analysis. Staff and LAC/MGE agree on the test year
8 as an appropriate level of credit card fees for MGE but Staff and LAC/MGE do not agree on
9 the amount of credit card fees to include for LAC.

10 Q. How does LAC/MGE witness Noack propose to calculate the amount of credit
11 card transaction fees to include in rates for LAC?

12 A. Mr. Noack proposes to apply the percentage use of credit card transactions that
13 MGE experienced for the 12 months ending January 2017 and apply that percentage to the
14 total number of payments received by LAC, during that same time frame to annualize the
15 number of transactions. The annualized transactions are then multiplied by the average per
16 transaction fee that is currently charged at MGE.

17 Q. Does Staff believe this is an appropriate method to use?

18 A. No. MGE currently has approximately 30% of customers paying by credit or
19 debit card, while LAC customers currently pay by credit/debit card only 11% of the time.
20 Mr. Noack's method does not account for the gradual ramp of the credit/debit card payments
21 over time, such as what occurred when MGE was allowed to collect credit card fees in the
22 cost of service. The following chart highlights the gradual ramp up of credit card usage to
23 pay MGE residential bills.

Surrebuttal Testimony of
Jason Kunst

1

Year	Credit/Debit Transactions	Residential Customers	Credit Card Usage
2012	766228	5296985	14%
2011	616920	5264692	12%
2010	405243	5322459	8%
2009	228250	5343017	4%
2008	195029	5355683	4%

2

3 In 2009, the year prior to MGE taking over the responsibility for credit card transaction fees,
4 only 4% of residential customers used their credit or debit card to pay their bill. In 2011 and
5 2012, the number of customers using credit cards increased slightly.

6 Q. On Page 5, lines 6-10 of the rebuttal testimony of LAC/MGE witness Noack,
7 he states, "Once that customer fee is eliminated, it should be expected that the number of
8 credit card payments by LAC customers will increase the same way MGE's did.
9 Accordingly, the allowance proposed by the Company relating to such payments is a far more
10 accurate estimate of what the actual fees are likely to be." How does Staff respond?

11 A. Staff agrees that it is possible that the number of payments may increase after
12 the customer charge is removed; similar to how MGE's did after the change, which was a
13 gradual increase over time as highlighted by the chart above. However, this change has not
14 yet occurred and is at this time not known and measureable. The methodology proposed by
15 Mr. Noack does not take into account the current reality of the level of transactions that are
16 actually occurring and in turn would build an inappropriately high level of expense in the cost
17 of service. Staff is of the opinion that the actual number of transactions experienced by
18 LAC in the 12 months ending June 30, 2017, and then later updated at September 30, 2017,
19 is a better reflection of the number of transactions that LAC will experience as a going
20 forward amount.

1 **REBRANDING COSTS**

2 Q. On page 24, lines 3-4, of LAC/MGE witness Lobser's rebuttal testimony,
3 regarding the Spire rebranding costs issue he states, "the expenditures were a reasonable,
4 one-time transition cost incurred to achieve the integration of MGE and LAC." How does
5 Staff respond?

6 A. Staff agrees that the rebranding costs are a one-time non-recurring expenditure;
7 however, Staff does not believe they are a transition cost stemming from the merger of
8 Laclede Gas and MGE. The merger of Laclede Gas and MGE was finalized in September of
9 2013, and Spire has since acquired Alagasco in 2014 and Energy South ("ESI") in 2016.
10 Staff believes this rebranding is more of a shareholder decision to incorporate the acquisitions
11 of not just MGE but also Alagasco, ESI, and any future acquisitions under one umbrella,
12 rather than just being a decision to rebrand due to the merger of LAC and MGE. Please see
13 the surrebuttal testimony of Keith Majors for Staff's recommended treatment of transition
14 costs and why these rebranding costs do not qualify as such.

15 Q. Please describe what is meant by a "one-time" cost.

16 A. One-time costs are costs that are non-recurring, and as such, LAC and MGE
17 are not likely to incur them again in the future. Because these costs are not likely to be
18 incurred in the future, they are normally removed from the test year, as they are not
19 representative of LAC's and MGE's on-going levels of expense.

20 Q. On page 25, lines 17-21 of his rebuttal testimony, Mr. Lobser suggests
21 that "...the synergies produced by our growth activities have been well in excess of our
22 transition costs, including these expenditures which were part and parcel of our efforts to
23 integrate our businesses. Accordingly, customers are not and will not be asked to pay any net
24 costs associated with the name change." Does Staff believe that is an accurate statement?

Surrebuttal Testimony of
Jason Kunst

1 A. No. Staff takes the position that the rebranding costs are not transition costs
2 related to MGE's acquisition. If they were, Spire Missouri would have embarked on this
3 rebranding subsequent to the purchase of MGE rather than incurring the cost many years later
4 after acquiring two additional utilities. ** _____

5 _____ **
6 Costs related to an acquisition strategy relate to shareholder decisions for which the costs
7 should not be borne by the ratepayers. LAC and MGE's position in this case is to recover
8 these costs as part of their transition costs and to bundle the rebranding costs with other
9 non-capital transition costs and include 50% of those costs in rate base and then amortize
10 them over five years.

11 Q. Did customers have choice as to whether LAC and MGE rebranded to Spire
12 and do they receive any benefits from the rebranding efforts?

13 A. No. The rebranding did not provide any direct benefits to the ratepayers. They
14 continued to receive the same service from the same employees of the same utility company
15 after the rebranding as they did the day before the rebranding.

16 Q. Did any customers raise concerns regarding paying for the rebranding costs
17 during the local public hearings for the current rate case?

18 A. Yes. Several customers expressed similar concerns as Staff about paying for
19 the change in name from LaClede Gas or Missouri Gas Energy to Spire.⁴

20 Q. Did LAC/MGE conduct any surveys of customers regarding the potential
21 name change?

⁴ Please see transcripts for the following local public hearings:

Kansas City, MO – Local Public Hearing – Volume 11 – October 11, 2017 – Page 300 lines 5-10

St. Louis, MO – Local Public Hearing- Volume 8, October 3, 2017 – Page 211 lines 7-21

Sunset Hill, Mo Local Public Hearing – October 5, 2017 – Volume IX – Page 234, lines 6-14

Kansas City, MO Local Public Hearing – October 12, 2017 – Volume 12 – Page 331 Line 4- Page 332 line 3

Surrebuttal Testimony of
Jason Kunst

1 A. Yes. As part of the response to Staff Data Request No. 0198, LAC/MGE
2 provided Staff the results of customer surveys. ** _____
3 _____
4 _____

5 _____ **

6 Q. Did LAC/MGE also ask customers if they were willing to pay more in utility
7 rates as a result of the name change in the aforementioned survey?

8 A. No. They did not ask the customers if they were willing to pay more in rates
9 for a name change or if they would potentially pay more as a result of the name change in the
10 survey mentioned above.

11 Q. Have any other utilities regulated by the Missouri Public Service Commission
12 incurred costs to “rebrand” in the past?

13 A. Yes. Union Electric changed its name to AmerenUE and then subsequently
14 transitioned its name from AmerenUE to Ameren Missouri in 2010.

15 Q. Did Ameren Missouri attempt to recover the costs for rebranding in rates?

16 A. No. In Case No. ER-2011-0028, Ameren Missouri agreed with Staff that these
17 costs should not be recovered in rates.

18 Q. Is it Staff’s opinion that the rebranding was done with future acquisitions
19 in mind?

20 A. Yes. Staff was provided with documents in the response to Staff Data
21 Request No. 0199 that indicate that the rebranding was done with future acquisitions in mind.

22 ** _____
23 _____

24 _____ **

Surrebuttal Testimony of
Jason Kunst

1 Q. Please summarize Staff's position on the rebranding costs.

2 A. The rebranding costs are one-time non-recurring costs and should be removed
3 from the test year. Staff also takes the position that any costs for rebranding that occurred
4 subsequent to the test year are not transition costs for the LAC and MGE merger and should
5 not be included in the cost of service in any manner. The decision to rebrand is a corporate
6 decision made primarily for the benefit of the shareholders to promote its acquisition strategy.
7 Ratepayers should not be asked to fund the costs of the name change, when they will be
8 receiving the same service from the same employees.

