

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

The Staff of the Missouri Public Service Commission,)	
)	
Complainant,)	
)	
v.)	Case No. GC-2011-____
)	
Laclede Gas Company, Laclede Energy Resources and The Laclede Group,)	
)	
Respondents.)	

COMPLAINT

COMES NOW, the Staff of the Public Service Commission (Staff), by and through the Chief Staff Counsel and undersigned counsel, pursuant to Section 386.390,¹ and for its Complaint states:

Introduction

Staff's complaint is that Laclede Gas Company (Laclede) has failed to comply with the Commission's Affiliate Transactions Rules (Rules)² in its dealings with its gas marketing affiliate Laclede Energy Resources (LER) in transactions pricing. The Laclede Group, Laclede and LER share common management resulting in, among other things, improper sharing of information in violation of the Rules prohibition against preferential treatment of affiliates.³

On its face, Laclede's Cost allocation Manual (CAM)(see Attachment A)⁴ is in violation of the Commission's Rules because it does not require Laclede to price certain affiliate transactions with its gas marketing affiliate in accord with the Rule's pricing standards. Because

¹ All references are to the Revised Statutes of Missouri 2000 (as currently supplemented, unless otherwise noted.)

² 4 CSR 240-40.016 is the Commission's Rule for Gas Marketing Affiliates and is almost identical to 4 CSR 240-40.015, except for the Non-discrimination standards in Section (2). Unless noted, references to the Commission's Rules should be considered reference to both for purposes of this Complaint.

³ 4 CSR 240-40.015(2)(B). (...the regulated utility shall not provide preferential treatment to an affiliate.)

⁴ Attachment A contains portions of Laclede's 2004 CAM.

of this failure, the Rule deems Laclede to be giving LER a prohibited financial advantage. 4 CSR 240-40.016(3)(A).

Staff will also demonstrate that Laclede’s CAM fails to comply with CSR 240-40.016 (Marketing Affiliate Transactions) (Rules) in that, among other things, the CAM does not contain or require Laclede to comply with the affiliate transactions cost standards.⁵ “A regulated gas corporation shall not provide a financial advantage to an affiliated entity. For the purposes of this rule, a regulated gas corporation **shall be deemed** to provide a financial advantage to an affiliated entity if—”⁶ it fails to price those transactions in accord with the Rule. 4 CSR 240-40.016(3).⁷ (emphasis supplied.) The Rule’s asymmetrical pricing standards are designed to prevent Laclede from improperly cross-subsidizing its gas marketing affiliate Laclede Energy Resources (LER) to the detriment of its captive customers.

Laclede is also violating the Rule by engaging in transactions that are not in compliance with the Rule, without requesting a variance. “The regulated [utility] shall not participate in any affiliated transactions which are not in compliance with this rule, except as otherwise provided in section (10) of this rule [which provides a procedure by which Laclede could have obtained a variance from these standards].” 4 CSR 240-40.015(2)(D).

⁵ 4 CSR 240-40.016(3)(A).

⁶ (3) Standards.

(A) A regulated gas corporation shall not provide a financial advantage to an affiliated entity. For the purposes of this rule, a regulated gas corporation **shall be deemed** to provide a financial advantage to an affiliated entity if—

1. It compensates an affiliated entity for goods or services above the lesser of—

A. The fair market price; or

B. The fully distributed cost to the regulated gas corporation to provide the goods or services for itself; or

2. It transfers information, assets, goods or services of any kind to an affiliated entity below the greater of--

A. The fair market price; or

B. The fully distributed cost to the regulated gas corporation. (emphasis supplied.)

⁷ 4 CSR 240-40.016 is the Commission’s Rule for Gas Marketing Affiliates and is almost identical to 4 CSR 240-40.015. Unless noted, references to the Commission’s Rules should be considered reference to both for purposes of this Complaint.

Complainant

1. Complainant is the Staff of the Missouri Public Service Commission (the Staff), acting through the Chief Staff Counsel, as authorized by Commission Rule 4 CSR 240-2.070(1) and Sections 386.240 and 386.390.

Respondent

2. Laclede Gas Company (Laclede) is a monopoly utility company operating in eastern Missouri, serving approximately 630,000 customers.

3. Respondent, Laclede is a Missouri general business corporation in good standing, incorporated on March 2, 1857, as Laclede Gas Light Company. Its principle place of business is located at 720 Olive Street, St. Louis, Missouri 63101 and its registered agent is Mary Caola Kullman, 720 Olive Street, Suite 1517, St. Louis, Missouri 63101.

4. On its website Laclede describes itself as “primarily a regulated natural gas distribution utility” and the “largest natural gas distribution utility in Missouri, serving approximately 630,000 residential, commercial and industrial customers” in “the Missouri portions of the St. Louis Metropolitan area and several nearby counties in Southeastern Missouri.” www.lacledegas.com “About Laclede Gas” and “Mission Statement.”

5. Laclede is a wholly-owned subsidiary of The Laclede Group, Inc. (Group), a Missouri general business corporation in good standing, incorporated on October 18, 2000. Group’s principal place of business is also located at 720 Olive St. St. Louis, Missouri 63101 and its registered agent is Mary Caola Kullman, 720 Olive Steet, Suite 1517, St. Louis, Missouri 63101.

6. In its latest 10-k filing with the Securities and Exchange Commission, Group describes itself as:

a public utility holding company formed through a corporate restructuring that became effective October 1, 2001. Laclede Group is committed to providing reliable natural gas service through its regulated core utility operations while engaging in non-regulated activities that provide sustainable growth. All of Laclede Group's subsidiaries are wholly owned. The Regulated Gas Distribution segment includes Laclede Gas Company (Laclede Gas or the Utility), Laclede Group's largest subsidiary and core business unit. Laclede Gas is a public utility engaged in the retail distribution and sale of natural gas. Laclede Gas is the largest natural gas distribution utility in Missouri, serving approximately 630,000 residential, commercial, and industrial customers in the City of St. Louis and parts of ten counties in eastern Missouri.

7. Laclede Energy Resources (LER) is a Missouri corporation in good standing, incorporated on May 28, 1981. Its principal place of business is 720 Olive Street, St. Louis, Missouri 63101 and its registered agent is Mary Caola Kullman, 720 Olive St., Suite 1517, St. Louis, Missouri 63101.

8. In its 10-K SEC filing, LER is described as follows:

The Non-Regulated Gas Marketing segment includes Laclede Energy Resources, Inc. (LER), a wholly-owned subsidiary engaged in the marketing of natural gas and related activities on a non-regulated basis. LER markets natural gas to both on-system Utility transportation customers and customers outside of Laclede Gas.

9. The holding company, the Laclede Group, is described in the 10-K as:

The Laclede Group (NYSE: LG) provides a flexible way to operate and grow our business. It is the parent organization of the regulated core utility component — Laclede Gas Company — and of a non-regulated component being developed to achieve sustainable growth in a measured and manageable manner. The Laclede Group's largest non-regulated activity is Laclede Energy Resources, a subsidiary engaged in non-regulated efforts to market natural gas and related activities.

10. LER markets natural gas and related activities both on system to utility transportation customers and customers outside of Laclede Gas' traditional service territory, including large retail and wholesale customers. (Laclede's 10-K SEC filing, p. 5-6; <http://www.sn1.com/irweblinkx/docs.aspx?iid=4002506>.)

Jurisdiction

11. Laclede is a natural gas corporation as defined in §386.020(19), RSMo.

12. The Commission has authority to hear and determine complaints against gas corporations pursuant to §386.390.1. “Complaint may be made . . . in writing, setting forth any act or thing done or omitted to be done by an corporation . . . in violation, or claimed violation, of any provision of law, or of any rule or order or decision of the Commission . . .”

Background of the Commission’s Rules

13. The Commission’s affiliate transactions rules, including 4 CSR 240-40.015 and 4 CSR 240-240-40.016, were promulgated and were affirmed by the Missouri Supreme Court in *State ex rel. Atmos Energy Corp. v. Public Service Com'n*, 103 S.W.3d 753 (Mo. 2003), rehearing denied (May 27, 2003).

14. The Court described the purpose of the rules: “As long as a [public utility] is engaged in both monopoly and competitive activities, it will have the **incentive as well as the ability** to ‘milk’ the rate-of-return regulated monopoly affiliate to subsidize its competitive ventures... To counter this trend, the new rules, and in particular, **the asymmetrical pricing standards, prohibit utilities from providing an advantage to their affiliates to the detriment of rate-paying customers.** In addition, to police compliance, the rules require the utilities to ensure that they and their affiliates maintain records of certain transactions.” *Atmos* at 764 (Mo. 2003)(emphasis supplied).

15. As the *Atmos* Court noted, the Rules were promulgated because of: the emergence of a **profit-producing scheme** among public utilities termed “**cross-subsidization,**” in which utilities abandon their traditional monopoly structure and expand into non-regulated areas” to the detriment of ratepayers. *Atmos* 103 S.W.3d at 764 (emphasis added).

Background of Laclede's CAM

16. In Case No. GM-2001-342, Laclede Gas applied to the Commission seeking authority to restructure as a holding company. The Direct Testimony of Patricia A. Krieger, in that case contained a proposed CAM. (Krieger CAM)

17. When Laclede filed the restructuring case, the Commission's Affiliate Transactions Rules were on appeal. Several companies, including Laclede, challenged the Commission's authority to promulgate the rules. In 2003, the Missouri Supreme Court, in a unanimous decision, affirmed the Commission's jurisdiction, authority and process used to promulgate the Rules. *Atmos Energy Corp. v. Public Service Com'n*, 103 S.W.3d 753 (Mo. 2003), rehearing denied (May 27, 2003).

18. Since the Rules were on appeal at the time Laclede sought to restructure, one of the conditions in Stipulation and Agreement (S&A) resolving that case, required that "[t]he CAM shall be in the form contained in the direct testimony of Patricia A. Krieger, provided that the CAM" shall also contain additional information . . . as listed in the S&A. (Attachment B)

19. Notably, the Krieger CAM (Attachment C) contains asymmetrical pricing provisions for affiliate transactions of *both* "fair market" pricing provisions and "fully distributed cost" to determine the pricing of charges paid by Laclede to LER for goods and services and payments made to Laclede by LER for goods and services. Laclede's current CAM, originally submitted in 2004, is *not* in the form contained in the direct testimony of Patricia A. Krieger.

History of Laclede's Non-compliance

20. Complainant hereby realleges and incorporates herein by reference Paragraphs 1 through 19.

21. Staff recognized problems with Laclede witness Krieger's proposed CAM as early as GM-2001-342 and made suggested changes to the CAM to address those issues.

22. After the Missouri Supreme Court affirmed the Commission's Affiliate Transactions Rules, (Rules) Staff met with all companies with affiliates, including Laclede in an attempt to address CAM issues and questions related to the Rules. Nothing was resolved in the initial Laclede meeting.

23. In 2004, Laclede submitted a CAM, which it described as being "updated" to reflect the outcome of any final judicial resolution of the Commission's affiliate transactions rules. "This version of the Cam seeks to accomplish that goal."