9 **800 MARKET LEASE**

10 Q. On page 12, lines 4-7 of his rebuttal testimony, Mr. Lobser states,
11 "The Company shall have a portion of a lease expense for 800 Market disallowed for
12 temporary vacancies in cubicles, despite the Company creating additional cost savings for
13 customers related to those vacancies, despite it already having plans in place to reorganize
14 functions to make use of that available space." Did Staff request a copy of the plans
15 referenced by Mr. Lobser?

16 A. Yes. Staff submitted Data Request No. 0497, in which the response indicated
17 that LAC was in "the preliminary planning phase of reconfiguring the space at 800 Market,
18 please see Schedule JK-s5 Staff finds that Mr. Lobser's statement in testimony is misleading,
19 as according to the response to the above data request, there is no current formal plan in place
20 for the unused space at 800 Market.

21 Q. Does this complete your testimony?

22 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Request to Increase Its Revenues for)
Gas Service) Case No. GR-2017-0215


In the Matter of Laclede Gas Company)
d/b/a Missouri Gas Energy's Request to)
Increase Its Revenues for Gas Service) Case No. GR-2017-0216

AFFIDAVIT OF JASON KUNST

STATE OF MISSOURI)
) ss.
COUNTY OF ST. LOUIS)

COMES NOW JASON KUNST and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

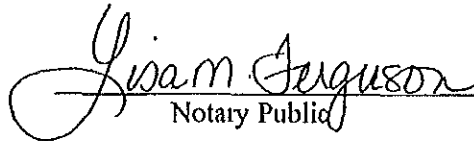


JASON KUNST

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 20th day of November, 2017.

LISA M. FERGUSON
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: June 08, 2020
Commission Number: 16631602



Notary Public

SCHEDULE JK-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Attachment 1

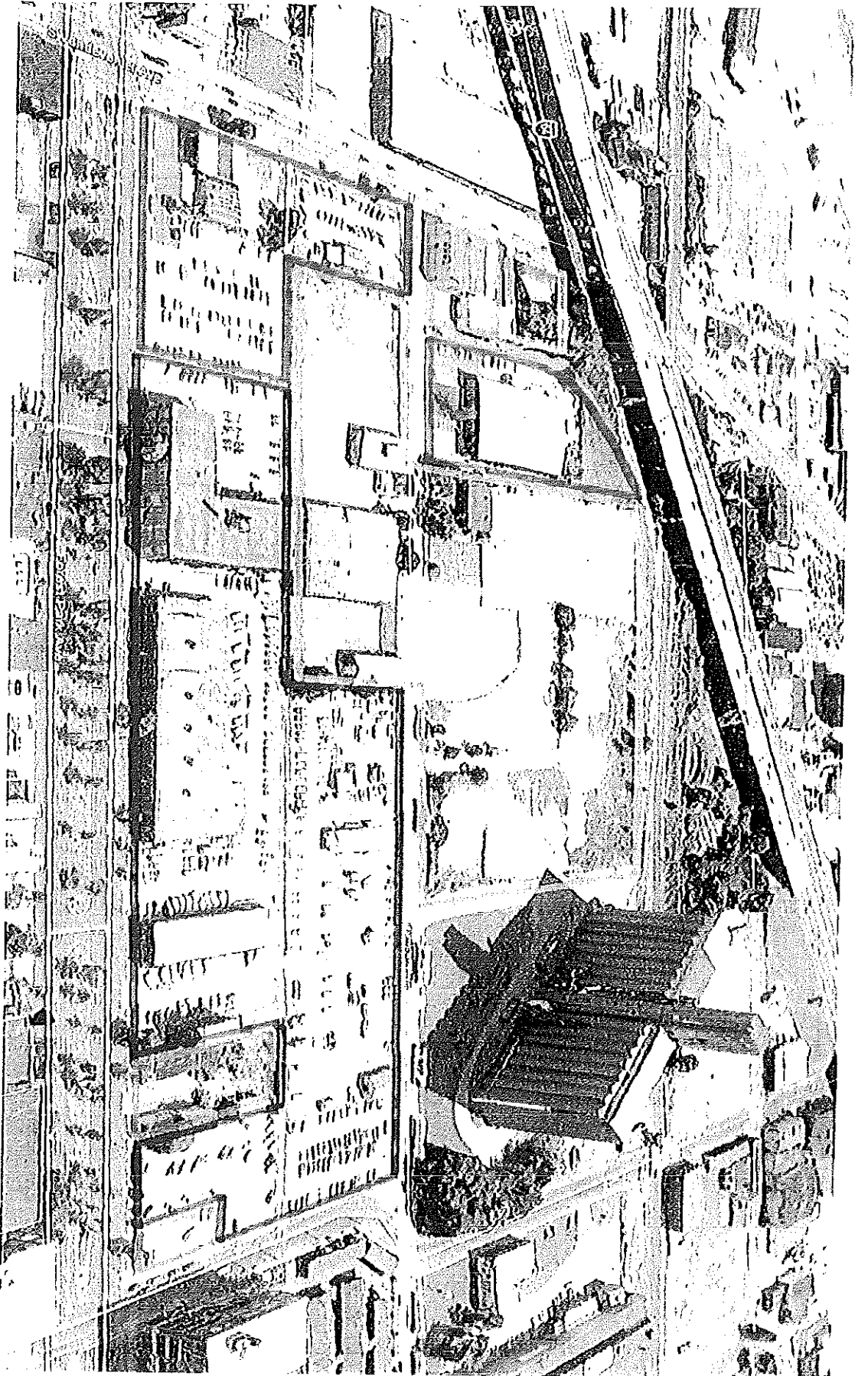
TO

SCHEDULE JK-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY



Laclede Gas Existing Forest Park Service Center = Red

Cortex Property = Yellow

United Refrigeration = Orange

Laclede Gas 1/7/13 acquisition of West End BRB property = Pink

Crescent Realty = Blue

Lopata = Green





REAL ESTATE ANALYSTS LIMITED

6255 KNOX INDUSTRIAL DRIVE • ST. LOUIS, MO 63139-3023

PH 314.965.1171 • FX 314.965.2622

APPRAISERS@REANALYSTS.NET

March 27, 2013

Mr. Michael B. Sullivan
Vice President of Real Estate
And Financial Operations
CORTEX
4320 Forest Park Avenue, Suite 20
St. Louis, Missouri 63108

Dear Mr. Sullivan:

At your request, we have personally inspected the property located at 3950 -- 4062 Forest Park Avenue and 4001 - 4045 Duncan Avenue, in the City of St. Louis, Missouri 63110.

This Summary appraisal report, of which this letter is a part, describes in summary format the land and method of appraisal; and contains pertinent data considered in reaching our conclusions. The scope and content of this appraisal follows the Uniform Standards of Professional Appraisal Practice (USPAP).

As the result of our analysis, it is our opinion that the "As-Though Vacant" market value of the fee simple interest in the property, subject to the limiting conditions and certification contained in this report, as of March 26, 2013, is:

SEVEN MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS (\$7,440,000)

Our market value conclusion "As-Though Vacant" is made under the Hypothetical Condition that all demolition is complete as of the date of value and the site is vacant.

Further, it is our opinion that the "As-Is" market value of the fee simple interest in the property, subject to the limiting conditions and certification contained in this report, as of March 26, 2013, is:

SIX MILLION EIGHT HUNDRED NINETY THOUSAND DOLLARS (\$6,890,000)

The following appraisal report, of which this letter of transmittal is a part, will indicate how we have arrived at this value conclusion. This letter is invalid as an opinion of value if detached from the report that contains the text and exhibits. It has been a pleasure working on this assignment for you. If you or your associates have any questions concerning the information contained in this report, we will be happy to answer them.