24. Laclede's CAM does not reflect the outcome of the *Atmos* case. It fails to include the Fully Distributed Cost (FDC) of Laclede in determining the appropriate price of gas supply purchases and pipeline transportation and storage capacity release when LER sells to Laclede (Attachment A, page 13) and when Laclede sells gas supply to LER that CAM provision does not include asymmetrical pricing (Attachment A page 14). These pricing provisions determine when a financial advantage is given to an affiliate. 4 CSR 240-40.015(2).

25. Recognizing the fact that Laclede's CAM did not comply with the Commission's Rules and were not in the form of the Krieger CAM, in Laclede rate Case No. GR-2007-0208, the Parties to that case agreed to meet to discuss issues with the CAM:

1. Within ninety (90) days of the effective date of the Commission's Report and Order in this case, Laclede, Staff and Public Counsel shall begin meeting to discuss any issues or concerns they may have relating to Laclede's Cost Allocation Manual ("CAM"), the compliance of the CAM with the

Commission's affiliate transactions rules, and transactions between Laclede and its affiliates. Such meetings shall not be construed as placing any restrictions on Staff's or Public Counsel's ability to investigate and file complaints concerning such matters.

26. The parties did meet, but, despite a lengthy discussion of the issues, no progress was made in resolving any differences.

27. In Laclede's most recent rate case, the parties have attempted to resolve the corporate allocations issues,⁸ but were unable to resolve the issues of Laclede's non-compliant gas procurement pricing still contained in Laclede's CAM causing the CAM to violate the Commission's affiliate transactions rules.

28. The parties, Laclede, the Office of the Public Counsel and Staff, met as recently as September 7, 2010, to discuss issues with the Company's CAM, but were unable to make any progress toward reaching any agreement as to the issues regarding Laclede's CAM and the Company's compliance with the Affiliate Transactions Rules.

29. The Commission has never approved Laclede's CAM and neither the Commission nor its Staff is bound in any way by provisions in Laclede's unlawful CAM.

Laclede's violation of the Rule's Asymmetrical Pricing Provisions

30. Laclede's CAM for Energy-Related Goods and Services indicates that "[t]o ensure compliance with both the transfer pricing and anti-discrimination provisions of the affiliate transactions and marketing affiliate transactions rules . . . the following standards will be applied to the purchase and sale of energy-related goods and services including natural gas supplies, transportation and storage capacity, between Laclede Gas Company and affiliated and unaffiliated entities alike."

⁸ See Partial Stipulation and Agreement in GR-2010-0171, paragraph 17 and Attachment C (attached hereto as Attachment E).

31. When it compensates LER for goods or services related to gas supply, if Laclede is not calculating both the fair market price⁹ for the goods or service, and Laclede's fully distributed cost¹⁰ for the goods or service, and paying the lower of the two values, it is overpaying LER in violation of the Commission's affiliate transactions rules. 4 CSR 240-40-015 (2)(A)(1) and (3)(A).

32. When Laclede transfers information, assets, goods or services related to gas supply to LER and Laclede is not calculating both the fair market value and Laclede's fully distributed cost, documenting both calculations, and charging LER the higher of the two values, Laclede is in violation of the Commission's affiliate transactions rules. 4 CSR 240-40.015 (2)(A)(2) and (3)(B).

33. In other words, Laclede's current CAM does not require Laclede's gas supply purchases from LER to be the lower of Laclede's fully-distributed cost or the fair market value but only requires "fair market price."

34. Laclede's provision for gas supply sales to affiliates does not require the sale to be the higher of fair market value or Laclede's fully distributed cost. Contrary to the Rules, the CAM defines fair market price as the average price¹¹ of other similar sales. (Attachment A, page 14.)

⁹ Fair market value is traditionally considered to be the amount something would sell for in an open market between a willing buyer and a willing seller who are both knowledgeable, informed and prudent and who are acting independently of each other.

¹⁰ Fully distributed cost (FDC) means a methodology that examines all costs of an enterprise in relation to all the goods and services that are produced. FDC requires recognition of all costs incurred directly or indirectly used to produce a good or service. Costs are assigned either through a direct or allocated approach. Costs that cannot be directly assigned or indirectly allocated (e.g., general and administrative) must also be included in the FDC calculation through a general allocation.

¹¹ Gas supply sales shall be the fair market price which shall be determined as the average price of similar purchases made by Laclede Gas Company or other firms from non-affiliated entities entered into at similar times for similar duration and location of such purchases. If such purchases do not exist, the fair market price will be determined for the location and period in question by using an industry accepted index or index prices applicable to such location published in either Gas Daily, Inside FERC, or other similar publication widely accepted in the industry for determining the value of such gas supplies.

35. Laclede's CAM does not control its affiliate practices when it violates the Commission's Rules.

36. If a gas utility determines a non-compliant transaction is in the interest of its customers, the rules make provision for the utility to present its case to the Commission. 4 CSR 240-40.015(11)

37. Laclede has never requested a waiver or variance of the application of the asymmetrical pricing rules to its non-compliant transactions or for its unlawful CAM provisions.

38. If Laclede truly believes its transactions are to its customers' benefit instead benefitting its unregulated operations to the detriment of its customers , it should have filed for a variance.

39. If Laclede believes FDC is same as FMV it should ask for a waiver.

Laclede's Violation of the Rules Preferential Treatment Prohibitions

40. Laclede also violates 4 CSR 240-40.015(2)(B) and (C) by providing information to its affiliate not available to non-affiliates.

41. To meet its customers' reliability needs, Laclede needs firm supply. LER **may** be using interruptible supply which it sells to Laclede to meet Laclede's firm gas sales requirements.

42. LER has access to information about Laclede's gas operations including, but not limited to: Laclede's gas buying strategies, hedging operations, gas purchasing needs, customer usage, suppliers, storage and peaking facilities and operations, to which no non-affiliated entity has access.

43. Laclede and LER share corporate directors:

Laclede Gas Company:

Douglas H. Yaeger - Chairman of the Board, President and CEO

Kenneth J. Neises - Executive VP - Energy and Administrative Services (retired October 1)
Mark D. Waltermire - Senior Vice President and Chief Financial Officer
Mark C. Darrell - Senior Vice President and General Counsel
Mary Caola Kullman - Chief Governance Officer and Corporate Secretary
Michael C. Geiselhart - Vice President - Strategic Development and Planning
Lynn D. Rawlings - Treasurer and Assistant Secretary

Laclede Energy Resources

Douglas H. Yaeger - President
Kenneth J. Neises - Vice President
Mark D. Waltermire - Vice President
Scott E. Jaskowiak - Vice President - General Manager and former Laclede gas buyer
George Godat - Vice President - Resource Management former Laclede gas buyer
Lynn D. Rawlings - Treasurer and Assistant Secretary
Mary Caola Kullman - Corporate Secretary

44. Mr. Neises has had, and other top and mid-level executives have unreasonable conflicts of interest because they have executive compensation incentives to benefit both Laclede and LER. (SEC Proxy statement, Attachment D.)

45. Laclede attorneys represent LER, giving LER an advantage over non-affiliates in its understanding of Laclede's legal strategies at both this Commission and the Federal Energy Regulatory Commission.

46. Because of the perceived conflicts and the ability that the top executives have of sharing valuable and confidential information between the two companies, giving the affiliated entity an advantage a manner that discriminates in favor of the affiliated entity, Commission Staff asserts that Laclede is in violation of the Commission's affiliate transactions rules for this and all of the above stated reasons.

WHEREFORE, the Staff moves the Commission to accept Staff's complaint and grant any and other relief as reasonable in this case.

Respectfully submitted,

/s/ Lera L. Shemwell

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 6th day of October 2010.

/s/ Lera L. Shemwell

COST ALLOCATION MANUAL

The Laclede Group, Inc.
Laclede Gas Company
Laclede Investment LLC
Laclede Development Company
Laclede Pipeline Company
Laclede Energy Resources, Inc.
Laclede Venture Corp.
Laclede Gas Family Services, Inc.
SM&P Utility Resources, Inc.

720 Olive Street - St. Louis, MO 63101

I. INTRODUCTION

On August 14, 2001, the Missouri Public Service Commission issued an Order in Case No. GM-2001-342 authorizing the Company to restructure itself into a holding company (The Laclede Group, Inc.), a regulated utility company (Laclede Gas Company), and unregulated subsidiaries. As part of that Order, the Company agreed to periodically submit a revised Cost Allocation Manual (CAM) to Staff, Public Counsel and the Company's Union (PACB) in order to preserve and supplement existing protections against improper cross-subsidization between Laclede Gas Company and its affiliated entities. To that end, Laclede Gas Company submitted a revised Cost Allocation Manual (CAM) to these parties in December, 2001 which set forth the policies and procedures to be followed when Laclede Gas Company engages in any transactions with its affiliates. Laclede Gas Company also committed to resubmitting the CAM to Staff, Public Counsel, and PACE on or before April 15, 2003 and on an annual basis thereafter, for the twelve-month period ended September of the prior year.

The CAM submitted by Laclede Gas Company addressed some, but not all, of the regulations adopted by the Commission in its Affiliate Transactions Rules which were then under appeal. It was noted, however, that the CAM could be readily updated to reflect the outcome of any final judicial resolution of the Commission's affiliate transactions rules. This version of the CAM seeks to accomplish that goal.

II. SCOPE OF AFFILIATE TRANSACTIONS

The number and scope of affiliate transactions are limited. Laclede Gas Company is the largest company in the new structure and remains devoted to providing high quality gas service.

Nonetheless, there are or may be opportunities to share certain administrative and other functions among system companies to introduce efficiencies to purchasers of regulated and unregulated services alike. This CAM is designed to ensure that such cost-saving opportunities are accounted for in a manner that, consistent with applicable law and regulation, reasonably prevents inappropriate cross-subsidization.

III. SERVICES AND FACILITIES AGREEMENT

The Laclede Group and each affiliate taking or receiving services, sharing facilities or having other affiliate transactions with Laclede Gas will sign and become a party to a Services and Facilities Agreement ("SFA"). The SFA establishes procedures, terms and conditions for providing shared services and facilities and other activities. A copy of the SFA is attached hereto as Appendix 1.

IV. ACCOUNTING PROCEDURES

Laclede Gas Company shall maintain adequate books and records with respect to the transactions described in this CAM and in the SFA to record the costs to be apportioned to the other Parties. Laclede Gas Company shall be responsible for ensuring that the costs associated with transactions covered by this CAM are properly and consistently allocated and billed in accordance with the terms and provisions of the SFA.

Laclede Gas Company, each affiliate and The Laclede Group, Inc. will maintain records supporting its affiliated transactions for at least five years. Laclede Gas Company shall conduct audits of this CAM and the SFA on a periodic basis. Computer systems, billings and source documentation will be examined to ensure the services, facilities or other activities provided are authorized, documented and accurately recorded.

V. SERVICES, FACILITIES AND ACTIVITIES

Each company will determine the appropriate level of services, facilities or other activities it requires and will make such requests as it deems appropriate.