Respectfully submitted,

REAL ESTATE ANALYSTS LIMITED



Michael C. Curran
Principal

Attachment 4

TO

SCHEDULE JK-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Attachment 5

TO

SCHEDULE JK-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

REAL ESTATE PURCHASE AGREEMENT

This Real Estate Purchase Agreement (this "Agreement") is made and entered into as of the 27th day of June, 2013 (the "Effective Date"), by and between LACLEDE GAS COMPANY, formerly known as Laclede Gas Light Co., a Missouri corporation ("Seller"), with an address of 720 Olive Street, St. Louis, MO 63101, Attn: Ellen Theroff; Fax: (314) 421-1979; Email: etheroff@thelacledegroupp.com; and CENTER OF RESEARCH, TECHNOLOGY AND ENTREPRENEURIAL EXCHANGE ("Purchaser"), with an address of 4320 Forest Park Ave., Suite 201, St. Louis, MO 63108, Attn: Michael B. Sullivan; Fax (314) 531-4501; Email: msullivan@cortexstl.com.

For and in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Purchaser hereby agree as follows:

1. Property to be Conveyed. Subject to the terms and conditions contained herein, Seller shall sell to Purchaser and Purchaser shall purchase from Seller the tract of real property commonly known and numbered as 3950, 4000, 4040, 4044, 4052, 4060, and 4062 Forest Park Avenue and 4001 Duncan Avenue, St. Louis, Missouri, as more particularly described in Exhibit "A", attached hereto and incorporated herein by reference together with (a) all buildings and improvements of every kind and description erected, situated or placed thereon, if any, (b) all rights, privileges, easements and appurtenances thereto, and (c) all of Seller's rights, titles and interests in and to (i) any and all strips or gores of land lying between such real property and any adjoining property or street, road, highway, avenue, alley, waterway, right of way (open or proposed), or public way, including any after acquired title or reversion in and to the same, and (ii) any and all adjacent streets, roads, highways, avenues, alleys, waterways, rights of way (open or proposed), or public ways, including any after acquired title or reversion in and to the same (collectively, the "Property").

2. Purchase Price; Earnest Money Deposit. The purchase price for the Property shall be EIGHT MILLION THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$8,300,000.00) (the "Purchase Price"), subject to all adjustments to be made on the Closing Date (as hereafter defined), which Purchase Price, as adjusted, will be paid on the Closing Date in immediately available funds. Within five (5) business days following the Effective Date, Purchaser shall deposit with Title Company (as defined below) as earnest money to bind this Agreement, the amount of ONE HUNDRED TWENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$125,000.00) (the "Deposit"). Title Company shall, at Purchaser's election, hold the Deposit in an interest-bearing account. The Deposit shall be held, disbursed and applied in accordance with the terms and conditions of this Agreement.

3. Relocation. Purchaser is the sole shareholder of CORTEX West Redevelopment Corporation, a Missouri urban redevelopment corporation organized pursuant to Chapter 353 of the Missouri Revised Statutes ("CWRC"). The Board of Aldermen of the City of St. Louis has declared a certain area within the City of St. Louis, including the Property, as blighted and has approved a plan for redevelopment which authorizes the use of eminent domain by CWRC to acquire the blighted property, including the Property. In lieu of CWRC exercising its rights of eminent domain, Seller has agreed to sell the Property to Purchaser pursuant to this Agreement.

Seller is also entitled to relocation expenses related to moving its business to a relocation property. As consideration for (a) Seller's expenses in relocating its business from the Property and Seller's waiver of any other assistance, benefits or other compensation to which Seller may have been entitled had CWRC instituted eminent domain proceedings against Seller, and (b) the elimination of future costs and delays Purchaser may have incurred had Seller declined to sell the Property and had CWRC instituted eminent domain proceedings to acquire the Property, Purchaser agrees to pay to Seller at Closing a lump sum payment in the amount of FIVE MILLION SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS (\$5,700,000.00) (the "Relocation Payment") to cover, by way of example and not limitation, Seller's otherwise reimbursable relocation expenses including the costs of moving, packing, crating, disconnection, dismantling, reassembling and installing all personal equipment and reestablishment expenses for physical improvements to the replacement property to accommodate Seller's business at the relocation property. Purchaser shall not be liable to Seller for any relocation costs or expenses exceeding the amount of the Relocation Payment, and upon payment of the Relocation Payment, Seller hereby waives any and all rights or claims for relocation expenses in connection with the sale of the Property to Purchaser.

4. **Closing.** Subject to the terms and conditions contained herein, the sale and purchase transaction contemplated by this Agreement shall be closed (the "Closing") through St. Louis Title, L.L.C., at its office located at 7701 Forsyth Blvd., Suite 200, Clayton, Missouri 63105, Attn: Kelly Cochran (the "Title Company") on June 30, 2014 (the "Closing Date"), unless otherwise mutually agreed upon by the parties. Notwithstanding the foregoing, if Seller agrees to any thirty (30) day extension(s) of the Due Diligence Period as allowed for under Section 6(c) below, Seller may, upon written notice, extend the Closing Date for a period of time not to exceed the length of such Due Diligence Period extension(s). On the Closing Date, Seller shall convey to Purchaser good and marketable fee simple title to the Property by Special Warranty Deed (the "Deed"), in proper form for recording, subject to no liens, charges, claims, actions, encumbrances, easements, conditions or title exceptions or matters of any kind whatsoever except the Permitted Exceptions (as hereafter defined), and Purchaser shall deliver to Seller by immediately available funds cash in an amount equal to the Purchase Price, as adjusted as required herein, and the Relocation Payment. The legal description of the Property in the Deed shall be Seller's legal description of record. At the request of Purchaser, Seller shall also deliver to Purchaser a quitclaim deed with the legal description conforming to the legal description thereof contained in the Survey and Title Policy (as defined below) to the extent it differs from Seller's title. On the Closing Date, Seller shall deliver to Purchaser exclusive possession of the Property, free of all tenancies and occupancy agreements or rights regarding possession.

5. **Title Insurance.** Purchaser's obligations hereunder are subject to: (a) the ability of Purchaser to obtain a binding commitment for title insurance (the "Commitment") pursuant to which the Title Company shall issue to Purchaser an ALTA owner's policy of title insurance in form and substance acceptable to Purchaser (the "Title Policy"), insuring that at the time of recordation of the Deed, there is vested in Purchaser fee simple title to the Property, free and clear of all liens, charges, claims, actions, encumbrances, easements, conditions or title exceptions or matters of any kind or nature, except those title exceptions or matters acceptable to Purchaser as determined in Purchaser's sole and absolute discretion during the Due Diligence Period (the "Permitted Exceptions"), and (b) the Title Company actually issuing the Title Policy as of the Closing. If the Commitment (or the Survey (as defined below)) reveals any exceptions,

encroachments, matters or defects other than the Permitted Exceptions, Purchaser shall have the option, on or prior to the expiration of the Due Diligence Period, of electing to either: (i) complete this transaction pursuant to the terms hereof and accept at Closing such title as Seller is able to convey, or (ii) terminate this Agreement by notifying Seller in writing of such termination on or before the expiration of the Due Diligence Period. Notwithstanding anything herein to the contrary, Seller shall be responsible for satisfying and discharging on or prior to Closing, any deeds of trust, mortgages or other liens or encumbrances that may be discharged by the payment of an ascertainable sum of money. In addition, Seller shall be responsible for removing any exceptions to title which arise between the Effective Date and Closing unless created by or with the written consent of Purchaser. Furthermore, Seller shall deliver at Closing all documents and instruments necessary in the reasonable opinion of Title Company to consummate the transaction contemplated herein and to issue to Purchaser the Title Policy in the form required by Purchaser, including, without limitation, an owner/vendor's affidavit of title and a FIRPTA affidavit, both in forms acceptable to the Title Company.