A. Facilities. Upon the terms and subject to the conditions of the CAM and SFA, a Party may request, without limitation, the use of:

(a) facilities, including office space, warehouse and storage space, natural gas transportation and storage facilities, including third party facilities reserved for Laclede's use pursuant to contract, repair facilities, manufacturing and production facilities, fixtures and office furniture and equipment;

(b) computer equipment (both stand-alone and mainframe) and networks, peripheral devices, storage media, and software;

(c) communications equipment, including audio and video equipment, radio equipment, telecommunications equipment and networks, and transmission and switching capability;

(d) vehicles, including automobiles, trucks, vans, trailers, transport equipment, material handling equipment and construction equipment; and

(e) machinery, equipment, tools, parts, and supplies.

A Party shall have no obligation to provide any of the foregoing to the extent that such item or items are not available (either because such Party does not possess the item or the item is otherwise being used). A Party has sole discretion in scheduling the use of facilities, equipment or capabilities so as to avoid interference with that Party's operations.

B. Services. Upon the terms and subject to the conditions of the CAM and the SFA, a Party may request, without limitation:

(a) Administrative and management services, including accounting (i.e., bookkeeping, billing, accounts receivable administration and accounts payable administration, and financial reporting); audit; executive; finance; insurance; information systems services; investment advisory services; legal; library; record keeping; secretarial and other general office support; real estate management;

security holder services; tax; treasury; and other administrative and management services;

(b) Personnel services, including recruiting; training and evaluation services; payroll processing; employee benefits administration and processing; labor negotiations and management; and related services;

(c) Purchasing services, including preparation and analysis of product specifications, requests for proposals and similar solicitations; vendor and vendor-product evaluations; purchase order processing; receipt, handling, warehousing and disbursement of purchased items; contract negotiation and administration; inventory management and disbursement; and similar services; and

(d) Operational services, including drafting and technical specification development and evaluation; consulting; engineering; environmental; construction; design; resource planning; economic and strategic analysis; research; testing; training; public and governmental relations; and other operational services.

A Party shall have no obligation to provide any of the foregoing to the extent that it is not capable of providing such service (either because such Party does not have personnel capable of providing the requested service or the service is otherwise being used). A Party has sole discretion in scheduling of services so as to avoid interference with the Party's operations.

C. Joint Purchasing. A party may also request that another Party or Parties enter into arrangements to effect the joint purchase of goods or services from third parties. Under the SFA, Laclede Gas will only participate in such arrangements if its fully distributed cost for such goods or services is not thereby increased.

No Party shall be required to purchase a service that it is otherwise capable of providing or obtaining. In the event that any such arrangements are established, one Party may be designated as, or serve as, agent for the other Parties to the arrangement and may administer the arrangement (including billing and collecting amounts due the vendor(s)) for the other Parties.

D. Cash Management. The Parties may enter into one or more arrangements providing for the central collection, management, investment and disbursement of cash by a Party. If such an arrangement is established, then pursuant to the SFA:

(a) the Parties participating in such arrangement shall establish appropriate inter-company accounts to track the amount of cash transferred and/or received by each Party to such arrangement and the pro rata portion of the earnings received or interest paid by each such party from the investment or borrowing of cash; and

(b) the Party responsible under the arrangement for the management and investment of such cash shall establish a separate account or accounts for such purpose, which account(s) and the records associated therewith shall clearly indicate that other Parties have an interest in said account(s) and the proceeds thereof and shall not be subject to set-off by the bank or other institution holding the same except to the limited extent of expenses arising from the management, handling and investment of the account(s).

E. Agreements, Etc. A Party may evidence their agreement with respect to the availability, provision or use of the facilities, services and activities described in this CAM by entering into an agreement, lease, license or other written memorandum or evidence consistent with the terms of the SFA.

VI. ASSET TRANSFERS

Laclede Gas Company shall not sell, lease, assign or transfer to any affiliate or third party any of its utility assets that are used and useful in the performance of Laclede's public utility obligations without obtaining Commission approval.

VII. CHARGES; PAYMENT

A. Charges. Charges for the use of facilities, equipment, capabilities or services shall be determined in accordance with the section below regarding cost principles. By requesting the use of facilities, equipment, capabilities and/or services, a Party shall be deemed to have agreed to pay, and shall pay, to the Provider or Providers the charge determined therefor in accordance with the CAM and the SFA.

B. Payment. Payment for the facilities, services and other activities shall be accounted for on a monthly basis and shall accrue interest if not made by the last day of the month following the month in which the service was rendered. Late payments shall bear interest at a simple rate per annum equal to the prime bank lending rate as published in The Wall Street Journal (on the first day of the month) minus one percentage point. Such interest shall be based on the period of time that the payment is late.

VIII. ANNUAL REPORTING REQUIREMENTS

The following information, as required to administer, audit, and verify the Transfer Pricing and Costing Methodologies set forth in Section IX of this CAM or such other Transfer Pricing and Costing Methodologies as may become applicable to the company in the future, shall be submitted on an annual basis to Staff, the Office of the Public Counsel and PACE beginning April 15, 2003 and continuing each year thereafter.

- (A.) For all Laclede Gas Company functions that provide support to nonregulated affiliates and the holding company:
 - (a) A list and description of each function;
 - (b) The positions and numbers of employees providing each function; and
 - (c) The procedures used to measure and assign costs to nonregulated affiliates and the holding company for each function.
- (B) A list and description of each service and good provided to Laclede Gas Company from each affiliate and the holding company.
- (C) A list and description of each service and good provided by Laclede Gas Company to each affiliate and the holding company.
- (D) The dollar amount of each service and good charged to each affiliate and the holding company by Laclede Gas Company, and the total cost related to each service and good listed.

- (E) The dollar amount of each service and good purchased from each affiliate and the holding company by Laclede Gas Company, and the total cost related to each service and good listed.
- (F.) For each line of business engaged in by Laclede Gas Company with non-affiliated third party customers following formation of a holding company and that would not reasonably be considered as a component of its regulated utility business, Laclede shall provide:
 - (a) A list and description of each nonregulated activity;
 - (b) The total amount of revenues and expenses for each nonregulated activity for the last fiscal year; and
 - (c) A listing of all Laclede Gas Company cost centers and/or functions that directly assign cost, indirectly assign cost and/or allocate cost to each nonregulated activity engaged in by Laclede Gas Company with non-affiliates.
- (G.) As part of its CAM submittal, Laclede Gas Company will provide a list of all jurisdictions in which Laclede Gas Company, the holding company, affiliates, and service company, if formed, file affiliate transaction information.
- (H.) As part of its CAM submittal, Laclede Gas Company will also provide Organizational Charts for The Laclede Group, Inc. (corporate structure), Laclede Gas Company and any other affiliate doing business with Laclede Gas Company and a copy of the annual holding company filing The Laclede Group, Inc. is required to file with the Securities and Exchange Commission.

IX. TRANSFER PRICING/COSTING METHODOLOGY

A. Use of Facilities or Services. (i) Facilities or services provided to Laclede Gas Company by an affiliated Provider shall be charged at the lesser of the fair market price for such facilities or services or the fully distributed cost to Laclede Gas Company to provide the goods or services for itself, if different.

(ii) Facilities or services provided by Laclede Gas Company to an affiliate shall be charged by Laclede Gas Company at the tariffed rate or, if no such tariffed rate exists, at the greater of the fair market price of such good or service or the fully distributed cost

allocation of indirect costs for rent will be made based on an annual cost per manhour of rent expense as applied to direct payroll hours charged to each affiliate.

Vehicle costs – The operating costs related to applicable vehicle groups will be allocated based on direct payroll hours charged to each affiliate and/or through the allocation of administrative and general expense described above.

Energy-Related Goods and Services – To ensure compliance with both the transfer pricing and anti-discrimination provisions of the affiliate transactions and marketing affiliate transactions rules as well as the requirements of federal law, the following standards will be applied to the purchase and sale of energy-related goods and services, including natural gas supplies, transportation and storage capacity, between Laclede Gas Company and affiliated and unaffiliated entities alike.

The following energy-related goods and services that are provided to Laclede Gas Company by affiliates will be priced in accordance with the following provisions:

Gas supply purchases – shall be the fair market price which shall be determined as the average price of similar purchases made by Laclede Gas Company or other firms from non-affiliated entities entered into at similar times for similar duration and location of such purchases. If such purchases do not exist, the fair market price will be determined for the location and period in question by using an industry accepted index price or index prices applicable to such location published in either Gas Daily, Inside FERC, or other similar publication widely accepted in the industry for determining the value of such gas supplies.

Pipeline transportation and storage capacity releases -- shall be the fair market price which shall be determined as the price of similar capacity transactions made by Laclede Gas Company or other firms with non-affiliated entities entered into at similar times for similar duration and location of transportation capacity. If such transactions do not exist, the fair market price will be a price as posted on the applicable pipeline's bulletin board for similar capacity for a similar duration. If such postings do not exist, the fair market price shall be determined by using an industry accepted index price or index prices published in either Gas Daily, Inside FERC, or other similar publication widely accepted in the industry for determining the value of such capacity.

The following energy-related goods and services that are provided by Laclede Gas Company to its affiliates will be allocated costs and priced in accordance with the following provisions:

Gas supply sales -- shall be the fair market price, which shall be determined as the average price of similar sales made by Laclede Gas Company or other firms to non-affiliated entities, entered into at similar times for similar duration and location of such sales, provided that such price shall, at a minimum, reflect the reasonable allocation of costs for off-system sales of gas established under Laclede Gas Company's approved tariffs applicable to such sales. If such sales do not exist, the fair market price for the location and period in question will be determined using an industry accepted index price or prices applicable to such location published in either Gas Daily, Inside FERC, or other similar publication widely accepted in the industry for determining the value of such gas supplies,

provided that such price shall, at a minimum, reflect the appropriate allocation of costs for off-system sales of gas established under Laclede Gas Company's approved tariffs applicable to such sales.

Pipeline transportation and storage capacity releases – shall be the higher of: (a) a fully distributed cost calculation in which the price charged to an affiliate is equal to all variable costs, if any, incurred by Laclede Gas Company to complete the transaction plus an appropriate allocation of joint and common costs given the nature, location and timing of the transaction, or (b) the fair market price as determined through a posting and bidding process in accordance with the capacity release provisions contained in the pipeline's FERC approved tariff or through similar capacity transactions made by Laclede Gas Company or other firms with non-affiliated entities; provided that if the resulting price for the specific transaction as determined under (a) or (b) exceeds the maximum price authorized by Federal law, the price charged to the affiliate shall equal such maximum lawful price.

X. CUSTOMER REQUESTS ABOUT GOODS AND SERVICES

Where requirements relating to customer requests for information concerning the goods and services provided by an affiliated entity are applicable, Laclede Gas Company will provide customers with an oral or written disclaimer indicating that regulated services are not tied to the use of the affiliated entity and that other service providers may be available.

COST ALLOCATION MANUAL

February, 2001

The Laclede Group, Inc.
Laclede Gas Company
Laclede Investment Corporation
Laclede Development Company
Laclede Pipeline Company
Laclede Energy Resources, Inc.
Laclede Venture Corp.
Laclede Gas Family Services, Inc.

720 Olive Street - St. Louis, MO 63101

Attachment B

I. INTRODUCTION

Laclede Gas Company ("Laclede Gas") has filed an Application with the Missouri Public Service Commission ("Commission") seeking to restructure its operations and to form a holding company, The Laclede Group, Inc. ("Laclede Group"). As more fully described in the Application, the restructuring is being undertaken in order to provide further separation between utility and non-utility operations.

In order to preserve and supplement existing protections against improper cross-subsidization, Laclede Gas Company submits this Cost Allocation Manual ("CAM") which it proposes to implement post-restructuring. The CAM sets forth policies and procedures to be followed when Laclede Gas Company engages in any transactions with its affiliates. The CAM and procedures set forth herein will facilitate Commission audits and provide assistance in evaluating the cost of regulated services.

The present version of the CAM addresses some, but not all of the regulations adopted by the Commission in its recent Rulemaking on affiliate transactions. Those rules are currently under appeal and their implementation has been stayed during this process. However, this CAM can readily be updated to reflect the outcome of any final judicial resolution of the Commission's affiliate transactions rules.

II. SCOPE OF AFFILIATE TRANSACTIONS

The number and scope of affiliate transactions post-restructuring will be limited. Laclede Gas Company will be the largest company in the new structure and will have the greatest number of employees who will remain devoted to providing high quality gas service.

Nonetheless, there may be opportunities to share certain administrative and other functions among system companies to introduce efficiencies to purchasers of regulated and

unregulated services alike. This CAM is designed to ensure that such cost-saving opportunities are accounted for in a manner that, consistent with applicable law and regulation, reasonably prevents inappropriate cross-subsidization.

III. SERVICES AND FACILITIES AGREEMENT

The Laclede Group and each affiliate taking or receiving services, sharing facilities or having other affiliate transactions with Laclede Gas will sign and become a party to a Services and Facilities Agreement ("SFA"). The SFA establishes procedures, terms and conditions for providing shared services and facilities and other activities. A copy of the SFA is attached hereto as Appendix 1. .

IV. ACCOUNTING PROCEDURES

Laclede Gas Company shall maintain adequate books and records with respect to the transactions described in this CAM and in the SFA to record the costs to be apportioned to the other Parties. Laclede Gas Company shall be responsible for ensuring that the costs associated with transactions covered by this CAM are properly and consistently allocated and billed in accordance with the terms and provisions of the SFA.

During the term of the SFA and for any period thereafter required by law, Laclede Gas Company shall maintain, and provide the Commission Staff and the Office of the Public Counsel with reasonable access to, any and all books, documents, papers and records of Laclede Gas Company which pertain to services and facilities provided to or received by Laclede Gas Company. Laclede Gas Company shall conduct audits of this CAM and the SFA on a periodic basis. Computer systems, billings and source documentation will be examined to ensure the services, facilities or other activities provided are authorized, documented and accurately recorded.

V. SERVICES, FACILITIES AND ACTIVITIES

Each company will determine the appropriate level of services, facilities or other activities it requires and will make such requests as it deems appropriate.

A. Facilities. Upon the terms and subject to the conditions of the CAM and SFA, a Party may request, without limitation, the use of:

(a) facilities, including office space, warehouse and storage space, natural gas transportation and storage facilities, including third party facilities reserved for Laclede's use pursuant to contract, repair facilities, manufacturing and production facilities, fixtures and office furniture and equipment;

(b) computer equipment (both stand-alone and mainframe) and networks, peripheral devices, storage media, and software;

(c) communications equipment, including audio and video equipment, radio equipment, telecommunications equipment and networks, and transmission and switching capability;

(d) vehicles, including automobiles, trucks, vans, trailers, transport equipment, material handling equipment and construction equipment; and

(e) machinery, equipment, tools, parts and supplies.

A Party shall have no obligation to provide any of the foregoing to the extent that such item or items are not available (either because such Party does not possess the item or the item is otherwise being used). A Party has sole discretion in scheduling the use of facilities, equipment or capabilities so as to avoid interference with that Party's operations.

B. Services. Upon the terms and subject to the conditions of the CAM and the SFA, a Party may request, without limitation:

(a) Administrative and management services, including accounting (i.e., bookkeeping, billing, accounts receivable administration and accounts payable administration, and financial reporting); audit; executive; finance; insurance; information systems services; investment advisory services; legal; library; record keeping; secretarial

and other general office support; real estate management; security holder services; tax; treasury; and other administrative and management services;

(b) Personnel services, including recruiting; training and evaluation services; payroll processing; employee benefits administration and processing; labor negotiations and management; and related services;

(c) Purchasing services, including preparation and analysis of product specifications, requests for proposals and similar solicitations; vendor and vendor-product evaluations; purchase order processing; receipt, handling, warehousing and disbursement of purchased items; contract negotiation and administration; inventory management and disbursement; and similar services; and

(d) Operational services, including drafting and technical specification development and evaluation; consulting; engineering; environmental; construction; design; resource planning; economic and strategic analysis; research; testing; training; public and governmental relations; and other operational services.

A Party shall have no obligation to provide any of the foregoing to the extent that it is not capable of providing such service (either because such Party does not have personnel capable of providing the requested service or the service is otherwise being used). A Party has sole discretion in scheduling of services so as to avoid interference with the Party's operations.

C. Joint Purchasing. A party may also request that another Party or Parties enter into arrangements to effect the joint purchase of goods or services from third parties. Under the SFA, Laclede Gas will only participate in such arrangements if its fully distributed cost for such goods or services is not thereby increased.

No Party shall be required to purchase a service that it is otherwise capable of providing or obtaining. In the event that any such arrangements are established, one Party may be designated as, or serve as, agent for the other Parties to the arrangement and may administer the arrangement (including billing and collecting amounts due the vendor(s)) for the other Parties.

D. Cash Management. The Parties may enter into one or more arrangements providing for the central collection, management, investment and disbursement of cash by a Party. If such an arrangement is established, then pursuant to the SFA:

(a) the Parties participating in such arrangement shall establish appropriate inter-company accounts to track the amount of cash transferred and/or received by each Party to such arrangement and the pro rata portion of the earnings received or interest paid by each such party from the investment or borrowing of cash; and

(b) the Party responsible under the arrangement for the management and investment of such cash shall establish a separate account or accounts for such purpose, which account(s) and the records associated therewith shall clearly indicate that other Parties have an interest in said account(s) and the proceeds thereof and shall not be subject to set-off by the bank or other institution holding the same except to the limited extent of expenses arising from the management, handling and investment of the account(s).

E. Agreements, Etc. A Party may evidence their agreement with respect to the availability, provision or use of the facilities, services and activities described in this CAM by entering into an agreement, lease, license or other written memorandum or evidence consistent with the terms of the SFA.

VI. ASSET TRANSFERS

Any asset transfers with Laclede Gas shall follow and comply with controlling law and regulation.

VII. CHARGES; PAYMENT

A. Charges. Charges for the use of facilities, equipment, capabilities or services shall be determined in accordance with the section below regarding cost principles. By requesting the use of facilities, equipment, capabilities and/or services, a Party shall be deemed to have agreed to pay, and shall pay, to the Provider or Providers the charge determined therefor in accordance with the CAM and the SFA.

B. Payment. Payment for the facilities, services and other activities shall be accounted for on a monthly basis and shall accrue interest if not made by the last day of the month following the month in which the service was rendered. Late payments shall bear interest at a rate per annum equal to the rate of interest announced from time to time by [set proxy rate] and such interest shall be based on the period of time that the payment is late.

VIII. TRANSFER PRICING/COSTING METHODOLOGY

A. Use of Facilities or Services. (i) Facilities or services provided to Laclede Gas Company by an affiliated Provider shall be charged at the lesser of the fair market price for such facilities or services or the fully distributed cost to Laclede Gas Company to provide the goods or services for itself.

(ii) Facilities or services provided by Laclede Gas Company to an affiliate shall be charged by Laclede Gas Company at the tariffed rate or, if no such tariffed rate exists, the fully distributed cost incurred by Laclede Gas Company in providing such facility or service, unless an alternative method for determining such charges is provided by law.

B. Fair Market Price. The fair market price of an asset or service as used in subsection A (i) means: (1) the prevailing price for which the same or similar facilities, services or goods are offered for sale by the affiliate or, if no such prevailing price exists, (2) the price at which nonaffiliated vendors offer the same or similar facilities, services or goods for sale determined by reference to quoted market prices, independent appraisals, benchmarking studies or other objectively determinable evidence.

C. Fully Distributed Costs. The fully distributed cost of an asset or service as used in subsections A (i) and (ii), means: (1) Laclede Gas Company's cost of labor, materials and services that can be directly attributed and charged to the asset or service; and (2) an allocated

share of Laclede Gas Company's indirect joint or common labor and administrative and general costs. The fully distributed cost of an asset or service shall be identified and charged or allocated to the asset or service in accordance with these general principles, as more fully outlined below:

(i) *Direct Costs.* Costs incurred that are specifically attributable to an asset or service shall be directly charged to that asset or service.

(ii) *Direct Labor.* Amounts of direct labor used in providing or attributable to a service shall be based on actual direct labor rates. All direct labor charges apportioned to a service shall be increased by a loading factor to reflect, if applicable, the payroll taxes; medical, dental and vision insurance costs; pension and other post-retirement health care benefits costs; incentive compensation plan costs; and employee savings plans' costs associated with such direct labor. These loading factor shall be determined periodically. For most employees, direct labor shall be charged under a positive time reporting methodology under which an employee shall report each pay period the number of hours incurred in performing the service. Based on the time reported each pay period, the regular, predetermined account distribution for the employee shall be adjusted to reflect the distribution of direct labor charges to the service.

Some departments or organizations are expected to provide a recurring, predictable level of services to a Party or Parties. For these departments or organizations, periodic reviews shall be performed to determine a normal distribution of time to such services. The distribution percentages derived from such reviews shall then be used to allocate time with respect to each pay period. For these departments or organizations, direct labor shall be charged to the service under an exception time reporting methodology. That is, significant deviations of actual activity from these predetermined percentages shall be reported and shall result in adjustments to the predetermined distribution of direct labor charges to the affiliate functions. Officers of Laclede

Gas Company shall also utilize either a positive time or an exception time reporting methodology.

Overtime shall be reflected in the direct labor rates charged to a service. Direct labor shall be charged based either on the base and overtime pay amounts actually incurred by Laclede Gas Company or, as adjusted on a departmental or organizational basis, to reflect estimated overtime incurred based on an overtime review performed periodically.

All charges for direct labor charges shall reflect a cost for nonproductive time. The cost for nonproductive time shall be based either on actual nonproductive time incurred by Laclede Gas Company, or as adjusted on a departmental or organizational basis, to reflect estimated nonproductive time derived from a periodic review. The cost for nonproductive time reflects time incurred for vacations, holidays, and other paid absences.

(iii) Direct Materials and Purchased Services. Amounts incurred for materials or purchased services directly attributable to a service provided to a Party shall be charged directly to the appropriate Party using standard voucher account distribution procedures.