6. Due Diligence.

(a) **Seller Deliverables.** Within ten (10) business days of the Effective Date, Seller will deliver to Purchaser the documents described on Exhibit "B", attached hereto and incorporated herein by reference.

(b) **Due Diligence Period.** Purchaser shall have through 5 P.M. CST on November 29, 2013 (the "Due Diligence Period") to conduct those surveys, testings, investigations and inspections of the Property desired by Purchaser (including, without limitation, environmental reports, testing and soil borings) and to pursue those permits and approvals necessary or desirable for Purchaser's intended development and/or use of the Property. Seller shall allow Purchaser and its designees and their agents, representatives and contractors access and entry to the Property at all reasonable times from the Effective Date through the end of the Due Diligence Period for purposes of conducting any and all such surveys, testings, investigations and inspections, and to determine, in Purchaser's sole discretion, whether to proceed with the purchase of the Property. Prior to entering the Property, (i) Purchaser and its contractors shall provide Seller proof of insurance as required in Section 6(f), and (ii) will coordinate the timing of such inspections with Ellen Theroff, representative of Seller. Purchaser agrees that its inspection of the Property shall be conducted so as to cause a minimum of disturbance to the Property and to Seller's business operations. In the event of any physical disturbance to the Property caused by such inspections, Purchaser shall promptly restore the Property to its pre-inspection condition at Purchaser's expense. In the event Purchaser obtains a survey of the Property during the Due Diligence Period (the "Survey"), at Purchaser's election, the metes and bounds description of the Property resulting from the Survey shall be the description of the Property in the quitclaim deed to be furnished hereunder.

(c) **Extensions of the Due Diligence Period.** If Purchaser and Seller mutually agree in their discretion that additional time is necessary to complete the due diligence activities, Purchaser shall have the right to extend the Due Diligence Period for two (2) additional periods of thirty (30) days each (each an "Extension Period"), upon written notice delivered to and approved in writing by Seller in its sole discretion prior to the expiration of the then-current Due Diligence Period. Upon the exercise of an Extension Period, Purchaser shall deliver to Title

Company within three (3) business days after each such exercise an additional earnest money deposit in the amount of TWENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$25,000.00) (each an "Additional Deposit"). Each Additional Deposit shall be non-refundable to Purchaser but shall be applicable to the Purchase Price.

(d) **Termination.** In the event Purchaser, in its sole discretion, is not satisfied with any report, inspection or assessment regarding the Property or Purchaser otherwise determines in its sole discretion not to proceed with the transaction under this Agreement for any reason (or no reason), Purchaser shall have the right, at its election and subject to Purchaser's obligations pursuant to Section 30 hereof, to terminate this Agreement by notifying Seller in writing of such termination on or before the expiration of the Due Diligence Period, as the same may be extended. Should Purchaser so elect to terminate this Agreement during the initial Due Diligence Period, then the Deposit (less \$100.00, which shall be paid to Seller as independent consideration) shall be returned to Purchaser. Should Purchaser so elect to terminate this Agreement during an Extension Period, then the Deposit and any Additional Deposits paid in accordance herewith shall be delivered to Seller, and neither party will have any further obligation to or claim against the other under this Agreement. The adequacy of this independent consideration is expressly acknowledged by Seller by its execution of this Agreement.

(e) **Indemnification of Seller.** Purchaser shall indemnify, defend and hold Seller harmless from and against any and all damages, costs, claims, liabilities, fines, penalties and causes of action resulting from, arising out of or relating to any damage to property or injury to persons that may arise in connection with Purchaser's and/or any of its agents', employees', contractors' or representatives' acts or omissions on the Property, including, without limitation, any damages, costs, claims, liabilities, fines, penalties and causes of action arising out of or relating to any environmental damage to property or injury to persons, except to the extent the same are caused by the sole negligence of Seller. The indemnification shall survive Closing of this Agreement, and any termination of this Agreement whether or not the contemplated Closing has occurred.

(f) **Insurance.** From and after the Effective Date until the earlier of the Closing Date or the date this Agreement is terminated, Purchaser shall procure and maintain, at its sole cost and expense, either directly or through its contractors and/or subcontractors, insurance policies underwritten by insurance companies that have a current A.M. Best Co. rating of A or A+, financial category XII or higher, and/or are otherwise acceptable to Seller, which are authorized to do business in the State of Missouri, which will protect Purchaser and its contractors, agents and representatives from liability under any workers' compensation law, and any other employee benefit or employer liability law, and from liability because of damage to property and bodily injuries, including, without limitation, death, to persons other than its employees, including claims arising out of the ownership, maintenance or use of motor vehicles. Such policies, excluding workers' compensation, shall provide a waiver of subrogation against Seller and its affiliated companies. Such policies shall include, but are not limited to, coverage against the following hazards for the minimum limits of liability indicated for each:

(i) Workers' Compensation as follows:

The legal liability under the Workers' Compensation Act of the State of Missouri and any other employee benefit statute or law of Missouri. With respect to employer's liability coverage under any workers' compensation insurance policy, the limit of liability shall be not less than \$1,000,000 for each accident or occurrence.

(ii) General Liability and Indemnity as follows:

Comprehensive general liability insurance covering Purchaser and its employees, agents, contractors and representatives on an occurrence basis in the minimum amounts of Three Million Dollars (\$3,000,000) per occurrence and Five Million Dollars (\$5,000,000) annual aggregate of all claims for legal liability for injuries to, or death of, any person or persons other than Purchaser's employees or damage to property of others. Such coverage shall contain contractual liability coverage and shall be written on an "occurrence" basis and not on a "claims made" basis. Certificates of insurance must specify that coverage is on an "occurrence" basis.

Environmental impairment liability policy, including contractual liability that covers Purchaser's and its employees', agents', contractors' and representatives' pollution with a limit of not less than \$3,000,000 Each Occurrence, Bodily Injury and Property Damage and \$3,000,000 Annual Aggregate. If this coverage can only be obtained on a "claims made" basis then, the contractor must provide either a contractual commitment that they will "renew the coverage in terms as great and as broad as presently held for at least the next five years" (the insurance company can be different); or, provide an "extended reporting provision" also known as a "tail," on the coverage for a period of at least the next five years.

(iii) Commercial Automobile Liability as follows:

Coverage shall include the legal liability of the Purchaser and its contractor, agents and representatives for bodily injuries and damage to the property of others arising out of the ownership, maintenance or use of any motor vehicle by Purchaser, its contractors, agents and representatives, in an amount not less than \$3,000,000 for each person and \$3,000,000 for each accident. Such coverage, which shall apply to owned, rented or leased, and non-owned vehicles, shall contain contractual liability coverage and be written on an "occurrence" basis and not on a "claims made" basis. Certificates of insurance must specify that coverage is on an "occurrence" basis.

(iv) Umbrella/Excess Liability Insurance as follows:

This coverage shall be optional. Any part of the required limit for employers' liability, comprehensive general liability, protection and indemnity (including environmental coverages) and/or comprehensive automobile liability may be provided by an umbrella or excess liability policy.

All policies shall be so written that Seller will be notified of cancellation or any restrictive amendment of the policies at least thirty (30) days prior to the effective date of such cancellation or amendment. Notices shall be sent by registered mail to Seller at the following address:

Laclede Gas Company
720 Olive Street, Suite 1500
St. Louis, Missouri 63101
Attn: Ellen L. Theroff

Certificates of Insurance, in duplicate, indicating the coverage required in Subsections (i) through (iv) of this Section, shall be filed with Seller prior to Purchaser or its agents, employees, contractors or representatives entering the Property.