(iv) Indirect and Allocated Costs. Costs apportioned to a service shall include, where applicable, an allocated share of the Company's indirect and otherwise allocated costs, including administrative and general costs and a share of the cost of facilities, equipment, machinery, furniture or fixtures used to provide the service. Such costs shall be proportionate and based on appropriate cost causative measures.

IX. DISPUTE RESOLUTION

If there is a dispute between Laclede Gas Company and any affiliate regarding a billing, representatives of all involved parties will meet to resolve the issues. Managers and other

executives of the affected parties may also be consulted. In the event that a resolution cannot be reached, the issue will be referred to senior management for final resolution.

X. EXCEPTIONS TO APPLICATION OF METHODOLOGIES

The methodologies set forth in this CAM provide general guidelines to govern how Laclede Gas Company will allocate costs to or pay for services received from or provided to affiliates. Such guidelines shall not be applicable in the event another methodology is prescribed by law for allocating costs to or pricing such services. Laclede Gas Company may also employ a different allocation or pricing methodology than those described herein in the event it determines that application to the methodologies or costing principles described herein would not be in the best interests of its utility customers, provided that Laclede Gas Company shall maintain information sufficient to show how costs would have been allocated to such services pursuant to the methodologies set forth in this CAM, and provided further that such alternative methodology will be subject to review and adjustment in any subsequent rate case proceeding.

Submitted,

The Laclede Group, Inc.
Laclede Gas Company
Laclede Investment Corporation
Laclede Development Company
Laclede Pipeline Company
Laclede Energy Resources, Inc.
Laclede Venture Corp.
Laclede Gas Family Services, Inc.

SERVICES AND FACILITIES AGREEMENT

Dated as of _____, 2001

Among

**The Laclede Group, Inc.
Laclede Gas Company
Laclede Investment Corporation
Laclede Development Company
Laclede Pipeline Company
Laclede Energy Resources, Inc.
Laclede Venture Corp.
Laclede Gas Family Services, Inc.**

720 Olive Street - St. Louis, MO 63101

SERVICES AND FACILITIES AGREEMENT

THIS SERVICES AND FACILITIES AGREEMENT (this "Agreement") is made and entered into as of the ___ day of _____ 2001, among The Laclede Group, Inc., Laclede Gas Company, Laclede Investment Corporation, Laclede Development Company, Laclede Pipeline Company, Laclede Energy Resources, Inc., Laclede Venture Corp., Laclede Gas Family Services, Inc., and each of the entities identified on Exhibit A hereto, as such Exhibit A may be amended from time to time in accordance with the provisions of this Agreement.

WITNESSETH:

WHEREAS, the parties are related by virtue of common ownership, directly or indirectly, of their equity securities by The Laclede Group, Inc.; and

WHEREAS, the parties believe that the central management of certain services and the provisions to each other of certain services and facilities are or may be efficient and cost effective, and the parties desire to make provision for these and other transactions as between Laclede Gas Company and another Laclede Group Entity or Entities;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties hereby agree as follows:

ARTICLE I

Definitions and Interpretation

Section 1.1. *Definitions.* As used in this Agreement, the following terms shall have the respective meanings set forth below unless the context otherwise requires:

"*Commission*" means the Missouri Public Service Commission.

"*Cost Allocation Manual*" or "*CAM*" means the then effective version of the Laclede Gas Company Cost Allocation Manual.

"*Laclede Group Entity*" means The Laclede Group, Inc. and any of the entities identified on Exhibit A.

"*Party*" means each, and "*Parties*" means all, of the entities who are from time to time a party to this Agreement.

"*Provider*" means a Party who has been requested to, and who is able and willing to, furnish facilities, provide services or have other transactions with a Requestor under the terms of this Agreement.

"Requestor" means a Party who desires to use facilities, receive services or have other transactions with a Party and has requested another Party to furnish such facilities, provide such services or transactions.

Section 1.2. *Purpose and Intent; Interpretation.* (a) The purposes and intent of this Agreement are to set forth procedures and policies to govern (i) transactions between a Laclede Group Entity and Laclede Gas Company, whether such transactions occur directly or indirectly as the end result of a series of related transactions and (ii) the allocation of certain joint service costs. It is not intended to govern transactions between Laclede Group Entities that do not involve Laclede Gas Company, although such entities may elect to apply the provisions of this Agreement to transactions among themselves. This Agreement shall be interpreted in accordance with such purposes and intent.

(b) The headings of Articles and Sections contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE II

Use of Facilities and Services

Section 2.1. *Facilities.* Upon the terms and subject to the conditions of this Agreement, a Requestor may request a Provider or Providers to make available or provide facilities and equipment as described in the CAM. A Provider shall have no obligation to provide any facilities to the extent that such item or items are not available (either because such Provider does not possess the item or the item is otherwise being used); and it is understood that a Provider has sole discretion in scheduling the use by a Requestor of facilities, equipment or capabilities so as to avoid interference with such Provider's operations.

Section 2.2. *Services.* Upon the terms and subject to the conditions of this Agreement, a Requestor may request a Provider or Providers to provide services as described in the CAM. A Provider shall have no obligation to provide any service to the extent that it is not capable of providing such service (either because such Provider does not have personnel capable of providing the requested service or the service is otherwise being used); and it is understood that a Provider has sole discretion in scheduling the use by a Requestor of services so as to avoid interference with such Provider's operations.

Section 2.3. *Joint Purchasing.* A Party may also request that another Party or Parties enter into arrangements to effect the joint purchase of goods or services from third parties. Under the SFA, Laclede Gas will only participate in such arrangements if its fully distributed cost for such goods or services is not thereby increased.

Section 2.4. *Cash Management.* The Parties may enter into one or more arrangements providing for the central collection, management, investment and disbursement of cash by a Party. If such an arrangement is established, then such procedures as are set forth in the CAM will apply.

Section 2.5. *Agreements, Etc.* A Party may evidence their agreement with respect to the availability, provision or use of the facilities, services and activities by entering into an agreement, lease, license or other written memorandum or evidence consistent with the terms of this SFA.

ARTICLE III

Charges; Payment

Section 3.1. *Charges.* (a) Charges for the use of facilities, equipment, capabilities or services provided to or by Laclede Gas Company shall be determined as set forth in the CAM.

Section 3.2. *Accounting.* Each Party shall maintain adequate books and records with respect to the transactions subject to this Agreement and shall be responsible for maintaining internal controls where applicable to ensure the costs associated with such transactions are properly and consistently determined and billed in accordance with the terms and provisions of this Agreement and the CAM.

Section 3.3. *Payment.* Payment for the facilities, services and other activities shall be on a monthly basis and shall be made in accordance with the procedures set forth in the CAM.

ARTICLE IV

Cost Apportionment Methodology

The cost allocation and pricing principles and methods specified in the then effective CAM shall be used to price and allocate costs relating to services provided to or by Laclede Gas Company under this Agreement.

ARTICLE V

Limitations of Liability

Section 5.1. *No Warranties for Facilities or Services.* Each Party acknowledges and agrees that any facilities, equipment or capabilities made available, and any services provided, by a Provider to a Requestor hereunder, are so made available or provided WITHOUT ANY WARRANTY (WHETHER EXPRESS, IMPLIED OR STATUTORY AND NOTWITHSTANDING ANY ORAL OR WRITTEN STATEMENT BY A PARTY'S EMPLOYEES, REPRESENTATIVES OR AGENTS TO THE CONTRARY) WHATSOEVER. ALL SUCH WARRANTIES (INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED AND EXCLUDED.

Section 5.2. *No Partnership.* The Parties acknowledge and agree that this Agreement does not create a partnership between, or a joint venture of, a Party and any other

Party. Each Party is an independent contractor and nothing contained in this Agreement shall be construed to constitute any Party as the agent of any other Party except as expressly set forth in Sections 2.3 and 2.4.

Section 5.3. *No Third Party Beneficiaries.* This Agreement is intended for the exclusive benefit of the Parties hereto and is not intended, and shall not be deemed or construed, to create any rights in, or responsibilities or obligations to, third parties.

ARTICLE VI

Term

Section 6.1. *Term.* This Agreement will be effective on the date it is signed and shall continue, unless terminated as provided in Section 6.2 or renewed as hereinafter provided, until the tenth anniversary of such date (the "Initial Term"). Unless written notice that this Agreement shall terminate on the last day of the Initial Term or any then current renewal term is provided by a Party at least 30 days prior to the expiration of the Initial Term or such renewal term, this Agreement shall continue for successive renewal terms of five years as to such Party and any other Parties not providing any such termination notice.

Section 6.2. *Termination.* Any Party may terminate this Agreement as to it by providing at least 30 days prior written notice to the other Parties of the effective date of such termination. Any such termination shall not affect the terminating Party's accrued rights and obligations under this Agreement arising prior to the effective date of termination or its obligations under Section 8.4.

ARTICLE VII

Confidential Information

Each Party shall treat in confidence all information which it shall have obtained regarding the other Parties and their respective businesses during the course of the performance of this Agreement. Such information shall not be communicated to any person other than the Parties to this Agreement, except to the extent disclosure of such information is required by a governmental authority. If a Party is required to disclose confidential information to a governmental authority, such Party shall take reasonable steps to make such disclosure confidential under the rules of such governmental authority. Information provided hereunder shall remain the sole property of the Party providing such information. The obligation of a Party to treat such information in confidence shall not apply to any information which (i) is or becomes available to such Party from a source other than the Party providing such information, or (ii) is or becomes available to the public other than as a result of disclosure by such Party or its agents.

ARTICLE VIII

Miscellaneous

Section 8.1. *Entire Agreement; Amendments.* Upon its effectiveness as provided in Section 6.1, this Agreement shall constitute the sole and entire agreement among the Parties with respect to the subject matter hereof and shall supersede all previous agreements, proposals, oral or written, negotiations, representations, commitments and all other communications between some or all of the Parties. Except as provided in Section 8.2 with respect to new Parties and except that Laclede Group may amend Exhibit A to this Agreement to delete any terminated Party, this Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the Parties hereto.

Section 8.2. *New Parties.* Any other entity which is or may become an affiliate of The Laclede Group or any of the other Parties to this Agreement may become a party to this Agreement by executing an agreement adopting all of the terms and conditions of this Agreement. Such agreement must be signed by The Laclede Group in order to become effective, but need not be signed by any other Party to this Agreement. Upon such execution by The Laclede Group, such entity shall be deemed to be a Party and shall be included within the definition of "Party" for all purposes hereof, and Exhibit A shall be amended to add such entity.

Section 8.3. *Assignment.* This Agreement may not be assigned by any party without the prior written consent of The Laclede Group.

Section 8.4. *Access to Records.* During the term of this Agreement and for any period thereafter required by law, Laclede Gas Company shall maintain and provide reasonable access to any and all books, documents, papers and records of Laclede Gas Company which pertain to services and facilities provided to or received by Laclede Gas Company.

Section 8.5. *Partial Invalidity.* Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

Section 8.6. *Waiver.* Failure by any Party to insist upon strict performance of any term or condition herein shall not be deemed a waiver of any rights or remedies that such Party may have against any other Party nor in any way to affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

Section 8.7. *Governing Law.* This Agreement shall be governed by, construed and interpreted pursuant to, the laws of the State of Missouri.

IN WITNESS WHEREOF, the Parties have each caused this Agreement to be executed by a duly authorized representative as of the day and year first above written.

The Laclede Group, Inc.

Laclede Venture Company

Laclede Gas Company

Laclede Gas Family Services, Inc.

Laclede Investment Company

Laclede Pipeline Company

Laclede Development Company

Laclede Energy Resources, Inc.

EXHIBIT A

The Laclede Group, Inc.
Laclede Gas Company
Laclede Investment Corporation
Laclede Development Company
Laclede Pipeline Company
Laclede Energy Resources, Inc.
Laclede Venture Corp.
Laclede Gas Family Services, Inc.

that for purposes of acquisitions by the Holding Company only, public utility shall mean a natural gas or electric public utility.

2. Laclede Gas Company shall not sell, lease, assign or transfer to any affiliate or third party any of its utility assets that are used and useful in the performance of Laclede's public utility obligations without obtaining Commission approval.

SECTION VI
COST ALLOCATION MANUAL CONDITIONS

1. Upon implementation of the Proposed Restructuring, transactions involving transfers of goods or services between Laclede Gas Company and one or more of the Company's affiliated entities shall be conducted and accounted for in compliance with the provisions of a Cost Allocation Manual ("CAM") which shall be submitted to Staff, Public Counsel and PACE on or before April 15, 2003, and on an annual basis thereafter. The CAM shall be in the form contained in the direct testimony of Patricia A. Krieger, provided that the CAM, and the information that the Company is required to maintain and submit thereunder, shall be revised and supplemented within 120 days of the approval of this Stipulation and Agreement to include any and all of the following information as required to administer, audit and verify the Transfer Pricing and Costing Methodologies set forth in Section VIII of the CAM or such other Transfer Pricing and Costing Methodologies as may become applicable to the Company in the future:

- (a) For all Laclede Gas Company functions that will provide support to nonregulated affiliates and the holding company:
 - (1) A list and description of each function;
 - (2) The positions and numbers of employees providing each function;and

- (3) The procedures used to measure and assign costs to nonregulated affiliates and the holding company for each function.
- (b) A list and description of each service and good that will be provided to Laclede Gas Company from each affiliate and the holding company.
- (c) A list and description of each service and good that will be provided by Laclede Gas Company to each affiliate and the holding company.
- (d) The dollar amount of each service and good charged to each affiliate and the holding company by Laclede Gas Company, and the total cost related to each service and good listed.
- (e) The dollar amount of each service and good purchased from each affiliate and the holding company by Laclede Gas Company, and the total cost related to each service and good listed.
- (f) A detailed discussion of the basis for determining the charges from Laclede Gas Company and each affiliate and the holding company, including:
 - (1) If costs are allocated, a detailed description of the allocation process employed for each service and good;
 - (2) Detailed descriptions of how direct, indirect and common activities are assigned for each service and good;
 - (3) A detailed description of how market values are determined for each service and good; and

- (4) A detailed discussion of the criteria used to determine whether volume discounts and other pricing considerations are provided to Laclede Gas Company, affiliates, and the holding company.

(g) For each line of business that will be engaged in by Laclede Gas Company with non-affiliated third party customers following formation of a holding company and that would not reasonably be considered as a component of its regulated utility business, Laclede shall provide:

- (1) A list and description of each nonregulated activity;
- (2) The total amount of revenues and expenses for each nonregulated activity for the last calendar year; and
- (3) A listing of all Laclede Gas Company cost centers and/or functions that directly assign cost, indirectly assign cost and/or allocate cost to each nonregulated activity engaged in by Laclede Gas Company with non-affiliates.

2. Laclede agrees to make compliance with the procedures and requirements set forth in the CAM and the other terms of this Stipulation and Agreement a standard element of its Code of Conduct and to provide employee training and oversight in a manner that is reasonably designed to achieve such compliance. Laclede will conduct regularly scheduled audits to confirm compliance with its CAM and will annually review and update the CAM where necessary and submit such updates with its next CAM filing. Laclede will identify a function or position with responsibility for enforcing and updating the CAM.

3. As part of its CAM submittal, Laclede Gas Company will provide a list of all jurisdictions in which Laclede Gas Company, the holding company, affiliates, and service company, if formed, file affiliate transaction information.

4. As part of its CAM submittal, Laclede Gas Company will also provide Organizational Charts for The Laclede Group, Inc. (corporate structure), Laclede Gas Company and any other affiliate doing business with Laclede Gas Company and a copy of the annual holding company filing the Laclede Group, Inc. is required to file with the Securities and Exchange Commission.

SECTION VII
MISCELLANEOUS CONDITIONS

1. Laclede Gas Company will not seek to recover any costs related to the Proposed Restructuring from ratepayers. These costs will be identified, described and accounted for in a manner that would enable the Staff and Public Counsel to seek disallowance from rates, if necessary, in a future proceeding.

2. Laclede Gas Company will provide the Staff and Public Counsel with an explanation for any final reorganization journal entry that deviates by more than ten percent (10%) from the estimated proforma entries provided in Exhibit 4 of the Application. Copies of the actual journal entries will be provided to the General Counsel's Office no later than thirty days following the preparation of the final merger closing entries.

3. The Laclede Group and its affiliates (including Laclede) will provide the following documents to Staff and Public Counsel on an annual basis:

- (a) All new, revised and updated business plans for The Laclede Group and its affiliates (including Laclede);

- (b) Descriptions of any and all joint marketing/promotional campaigns between Laclede and The Laclede Group and any of its affiliates;
- (c) Narrative description of all products and services offered by The Laclede Group and its affiliates (including Laclede), provided that Laclede shall not be required to provide narrative descriptions of its tariffed products and services;
- (d) All information provided under this subsection shall be considered "highly confidential" or "proprietary" as those terms are used in 4 CSR 240-2.085, and shall be treated as highly confidential or proprietary information by the Staff and Public Counsel;
- (e) The Laclede Group, Inc. and its affiliates (including Laclede) shall also notify Staff, Public Counsel and PACE in the event and at such time as they commence a line of business that neither Laclede nor its affiliates were actively engaged in at the time of the Proposed Restructuring. Such notification can take the form of public announcements, press releases or other means of notification provided to the parties.

4. Laclede Gas agrees to notify the Staff, Public Counsel, and PACE in the event and at such time as any decision is made to transfer any department or function relating to the Company's provision of regulated utility services from the regulated gas corporation to a non-regulated affiliated entity or other third party; provided that nothing herein shall be construed as limiting or modifying in any manner any notice or other requirement Laclede may have relating to the transfer of bargaining unit employees or the work performed by such employees pursuant to the existing collective bargaining unit



Notice of
**ANNUAL MEETING
OF SHAREHOLDERS**
and
PROXY STATEMENT

January 28, 2010



720 Olive Street
St. Louis, MO 63101

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time 10:00 a.m. central standard time on Thursday, January 28, 2010

Place Renaissance St. Louis Grand Hotel
800 Washington Avenue
St. Louis, Missouri 63101

- Items of Business**
1. To elect three members of the Board of Directors to serve for a three-year term.
 2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accountant for the 2010 fiscal year.

Attachment D

3. To transact such other business as may properly come before the meeting and any adjournment or postponement.

Record Date You can vote if you are a common shareholder of record on December 1, 2009.

Annual Report Our 2009 annual report was delivered with this proxy statement.

Your vote is important. Whether or not you plan to attend the annual meeting, **PLEASE VOTE IN ONE OF THREE WAYS:** (1) use the toll-free telephone number shown on your proxy card; (2) visit the website shown on your proxy card to vote via the Internet; or (3) mark, sign, date and promptly return the proxy card in the enclosed, pre-addressed, postage-paid envelope. If your shares are held by a broker, bank or nominee, it is important that you give them your voting instructions.

By the order of the Board of Directors,

Mary Caola Kullman
Secretary

December 18, 2009

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PROXY STATEMENT INFORMATION ABOUT THE ANNUAL SHAREHOLDERS MEETING

Important Notice Regarding Availability of Proxy Materials for the Shareholders Meeting to be held on January 28, 2010. The proxy statement is available at www.thelacledegroup.com/annualmeeting.

This proxy statement is furnished to solicit proxies by the Board of Directors of The Laclede Group for use at the annual meeting of its shareholders to be held on January 28, 2010, and at any adjournment or postponement of the meeting. The meeting will be held at the Renaissance St. Louis Grand Hotel, 800 Washington Avenue, St. Louis, Missouri 63101 at 10:00 a.m. central standard time. The Company expects to mail this proxy statement with the annual report for its fiscal year 2009 on or about December 18, 2009.

Annual Meeting Admission

If you are a shareholder of record and plan to attend the annual meeting, please check in with Company representatives at the meeting. If your shares are held by someone else on your behalf, such as a bank or broker, and you plan to attend the meeting, please bring a letter or statement from that firm that shows you were a beneficial holder on December 1, 2009. Please also bring personal identification.

Voting Matters

How you can vote

You may simplify voting and save the Company expense by voting by telephone or by Internet. Telephone and Internet voting information is provided on your proxy card. A control number on the proxy card is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded. *If you vote by telephone or Internet, you need not mail back your proxy card.*

If you choose to vote by mail, please return your proxy card, properly signed, in the postage-paid envelope provided.

If you hold your shares through a broker, bank or other holder of record, please follow its directions for providing voting instructions. The availability of telephone or Internet voting will depend on that firm's processes.

If you participate in The Laclede Group dividend reinvestment and stock purchase plan or in the Company Stock Fund of the Laclede Gas Wage Deferral Savings Plan, Salary Deferral Savings Plan, or Missouri Natural Wage Deferral Savings Plan and you do not give voting instructions for shares owned by you through any of these plans, none of your shares held in the plans will be voted. To allow sufficient time for voting by the administrators and trustee of the plans, your voting instructions must be received by January 25, 2010.

How you may revoke or change your vote

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

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

Other voting matters

Holders of record of The Laclede Group common stock at the close of business on December 1, 2009 are entitled to receive this proxy statement and to vote at the meeting. As of that date there were 22,250,225 shares of The Laclede Group common stock outstanding. You are entitled to one vote for each share owned of record on that date.

All shares that have been properly voted and not revoked will be voted at the annual meeting in accordance with your instructions. If you sign your proxy card but do not give voting instructions, the shares represented by that proxy will be voted by those named in the proxy card in accordance with the recommendations of the Board of Directors.

If any other matters are properly presented at the annual meeting for consideration, the persons named in the enclosed proxy card will have the discretion to vote on those matters for you. As of the printing of this proxy statement, we do not know of any other matter to be raised at the annual meeting.