All policies shall be written in compliance with this Section and, except workers' compensation/employer's liability shall include the below-named Laclede Gas Company and its affiliated companies as additional insured parties for liability arising out of the named insured's operations, and with the additional insured coverage under the general liability policy to include both ongoing and completed operations for five (5) years after the end of the Due Diligence Period, and for such coverage to be on a primary basis in relation to the additional insured's own policy, which will be non-contributing:

Laclede Gas Company
720 Olive Street
St. Louis, MO 63101

To the extent that Purchaser elects to procure and maintain any of the required insurance through a contractor and/or subcontractor, the contract between Purchaser and such contractor and/or subcontractor shall include language for the benefit of Purchaser substantially similar in all respects to the language contained in this Agreement with regard to indemnification and insurance.

(g) Materials to be Provided by Purchaser to Seller. Notwithstanding anything to the contrary contained in this Agreement, Purchaser shall promptly provide to Seller a copy of any third party written materials generated or obtained by Purchaser relating to the inspection, testing or assessment of the Property.

(h) Access After Due Diligence Period. Seller shall allow Purchaser and its designees and their agents, representatives and contractors access and entry to the Property at all reasonable times from the end of the Due Diligence Period until the Closing Date for pre-construction evaluation purposes, subject to all the insurance, indemnification, scheduling and coordination provisions set forth in this Section 6.

7. **Certain Representations of Seller.** Seller represents and warrants to Purchaser that as of the date of this Agreement and as of the Closing Date: (a) to Seller's knowledge, Seller has good and marketable fee title to the Property; (b) all property taxes and special assessments with respect to the Property which were due and payable prior to the date hereof have been paid in

full, and those due prior to the Closing Date will be paid in full (subject to the terms of this Agreement); (c) to Seller's knowledge, there are no special assessments, fees or charges levied, assessed or pending against the Property; (d) Seller has not entered into and is not otherwise aware of any oral or written leases, licenses or other agreements or contracts that will affect the Property after Closing; (e) there are no actions, litigation, suits or proceedings pending or, to Seller's knowledge, threatened, before or by any judicial body or any governmental authority, against or affecting the Property, Seller or the transactions contemplated hereby, which is likely to interfere with Seller's ability to carry out Seller's obligations under this Agreement; (f) Seller is duly organized, validly existing and in good standing under the laws of the State of Missouri; Seller is duly authorized by requisite company action to execute and deliver and perform in all respects under this Agreement and all documents and instruments and transactions contemplated hereby or incidental hereto; and this Agreement and the other documents required of Seller hereunder are or shall be, as the case may be, legal, valid and binding obligations of Seller enforceable against Seller in accordance with their terms; (g) to Seller's knowledge, the execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement will not result in a violation of any judgment, writ, trust, decree or order of any governmental authority, or any applicable law, statute, rule, regulation, code, judgment, ordinance, order, writ, injunction, decree, ruling, or requirement of any governmental authority; (h) Seller is not a "foreign person" as that term is defined in the U. S. Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto (collectively, the "Code"), and Purchaser has no obligation under the Code to withhold and pay over to the U. S. Internal Revenue Service any part of the "amount realized" by Seller in the transaction contemplated hereby (as such term is defined in the regulations issued under said Section 1445 of the Code); and (i) to Seller's knowledge, Seller has not received any written complaints, claims, citations, inquiries, reports or notices relating to the Property relating to compliance with any environmental laws.

As used in this Section, "to Seller's knowledge" means the actual knowledge of Mark Darrell as of the Effective Date without any independent investigations or inquiry having been made, and does not include any implied, imputed or constructive knowledge of the individual.

8. Certain Representations of Purchaser. Purchaser represents and warrants to Seller that as of the date of this Agreement and as of the Closing Date: Purchaser is duly organized, validly existing and in good standing under the laws of the State of Missouri; Purchaser is duly authorized by requisite company action to execute and deliver and perform in all respects under this Agreement and all documents and instruments and transactions contemplated hereby or incidental hereto; and this Agreement and the other documents required of Purchaser hereunder are or shall be, as the case may be, legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their terms.

9. Condition of Property. Except as expressly set forth in this Agreement, Seller has not made and does not hereby make any representations, warranties or other statements as to the condition of the Property and Purchaser acknowledges that should the Closing occur, Purchaser will be purchasing the Property on an "AS IS, WHERE IS" basis and without relying on any representations or warranties by Seller of any kind whatsoever concerning the Property not expressly made in or pursuant to this Agreement. Purchaser acknowledges that Purchaser has and will have an adequate opportunity to make such legal, factual and other inquiries and

investigations as Purchaser deems necessary, desirable, or appropriate with respect to the Property. Upon and after Closing, Purchaser expressly assumes and shall be responsible for the compliance of the Property with federal, state, and local statutes and regulations (presently enforced or hereafter) and related investigations and/or remedial actions required by appropriate governmental authorities. Purchaser hereby waives and releases any and all claims against Seller, whether known or unknown with respect to the Property, under the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. §9601 *et. seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et. seq.*, and under any other federal, state, or local environmental law or regulation as any such law or regulation exists, including common law, or is hereinafter amended or newly promulgated. The provisions of this Section 9 shall indefinitely survive the Closing and shall not be merged into the Deed.

10. Purchaser's Conditions Precedent. The obligations of Purchaser hereunder, including, without limitation, any obligation to close on the purchase of the Property, are conditioned on the following conditions precedent being in effect or complied with, to the satisfaction of Purchaser, or waived in writing by Purchaser on and as of the Closing Date:

(a) **Representations.** All representations and warranties of Seller set forth in this Agreement shall be true and correct on the Closing Date to the same extent as if made and given on the Closing Date.

(b) **Performance.** Each and all agreements and covenants of Seller as provided in this Agreement shall have been fully and duly performed in accordance with the terms and provisions of this Agreement.

(c) **Title Policy.** Title Company shall be prepared to issue to Purchaser, immediately upon recording of the Deed, the Title Policy insuring the Property subject only to the Permitted Exceptions (with all general or standard exceptions deleted) and any other matters approved by Purchaser in writing.

(d) **Inspections.** Purchaser shall be satisfied that there has been no change in the condition of the Property (unless otherwise agreed to in writing by the parties) since the expiration of the Due Diligence Period.

If any one or more of the conditions precedent hereinabove set forth shall not be in effect or complied with on the date specified for such condition or on the Closing Date, as the case may be, to the satisfaction of Purchaser in its sole discretion, Purchaser, in addition to any other remedies available to Purchaser, shall have the right to (a) waive compliance with any one or more of said conditions precedent and close this transaction, or (b) terminate this Agreement, in which event, except as otherwise provided herein, neither party shall have any further obligation to the other hereunder, except that the Deposit and the Additional Deposits, if any, shall be immediately returned to Purchaser.

11. Seller's Conditions Precedent. The obligations of Seller hereunder, including, without limitation, any obligation to close on the sale of the Property, are conditioned on the following conditions precedent being in effect or complied with, to the satisfaction of Seller, within the dates specified:

(a) **Release of Mortgage Lien.** On the Closing Date, Seller shall have obtained a release of the Property from the lien of Seller's mortgage bond financing indenture, on terms reasonably acceptable to Seller.

(b) **Approval of MPSC.** By the end of the Due Diligence Period, if Seller deems necessary, Seller shall have obtained approval of the transaction contemplated herein, or a waiver of the requirement for approval thereof, from the Missouri Public Service Commission (the "MPSC").

(c) **Representations.** All representations and warranties of Purchaser set forth in this Agreement shall be true and correct on the Closing Date to the same extent as if made and given on the Closing Date.

(d) **Performance.** Each and all agreements and covenants of Purchaser as provided in this Agreement shall have been fully and duly performed in accordance with the terms and provisions of this Agreement.

If any one or more of the conditions precedent hereinabove set forth shall not be in effect or complied with on the date specified for such condition, Seller may terminate this Agreement by giving written notice to Purchaser on or before the date such condition was to be satisfied, in which event, except as otherwise provided herein, neither party shall have any further obligation to the other hereunder, except that the Deposit and the Additional Deposits, if any, shall be immediately returned to Purchaser. If no such termination notice is provided to Purchaser by the required deadline, the foregoing conditions precedent shall be deemed to have been satisfied and Seller shall be obligated to proceed to close this transaction in accordance with this Agreement. Seller agrees to commence efforts to satisfy these conditions precedent as soon as reasonably possible. Seller shall use good faith, commercially reasonable efforts to diligently obtain the satisfaction of these conditions precedent, and Seller agrees to keep Purchaser regularly apprised of its efforts and progress in satisfying these conditions precedent.