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

How votes are counted and voting requirements

Holders of a majority of the shares entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum for the meeting. If a quorum is present, the affirmative vote of a majority of the shares entitled to vote that are present in person or by proxy is required to elect directors (Proposal 1), and to ratify the appointment of the independent registered public accountants (Proposal 2). Shares represented by proxies that are marked or voted:

- "withhold" with respect to the election of directors,
- "abstain" on the ratification of the appointment of the independent registered public accountant, or
- to deny discretionary authority,

will be counted to determine a quorum but will have the effect of voting against the nominee(s) and the ratification of the appointment of the independent registered public accountant and discretionary authority.

The Company may receive "broker non-votes." A broker non-vote occurs when a broker submits a proxy card with respect to shares of common stock held in a fiduciary capacity (typically referred to as being held in "street name"), but cannot vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules governing brokers who are voting with respect to shares held in street name, brokers no longer have the discretion to vote such shares on the election of directors, but may exercise discretion to vote such shares on the ratification of the appointment of the independent registered public accountants. Broker non-votes will be considered present for determining whether a quorum exists but will not be considered as votes cast.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors is divided into three classes. Directors Newberry, Van Lokeren, and Yaeger, whose terms will expire upon the election on January 28, 2010, will stand for reelection for terms expiring in 2013. The persons named in the enclosed proxy card intend to vote proxies FOR the election of the three nominees. If any nominee becomes unavailable

for any reason before the meeting, which is not anticipated, the proxies received for that nominee will be voted for a person to be selected by our Board of Directors.

Information about the nominees and directors

Nominees for term expiring in 2013:

Brenda D. Newberry, 56, Chairman of the Board of The Newberry Group. From 2006-2009, she served as its Chairman and Chief Executive Officer. From 1996-2005, she served as its President and Chief Executive Officer. Ms. Newberry founded The Newberry Group in 1996 with her husband. The Newberry Group provides IT consulting services on a global basis, specializing in cyber-security services, information systems consulting, and project management services. She is also a director of Enterprise Financial Services Corp.

Director since 2007

MaryAnn Van Lokeren, 62, retired as Chairman and Chief Executive Officer of Krey Distributing Co., an Anheuser-Busch wholesaler, in October 2006. She had served in that capacity since December 1986. She is a director of Masco Corporation.

Director since 2000

Douglas H. Yaeger, 60, has been Chairman of the Board, President and Chief Executive Officer of The Laclede Group since its inception in October 2000. He has been Laclede Gas' Chairman of the Board since January 1999, Chief Executive Officer since January 1999 and President since December 1997. He is a director of First Banks, Inc.

Director since 2000

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

Directors with term expiring in 2011:

Edward L. Glotzbach, 61, became Vice Chairman of Information Services Group in November 2007 when it acquired Technology Partners International, Inc. From December 2004 to November 2007, he served as President and CEO of Technology Partners International, Inc., an organization that assists clients with the evaluation, negotiation, implementation and management of IT and business process sourcing initiatives. From October 2003 to December 2004, he served as Vice President and Chief Financial Officer of the firm. From 1970 to September 2003, he served in many positions with SBC Communications, with his most recent position there being Executive Vice President and Chief Information Officer for six years.

Director since 2005

W. Stephen Maritz, 51, has been Chairman of the Board of Maritz Inc. since February 2001 and Chief Executive Officer since November 1998. Maritz Inc. provides performance improvement, marketing research and travel services on a global basis.

Director since 2000

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John P. Stupp, Jr., 59, has been President of Stupp Bros., Inc. since March 2004 and Chief Executive Officer of Stupp Corporation since August 1995. He previously served as Executive Vice President from April 1995 – March 2004 and Chief Operating Officer from April 1996 – March 2004. Stupp Bros., Inc. has two operating divisions: Stupp Bridge Company, a fabricator of steel highway and railroad bridges; and Stupp Corporation, producer of custom-made HFW (high frequency weld) and spiral weld pipe for gas and oil transmission; and three subsidiaries: Hammert's Iron Works, Inc., a fabricator of structural steel; Bayou Coating LLC, coating applicators for steel line pipe; and Midwest BankCentre, a Missouri bank holding company. He serves as a director of Stupp Bros., Inc. and Atrion Corporation.

Director since 2005

Directors with term expiring in 2012:

Arnold W. Donald, 54, served as President and Chief Executive Officer of Juvenile Diabetes Research Foundation International, the leading charitable funder and advocate of type 1 (juvenile) diabetes research worldwide, from January 2006 to March 1, 2008. He served as Chairman of the Board of Merisant Company from March 2000 to November 2005 and as its CEO from March 2000 to June 2003. He is a director of Crown Holdings, Inc., Oil-Dri Corporation of America, and Carnival Corporation.

Director since 2003

Anthony V. Leness, 69, was Managing Director Investment Banking – Global Power & Energy Group at Merrill Lynch & Co., Inc., in New York City from 1978 to his retirement on June 30, 2006. Merrill Lynch provides wealth management, capital market, investment banking and consulting services. He served as a relationship manager on a broad range of large and small companies, including industrial, communications, oil and gas exploration, natural gas pipeline, and, since 1990, exclusively on power and natural gas distribution companies.

Director since 2006

William E. Nasser, 70, was, until October 2003, CEO of SouthWest NanoTechnologies, Inc., a privately held specialty chemical firm. He served as Chairman of Enchira Biotechnology Corp. from April 1998 to January 2003. He retired as Chairman of the Board, Chief Executive Officer and President of Petrolite Corporation in November 1995.

Director since 2000

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**RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTANT**

The Board of Directors, upon recommendation of its Audit Committee, recommends that you ratify the appointment of Deloitte & Touche LLP, independent registered public accountant, to audit the books, records and accounts of The Laclede Group and its subsidiaries for the fiscal year ending September 30, 2010. It is expected that a representative of Deloitte & Touche LLP will be present at the annual meeting, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

**Your Board of Directors Recommends a Vote "FOR" The Ratification of
The Appointment of Deloitte & Touche LLP as
Independent Registered Public Accountant.**

BENEFICIAL OWNERSHIP OF LACLEDE GROUP COMMON STOCK

The table below shows as of November 30, 2009 the number of shares of our common stock beneficially owned by (i) each person known to the Company to be the beneficial owner of more than five percent of the Company's common stock, (ii) each current director and director nominee, (iii) each named executive officer listed in the Summary Compensation Table, and (iv) all directors, nominees and executive officers as a group.

Amount and Nature of Ownership

Name	Shares	
	Beneficially Owned (1)	Percent of Class
M. C. Darrell	24,905 (2)	*
A. W. Donald	6,400 (3)	*
E. L. Glotzbach	8,600 (3)	*
A. V. Leness	9,000 (3)	*
W. S. Maritz	7,350 (3)	*
W. E. Nasser	8,300	*
K. J. Neises	40,228 (2)	*
B. D. Newberry	4,000 (3)	*
M. R. Spotanski	39,753 (2)	*
J. P. Stupp, Jr.	1,160,600 (3)(4)	5%
M. A. Van Lokeren	12,986	*
M. D. Waltermire	40,309 (2)	*
D. H. Yaeger	187,725 (2)(5)	*
Barclays Global Investors, N.A./Barclays Global Fund Advisors/ Barclays Global Investors Ltd./Barclays Global Investors Australia Limited	1,470,490 (6)	7%
Stupp Bros., Inc.	1,155,000 (4)	5%
All nominees, directors and executive officers as a group (21)	1,669,029	8%

(1) Except as otherwise indicated, each person has sole voting and investment power with respect to all of the shares listed.

(2) Includes options exercisable currently and within 60 days for the following number of shares under the Equity Incentive Plan: M. C. Darrell – 0; K. J. Neises – 9,250; M. R. Spotanski – 12,000; M. D. Waltermire – 14,000; D. H. Yaeger – 90,000. Includes restricted non-vested shares granted under the 2003 Equity Incentive Plan and the 2006 Equity Incentive Plan, as to which a recipient has sole voting power and no current investment power as follows: M. C. Darrell – 17,000; K. J. Neises – 25,000; M. R. Spotanski – 16,000; M. D. Waltermire – 16,000; and D. H. Yaeger – 59,000.

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(3) Includes restricted, non-vested shares granted under the Restricted Stock Plan for Non-Employee Directors, as to which each recipient has sole voting power and no current investment power, as follows: A. W. Donald – 6,400; E. L. Glotzbach – 5,600; A. V. Leness – 2,500; W. S. Maritz – 7,350; B. D. Newberry – 4,000; and J. P. Stupp, Jr. – 5,600.

(4) Stupp Bros., Inc. owns 1,155,000 shares. Mr. Stupp is a director and executive officer of Stupp Bros., Inc. and has an interest in a voting trust that controls 100% of the stock of Stupp Bros., Inc., which is located at 3800 Weber Road, St. Louis, MO 63125. These shares are pledged as collateral to secure credit facilities for Stupp Bros., Inc. and are currently held by Bank of America.

(5) Includes 20 shares held in spouse's name.

(6) Information provided as of December 31, 2008 in Schedule 13G filed by these shareholders, whose address is 400 Howard Street, San Francisco, CA 94105. The shareholdings were reported as follows:

Barclays Entity	Sole	
	Voting Power	Dispositive Power
Barclays Global Investors, N.A.	426,926	502,189
Barclays Global Fund Advisors	696,724	948,458
Barclays Global Investors Ltd.	505	14,667
Barclays Global Investors Australia Limited	5,176	5,176
Aggregate	1,129,331	1,470,490

* Less than one percent.

Stock Ownership Guidelines for Non-employee Directors and Executive Officers

To provide a direct link between Directors, executives and shareholder interests, the Company has adopted stock ownership guidelines. Within five years of entrance into a covered position, non-employee Directors are expected to own shares with a market value equal to two times the annual retainer, the CEO is expected to own shares with a value equal to two times his base salary, and the other named executive officers are expected to own shares with a value equal to one times their base salary, as determined when the officer first becomes subject to the guidelines. In addition to achieving the share ownership guidelines, directors and executives are expected to retain any award of restricted shares under the Restricted Stock Plan for Non-Employee Directors and under the Equity Incentive Plan for a minimum of three years after the restrictions lapse.

Corporate Governance

Board and Committee Structure

During the 2009 fiscal year, there were seven meetings of our Board of Directors. All directors attended 75% or more of the aggregate number of meetings of the Board and applicable Committee meetings, and all directors attended the last annual meeting of shareholders.

The standing committees of the Board of Directors include the Audit, Compensation, Corporate Governance, Investment Review and Capital Funds Committees.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling the Board's oversight responsibilities with respect to the quality and integrity of the financial statements, financial reporting process, and systems of internal controls. The Audit Committee also assists the Board in monitoring the independence and performance of the independent registered public accountant, the internal audit department and the operation of ethics programs. At fiscal year end, the Committee members were Mr. Glotzbach as Committee chair and audit committee financial expert, and Directors Leness, Newberry, Stupp, and Van Lokeren. All Committee members were determined by the Board to be independent and financially literate in accordance with The New York Stock Exchange requirements. The Committee met five times in fiscal year 2009.