12. Taxes and Assessments; Utilities. General and real property taxes and special assessments imposed on the Property shall be remitted to the collecting authorities by Seller if the same are due and payable on or before the Closing Date, and by Purchaser if due and payable thereafter; provided, however, that Seller shall bear responsibility for that proportion of all taxes and assessments that the number of days in the calendar year in which the Closing occurs up to and including the Closing Date bears to 365 and that such amount shall be shown on the settlement statement at Closing and be deducted from the Purchase Price. If the actual amount of such taxes and assessments are not available at Closing, then the total amount of taxes and assessments payable for the tax period immediately preceding the Closing shall be used for purposes of such calculation. Seller shall bear responsibility for and shall pay all utility costs incurred with respect to the Property for periods prior to the Closing Date.

13. Costs of the Parties.

(a) **Purchaser's Costs.** At Closing, Purchaser shall pay the costs of (1) recording all instruments to be recorded in connection with the transaction contemplated by this Agreement, except any recording costs required to discharge any existing mortgage, deed of trust or other

encumbrance, if any, on the Property, (2) the Title Policy, (3) any inspection, investigation or report obtained by Purchaser hereunder, (4) one-half of any escrow fees charged by the Title Company in connection with the sale and purchase of the Property, (5) Purchaser's prorata share of all taxes and assessments charged against the Property for the year in which Closing occurs following the Closing Date, and (6) all other performance by Purchaser of its obligations under this Agreement.

(b) **Seller's Costs.** At Closing, Seller shall pay the costs of (1) any payment required to discharge any existing mortgage, deed of trust or other lien or encumbrance, if any, on the Property and the costs of recording all instruments in connection therewith, (2) one-half of any escrow fees charged by the Title Company in connection with the sale and purchase of the Property, (3) Seller's prorata share of all taxes and assessments charged against the Property up to and including the Closing Date, and (4) all other performance by Seller of its obligations under this Agreement.

14. Certain Covenants of Seller. From the Effective Date through the Closing Date, or earlier termination of this Agreement, Seller covenants and agrees: (i) to forbear from taking any action that materially, adversely affects title to or the value of any portion of the Property; and (ii) to forbear from removing any heating, cooling, electrical or plumbing systems from the Property. Should the Property be substantially damaged by casualty prior to Closing, Seller shall give written notice thereof to Purchaser within five (5) business days thereafter, and Seller shall deliver the Property to Purchaser at Closing with all structures on the Property secure from trespass and vandalism.

15. Eminent Domain. In the event that prior to Closing, any portion of the Property is taken by eminent domain, or becomes the subject of eminent domain proceedings threatened or commenced, Seller shall promptly notify Purchaser in writing thereof, and provide Purchaser with copies of any written communication from any condemning authority. If any of said events shall occur, Purchaser may terminate this Agreement by written notice to Seller within thirty (30) calendar days after Purchaser has received Seller's written notice, in which event the Deposit and all Additional Deposits shall be returned to Purchaser. If Purchaser elects to close, then (i) if the transfer to the condemning authority takes place prior to Closing, the remainder of the Property shall be conveyed to Purchaser at Closing; (ii) if the transfer to the condemning authority has not taken place prior to Closing, the entire Property shall be conveyed to Purchaser at Closing; (iii) if Seller has received payment for such condemnation or taking prior to the Closing hereunder, the amount of such payment shall be a credit against the Purchase Price payable by Purchaser; and (iv) if Seller has not received such payment at the time of Closing, Seller shall assign to Purchaser all claims and rights to or arising out of such taking, including the right to conduct any litigation in respect of such condemnation. During the existence of this Agreement, Seller shall not agree to any award or payment in condemnation or eminent domain without obtaining Purchaser's prior written consent in each case.

16. Remedies. In the event Purchaser or Seller shall become in default of any term or condition of this Agreement (other than the failure or refusal to close upon the date of Closing, as to which no notice or cure rights shall exist), then prior to either party exercising its rights or remedies permitted under this Agreement, the party claiming such default ("Non-Defaulting Party"), shall notify the other party ("Defaulting Party") in writing, setting forth in reasonable

detail the nature of such default. The Defaulting Party shall then have five (5) business days after receipt of such notice in which to cure such default. In the event of a default by Seller of its obligations to close upon the date of Closing, Purchaser shall have only the right to sue for specific performance or to terminate this Agreement and receive a return of the Deposit plus all Additional Deposits, if any. Purchaser expressly agrees not to seek damages at law or equity sustained by Purchaser as a result of the breach. In the event of default by Purchaser of its obligation to close upon the Closing Date, Seller shall be entitled to terminate this Agreement and receive the Deposit and all Additional Deposits paid hereunder, if any, and the Relocation Payment which shall be paid to Seller as liquidated damages and as Seller's sole and exclusive remedy with respect to a default by Purchaser of its obligation to close upon the Closing Date. Seller and Purchaser agree that Seller's actual damages in the event of a failure to consummate this sale due to Purchaser's default would be extremely difficult or impracticable to determine, and that the amount of liquidated damages is a reasonable estimate of the damages that Seller would incur in such event. In addition, in the event litigation is necessary to enforce any term or condition of this Agreement, the non-prevailing party, as determined by the court, shall reimburse the prevailing party for all expenses and costs (including reasonable attorney's fees) incurred by the prevailing party.

17. Brokerage. Seller represents and warrants that it has not dealt with any agent, broker or finder in connection with this transaction, other than The Koman Group ("Seller's Broker") and agrees that Seller will pay all costs, fees, or commissions, if any, due to The Koman Group in connection with this transaction pursuant to a separate agreement. Each of Seller and Purchaser represents and warrants to the other that it has not dealt with any agent, broker or finder in connection with this transaction other than Seller's Broker and agrees to indemnify and hold harmless the other from and against all claims, liabilities and expense (including court costs and reasonable attorneys' fees) incurred as a result of a breach of this representation.

18. Like-Kind Exchange. Each of Seller and Purchaser shall have the right to complete this transaction as part of a like-kind exchange pursuant to Section 1031 or Section 1033 of the Internal Revenue Code (the "Exchange"). Each party agrees to reasonably cooperate with the other party (and any third party providing exchange services necessary to complete the Exchange) in effecting the Exchange, provided that the Exchange does not delay the Closing and the cooperating party (a) shall not be obligated to take title to any real property in connection with the Exchange other than the Property, and (b) shall not incur any costs or expenses in so doing other than those which the cooperating party would have incurred if the acquisition of the Property were not structured as an Exchange pursuant to this Section.

19. Waivers. No delay or omission by either of the parties hereto in exercising any right or power accruing upon the non-compliance or failure of performance by the other party under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either of the parties hereto of any of the covenants, conditions or agreements hereof to be performed by the other party shall not be construed to be a waiver of any subsequent breach thereof or of any other covenant, condition or agreement contained in this Agreement.

20. Business Day. If any day on which any notice must be sent or on which any time period described herein commences or ends is not a business day, then such day will be deemed for all purposes of this Agreement to fall on the next succeeding business day.

21. Assignment. Prior to the end of the Due Diligence Period, Purchaser shall not assign this Agreement. Purchaser may assign Purchaser's interest under this Agreement after the end of the Due Diligence Period or direct Seller to deliver the Deed to an entity designated by Purchaser. No permitted assignment shall release Purchaser from the obligations contained in this Agreement.

22. Time of Essence. Time is of the essence of this Agreement and of each and every term, condition, obligation and provision hereof.

23. Modification. Any alteration, change or modification hereof, in order to become effective, shall be made by written instrument or endorsed hereon and, in each such instance, executed on behalf of each party hereto, as aforesaid.

24. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State in which the Property is located.

25. Partial Invalidity. If any provision of this Agreement or the application thereof to any party or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

26. Notices. All notices and other communications hereunder shall be in writing (whether or not a writing is expressly required hereby), and sent by courier, overnight delivery service or mailed by registered or certified mail, postage prepaid, return receipt requested, or via receipted facsimile transmission or email transmission (but only if duplicate notice is also given via courier, overnight delivery service, or registered or certified mail as provided above, in which event the notice shall be deemed effective upon receipt of the facsimile transmission or email transmission between the hours of 9 a.m. and 5 p.m. in the time zone of the recipient), addressed to the addresses set forth on page 1 of this Agreement (or at such other address as a party may hereafter designate by prior notice to the other party as required hereby), and are effective on the earlier of the date of delivery or the date of first attempt to deliver (if delivery is refused).

Any notices sent to Purchaser shall also be sent to Lewis, Rice & Fingersh, LC, Attn: David Lemkemeier, 600 Washington Avenue, Suite 2500, St. Louis, Missouri 63101; Fax: (314) 612-7636; Email: dlemkemeier@lewisrice.com.

Any notices sent to Seller shall also be sent to Husch Blackwell LLP, Attn: Kathleen Mueller, The Plaza in Clayton, 190 Carondelet Plaza, Suite 600, St. Louis, MO 63105; Fax: (314) 480-1505; Email: kathleen.mueller@huschblackwell.com.

27. Entire Agreement. This Agreement contains the entire agreement with respect to the transactions contemplated herein. This Agreement supersedes all letters of intent, and there are no other terms, conditions, promises, understandings, statements or representations, express or implied, concerning the subject matter hereof.

28. **Headings.** The headings in this Agreement have been inserted for convenience of reference only, and shall not be deemed to modify or restrict any provision hereof, nor be used to construe any such provision.

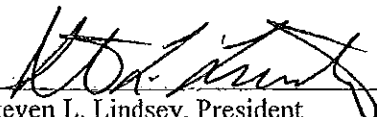
29. **Counterparts.** This Agreement may be executed in counterpart originals, each of which when duly executed and delivered shall be deemed an original and all of which when taken together shall constitute one instrument. This Agreement may be signed and transmitted by facsimile machine or electronic mail, and if so, is to be treated as an original document, and the signature of any party thereon is to be considered as an original signature.

30. **Parking.** Seller currently leases a parcel of land located in City Block 3918 of the City of St. Louis ("Leased Parcel") pursuant to a Lease dated April 24, 1985, a Lease Extension and Modification dated May 1, 1995, Second Lease Extension and Modification dated May 1, 2005, and Third Lease Extension and Modification dated as of June 28, 2013 (collectively, "Parking Lease"). The Parking Lease contains a provision allowing Purchaser to terminate the Lease upon thirty (30) days' prior notice. Purchaser covenants and agrees that through the Closing Date, the Parking Lease shall remain in full force and effect. If Purchaser elects to terminate this Agreement pursuant to Section 6(d), or if the sale contemplated by this Agreement does not close for any reason by the Closing Date, Purchaser agrees not to exercise its right to terminate the Parking Lease and promptly to deliver to Seller an amendment to the Parking Lease deleting the right to terminate. Notwithstanding any other provisions of this Agreement to the contrary, in the event of a breach of this Section by Purchaser, Seller shall be entitled to all rights and remedies available by law or equity. The provisions of this Section shall indefinitely survive any termination of this Agreement.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement as of the date first above written.

SELLER:

LACLEDE GAS COMPANY

By: 
Steven L. Lindsey, President

PURCHASER:

CENTER OF RESEARCH, TECHNOLOGY
AND
ENTREPRENEURIAL EXCHANGE


By: 
Dennis E. Lower, President and CEO

EXHIBIT "A"

Legal Description

3950 & 4000 – 4028 Forest Park Avenue

Property Description
File 20122455

A parcel of land in Block 3918-W of the City of St. Louis having a front of 765 feet 6-3/8 inches, more or less, on the South line of Forest Park Boulevard by a depth Southwardly of 200 feet to an alley 15 feet wide, the East line of said parcel of land being 300 feet West of the West line of Vandeventer Avenue; said parcel is more particularly described as follows:

Beginning at a point in the South line of Forest Park Boulevard, 300 feet West of the West line of Vandeventer Avenue; thence running Westwardly along the South line of Forest Park Boulevard 765 feet 6-3/8 inches, more or less, to a point 300 feet East of the East line of Sarah Street; thence Southwardly and parallel with the East line of Sarah Street 200 feet to the North line of said alley; thence Eastwardly along the North line of said alley 765 feet 6-3/8 inches, more or less, to point 300 feet West of the West line of Vandeventer Avenue; thence Northwardly and parallel with the West line of Vandeventer Avenue 200 feet to the point of beginning.

4040 Forest Park Avenue

Property Description
File 20122453

Lot Six (6) of Forest Park Boulevard Subdivision of Lot 27 of Peter Lindell's Second Addition and in Block 3918-W of the City of St. Louis, fronting 50 feet on the South line of Forest Park Avenue by a depth Southwardly between parallel lines of 200 feet to an alley.

4044, 4052 & 4062 Forest Park Avenue

Property Description
File 20122193

Parcel 1:

The Northern 110 feet of Lot 1 of John Jackson's Forest Park Boulevard Subdivision and in Block 3918-W of the City of St. Louis, fronting 50 feet on the South line of Forest Park Avenue, by a depth Southwardly of 110 feet; bounded West by Sarah Street and South by the South 90 feet of said Lot 1.

Parcel 2:

Lots 4 and 5 of Forest Park Boulevard Subdivision by John Jackson and in Block 3918-W of the City of St. Louis, fronting 100 feet on the South line of Forest Park Avenue, by a depth Southwardly of 200 feet, more or less, to an alley.

4060 Forest Park Avenue

Property Description
File 20122454

The Southern 90 feet of Lot 1, all of Lots 2 and 3 of Forest Park Boulevard Subdivision by John Jackson and in Block 3918-W of the City of St. Louis, described as beginning at a point in the South line of Forest Park Avenue at the Northeast corner of said Lot 3; thence South along the East line of said Lot 3, 200 feet to the North line of an alley; thence West along the North line of said alley 150 feet to the East line of Sarah Street; thence North along the East line of Sarah Street 90 feet to a point; thence East 50 feet to the West line of Lot 2 in said Block; thence North along the West line of said Lot 2 110 feet to the South line of Forest Park Avenue; thence East along the South line of Forest Park Avenue 100 feet to the place of beginning.

4001 - 4045 Duncan Avenue

Property Description
File 20122469

Lot Numbers fifteen (15) to Twenty-Eight (28), inclusive of Forest Park Boulevard Subdivision of Block Number Twenty Seven (27) of P. Lindell's Second Addition by John Jackson, and in Block Number Thirty-Nine hundred and Eighteen (3918) West of the City of St. Louis fronting Six hundred Eighty-two (682) feet and Eight (8) inches more or less on the North line of Duncan Avenue, by a depth northwardly, along the East line of said Lot No. 15 of one hundred ninety-four (194) feet and eight (8) inches more or less and along the West line of said Lot number 28, one hundred ninety-one (191) feet and Three (3) inches more or less, to the South line of an alley 15 feet wide which there is a width of six hundred Eighty-two (682) feet eight and one half inches (8 1/2) more or less, bounded on the North by said alley, on the east by property now or formerly of Granite Bituminous Paving Company, on the South by Duncan Avenue, and on the West by Sarah Street

EXHIBIT "B"

Documents to be Delivered

1. Title documentation in Seller's possession for the Property.
2. Phase I Environmental Site Assessment of Laclede Gas Forest Park Avenue performed by Burns & McDonnell (April 2013).
3. ALTA/ACSM Land Title Survey of Laclede Gas Forest Park Property performed by Stock & Associates (2/14/13).

Attachment 7

TO

SCHEDULE JK-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Attachment 8

TO

SCHEDULE JK-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Laclede Gas Company
GC-2016-0297

Response to OPC Data Request 1-94

Question:

How many employees work at the gas service center at Manchester and Macklind? Are these estimates for an increase or decrease in the next six months? If so, please provide those estimates.

Response:

Please note that, as disclosed in the signed contract supplied in response to OPC DR 1001, the Forest Park Purchaser is the sole shareholder of CORTEX West Redevelopment Corporation, a Missouri urban redevelopment corporation organized pursuant to Chapter 353 of the Missouri Revised Statutes ("CWRC"). The Board of Aldermen of the City of St. Louis has declared a certain area within the City of St. Louis, including the Property, as blighted and has approved a plan for redevelopment which authorizes the use of eminent domain by CWRC to acquire the blighted property, including the Property. In lieu of CWRC exercising its rights of eminent domain, Seller has agreed to sell the Property to Purchaser pursuant to this Agreement. As such, these questions appear to be irrelevance and misplaced.

Approximately 100 construction and maintenance (C&M) employees will report to the new location. The building is being constructed as a partial replacement for our Forest Park facility and its centralized location enables us to quickly respond to emergency situations in the city of St. Louis and continue accelerated pipe replacement work. The building will be about 15,000 square feet and will include a training room, meeting space for 100 people, warehouse space, showers and lockers.

Signed by: Glenn Buck

Laclede Gas Company
GC-2016-0297

Response to OPC Data Request 1-95

Question:

Please describe in detail how the new gas service center is better suited to meet company and customer needs. Please list each item separately with a detailed discussion of the benefit. Considering the response to the previous question, was any analyses performed to determine if the existing gas service center could achieve those benefits for less cost?

Response:

Please note that, as disclosed in the signed contract supplied in response to OPC DR 1001, the Forest Park Purchaser is the sole shareholder of CORTEX West Redevelopment Corporation, a Missouri urban redevelopment corporation organized pursuant to Chapter 353 of the Missouri Revised Statutes ("CWRC"). The Board of Aldermen of the City of St. Louis has declared a certain area within the City of St. Louis, including the Property, as blighted and has approved a plan for redevelopment which authorizes the use of eminent domain by CWRC to acquire the blighted property, including the Property. In lieu of CWRC exercising its rights of eminent domain, Seller has agreed to sell the Property to Purchaser pursuant to this Agreement. As such, these questions appear to be irrelevance and misplaced.

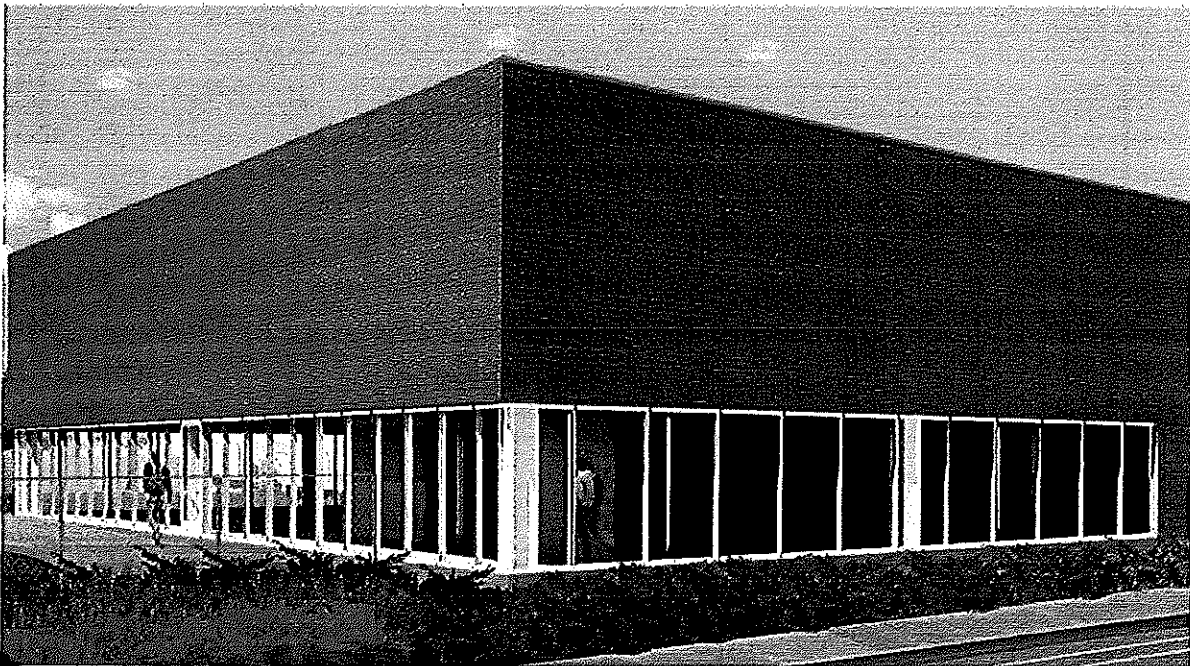
The building is being constructed as a partial replacement for our Forest Park facility and its centralized location enables us to quickly respond to emergency situations in the city of St. Louis and continue accelerated pipe replacement work. Many of the people who previously reported to the Forest Park location now report to 700 Market as part of the shared services organization. As noted, the question of achieving "savings" at the existing service center is moot due to the eminent domain status of the location.

Signed by: Glenn Buck

http://www.stltoday.com/business/columns/building-blocks/laclede-gas-center-under-construction-in-st-louis/article_5e50b094-bcad-5019-b383-816836be086a.html

Laclede Gas center under construction in St. Louis

From staff reports May 6, 2016



Rendering of Laclede Gas service center at 5311 Manchester

Under construction at Manchester and Macklind avenues in St. Louis is a Laclede Gas service center that will house about 100 construction and maintenance workers.

Completion of the project is expected in October, the company said Friday. Tarlton Corp. is the general contractor. A city building permit issued April 28 estimates a project cost of \$4 million.

Schedule JK-s3

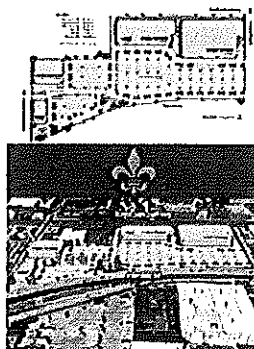
Many employees who will be based at the 15,000-square-foot facility at 5311 Manchester worked previously at a Laclede service center on Forest Park Avenue just west of Vandeventer Avenue. That building was demolished and the site is now part of the Ikea store's parking lot.

Some employees based at Forest Park Avenue center were transferred to the headquarters of Laclede Group—last month renamed Spire—at 700 Market Street downtown.

The new 15,000-square-foot center on Manchester will be "more dynamic" and better suited than the Forest Park Avenue building to meet company and customer needs, the company said.

"As longtime members of the community, we're excited to construct this new service center to help us as we grow as a company," Tim Goodson, vice president of field operations for Laclede Gas, said in a statement. "Its centralized location enables us to quickly respond to emergency situations in the city of St. Louis and continue accelerated pipeline replacement work."

The building will have a training room, meeting space, warehouse space, showers and lockers.



Cortex buys Pace property near Ikea

Schedule JK-s3

SCHEDULE JK-s4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Laclede Gas Company / Missouri Gas Energy
GR-2017-0215 / GR-2017-0216

Response to MPSC Data Request 0497

Question:

Please refer to page 12, lines 4-7 of the rebuttal testimony of C. Eric Lobser. 1, Please provide a complete copy of the plan(s) for the unused space located at the 800 Market location.

Response:

We have already filled a number of the workstation vacancies at 800 Market with additional back-office positions. We are also in the preliminary planning phases of reconfiguring the space at 800 Market, which may include adding a training area, conference rooms, office(s), and project workspaces.

Signed by: Glenn Buck