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Compensation Committee

The Compensation Committee assists the Board in the discharge of its responsibility relative to the compensation of the Company's executives, reviews and makes recommendations to the Board relative to the Company's incentive compensation and equity-based plans, and makes recommendations to the Board regarding director compensation. At fiscal year end, the Committee members, all of whom were determined to be independent, were Directors Donald (chair), Glotzbach, Nasser, and Stupp. The Committee met five times in fiscal year 2009. There are no Compensation Committee interlocks. The Committee's retention of a compensation consultant is discussed later in the Compensation Discussion and Analysis.

Corporate Governance Committee

The Corporate Governance Committee considers and makes recommendations to the Board relative to corporate governance and its corporate governance guidelines, assists the Board in identifying individuals qualified to become Board members, assists the Board in the oversight of succession planning for executive officers and approves any related party transactions. The Committee also recommends committee appointments to the full Board. At fiscal year end, the Committee members, all of whom were determined to be independent, were Directors Nasser (chair), Donald, Glotzbach, Maritz, and Van Lokeren. The Committee met two times in fiscal year 2009.

Capital Funds Committee

The Capital Funds Committee oversees the Company's significant multi-year contributions to charitable and civic organizations. It also establishes certain criteria for the corporate giving program. At fiscal year end, the Committee members were Directors Maritz (chair), Newberry, and Yaeger. The Committee met once in fiscal year 2009.

Investment Review Committee

The Investment Review Committee oversees the investments of the defined benefit qualified pension plans of the Company's subsidiaries. At fiscal year end, the Committee members were Directors Leness (chair), Glotzbach, Maritz, Nasser, Newberry, and Yaeger. The Committee met eight times in fiscal year 2009.

Director Independence

The Board of Directors believes that a majority of the directors should be independent and determined that the following members were independent: Donald, Glotzbach, Leness, Maritz, Nasser, Newberry, Stupp, and Van Lokeren. Mr. Yaeger, the Chairman, President and Chief Executive Officer, is the only non-independent member of the Board. In determining the independence of directors, the Board found that none of the directors, other than Mr. Yaeger, has any material relationship with the Company other than as a director. In making these determinations, the Board considers all facts and circumstances as well as certain prescribed standards of independence, which are included with our Corporate Governance Guidelines in the Investor Services portion of our website (www.thelacledegroup.com). The director independence standards adopted by the Board largely reflect The New York Stock Exchange standards except the Board chose to use five-year "cooling off" periods, which is longer than The New York Stock Exchange's three-year period; further the standards provide that the Board does not consider material Laclede Gas Company's provision of natural gas service to any director or immediate family member of the director or director-related company pursuant to Laclede Gas Company's tariffed rates.

The independent members of the Board meet in executive session at least quarterly, which sessions are led by Mr. Nasser, the current Lead Director. Each quarter, the Lead Director solicits from other Board members topics for discussion in those sessions. Topics include, from time to time, the performance of the Chief Executive Officer, executive succession planning, executive compensation matters, and the Company's strategy.

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All of the members of the Audit, Compensation and Corporate Governance Committees are independent under our director independence standards as well as under the standards of The New York Stock Exchange. Mr. Glotzbach has been determined to be the audit committee financial expert for the Audit Committee and further, Directors Leness, Newberry, Stupp

and Van Lokeren, who serve on the Audit Committee, meet the audit committee financial expert requirements.

Corporate Governance Documents

Our key corporate governance documents include:

- Corporate Governance Guidelines, including Director Independence Standards;
- Charters of each of the Audit, Compensation, and Corporate Governance Committees;
- Code of Business Conduct;
- Financial Code of Ethics;
- Related Party Transaction Policy and Procedures; and
- Policy Regarding the Approval of Independent Registered Public Accountant Provision of Audit and Non-Audit Services.

All of these documents, other than the Policy Regarding the Approval of Independent Registered Public Accountant Provision of Audit and Non-Audit Services, are available on our website at www.lhclacledogroup.com in the investor services section and a copy of any of these documents will be sent to any shareholder upon request.

Corporate Governance Guidelines

The Board generally conducts itself in accordance with its Corporate Governance Guidelines. The Guidelines, among other matters, provide:

- the independent directors may elect a Lead Director,
- each independent director must notify the Corporate Governance Committee Chair and the Chairman of the Board as soon as practicable of any event, situation or condition that may affect the Board's evaluation of his or her independence,
- independent directors will not be paid for consulting, the Company will not retain their firms for consulting or services without approval of the full Board nor will any personal loans or extensions of credit be made by the Company to any director other than on the same terms as loans or credit are available to customers generally,
- a director who materially changes his or her job responsibilities must submit a written offer to resign from the Board, which will then take into account the circumstances at that point in time and take such appropriate action as it deems necessary,
- a director is not eligible for election after reaching age 71,
- directors are responsible for attending Board and Committee meetings as well as the annual meeting of shareholders and expected to attend at a minimum 75% of such meetings,
- the Board and its Committees conduct annual assessments of their performance as well as assessments of the performance of each individual director,
- directors have complete access to management,
- the Board has the ability to retain consultants, experts, and advisors as it deems necessary, at Company expense, and
- encouragement to attend educational programs at Company expense.

Related Party Transaction Policy and Procedures

We have adopted the Related Party Transaction Policy and Procedures under which our Corporate Governance Committee generally pre-approves transactions involving more than \$100,000 with our directors, executive officers, 5% or greater shareholders, and their immediate family members. Based on its consideration of all of the relevant facts and circumstances, the Committee will decide whether or not to approve the transaction and will approve only those transactions that it determines to be in the best interests of the Company. If the Company becomes aware of an existing transaction with a related party that has not been approved under the policy, the matter will be referred to the Committee. The Committee will evaluate all options available including ratification, revision or termination of such transaction. The policy includes certain transactions that are deemed pre-approved because they do not pose a significant risk of a conflict of interest. Such pre-approved transactions include the provision of natural gas service to any of the related parties by our utility subsidiary in accordance with its tariffed rates, transactions entered into pursuant to the competitive bid process, and those transactions at such a level as not to be material to the Company or the related party. There were no related party transactions in fiscal year 2009 requiring Committee action.

Policy Regarding the Approval of Independent Registered Public Accountant Provision of Audit and Non-Audit Services

Consistent with Securities and Exchange Commission requirements regarding accountant independence, the Audit Committee recognizes the importance of maintaining the independence, in fact and appearance, of our independent registered public accountant. To this end, the Audit Committee adopted a policy to pre-approve all audit and permissible non-audit services provided by the independent accountant. Under the policy, the Committee or its designated member must pre-approve services prior to commencement of the specified service, provided that all fees relative to compliance with Section 404 of the Sarbanes-Oxley Act may only be pre-approved by the Committee. Any pre-approvals by the designated member between meetings will be reported to the Audit Committee at its next meeting. The requests for pre-approval are submitted to the Audit Committee or its designated member, as applicable, by both the independent accountant and the Company's Chief Financial Officer with a joint statement as to whether in their view the request is consistent with the Securities and Exchange Commission's rules on accountant independence. At each Committee meeting, the Audit Committee reviews a report summarizing the services, including fees, provided by the independent accountant; a listing of pre-approved services provided since its last meeting; and a current projection presented similar to that included in this proxy statement, of the estimated annual fees to be paid to the independent accountant.

Shareholder Nominee Recommendations

Shareholders who wish to recommend nominees to the Corporate Governance Committee should make their submission to the Committee by the September 30 preceding the annual meeting by submitting it to Corporate Governance Committee Chair, c/o The Laeclde Group, 720 Olive Street, Room 1517, St. Louis, MO 63101. Candidates properly recommended by shareholders will be evaluated by the Committee using the same criteria as applied to other candidates. While there is no set of specific criteria for nominees, the Corporate Governance Committee generally will consider the appropriate skills and characteristics needed in light of the current make-up of the Board, including an assessment of the experience, diversity, age and skills represented on the Board. Generally, the Committee looks for persons who evidence personal characteristics of the highest personal and professional ethics, integrity and values; an inquiring and independent mind and practical wisdom and mature judgment; and expertise that is useful to the Company and complementary to the background and experience of other Board members. The Company does not typically hire or pay any third party to assist in this process.

Correspondence with the Board

Those who desire to communicate with the independent directors should send correspondence addressed to the Lead Director, c/o The Laeclde Group, 720 Olive Street, Room 1517, St. Louis, MO 63101. All appropriate correspondence is forwarded directly to the Lead Director. The Company does not, however, forward spam, sales, marketing or mass mailing materials; product or service complaints or inquiries; new product or service suggestions; resumes and other forms of job inquiries; or surveys. However, any filtered information is available to any director upon request.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to file reports of holdings and transactions in The Laeclde Group shares with the Securities and Exchange Commission and The New York Stock Exchange. Based on our records and information, in fiscal year 2009 our directors and executive officers met all applicable Securities and Exchange Commission reporting requirements.

Audit Committee Report

The primary function of the Audit Committee is oversight. Management is responsible for the preparation, presentation and integrity of the Company's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting practices and policies; for establishing internal controls and procedures designed to provide reasonable assurance that the Company is in compliance with accounting standards and applicable laws and regulations; and for assessing the effectiveness of the Company's internal control over financial reporting. The independent registered public accounting firm (the "firm") is responsible for planning and performing an independent audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board and to issue a report thereon. The Audit Committee is responsible for overseeing the conduct of these activities by Company management and the firm.

In this context, the Audit Committee has reviewed and discussed the audited financial statements for fiscal year 2009 with management and the firm, Deloitte & Touche LLP. The Committee has also discussed with the firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Deloitte & Touche LLP has provided the Committee with the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence.

Based on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements referred to above be included in the Annual Report on Form 10-K for the year ended September 30, 2009.

Audit Committee
Edward L. Glotzbach, Chairperson
Anthony V. Leness
Brenda D. Newberry
John P. Stupp, Jr.
MaryAnn Van Lokeren

Fees of Independent Registered Public Accountant

The following table displays the aggregate fees for professional audit services for the audit of the financial statements for the fiscal years ended September 30, 2009 and 2008 and fees billed for other services during those periods by the Company's independent registered public accounting firm, Deloitte & Touche LLP.

	2009	2008
Audit fees	\$565,000	\$564,775
Audit related fees (1)	60,693	5,863
Tax fees (2)	157,600	57,300
All other fees (3)	-	48,298
Total	\$783,293	\$676,236

- (1) Audit related fees consisted of comfort letters, consents for registration statements and work paper reviews.
- (2) Tax fees consisted primarily of assistance with tax planning, compliance and reporting.
- (3) All other fees in 2008 consisted of accounting and tax advice relative to the sale of SM&P Utility Resources, Inc. and adoption of a new accounting pronouncement.

The Audit Committee pre-approved all of the fees disclosed for fiscal years 2008 and 2009. The policy regarding the approval of independent registered public accountant provision of audit and non-audit services is described earlier in this proxy statement.

Directors' Compensation

The Compensation Committee periodically reviews director compensation relative to data provided by the Committee's independent consultant, Frederic W. Cook & Co. Inc., of the Company's comparator group and publicly traded companies based in St. Louis, Missouri. The basic retainers and fees payable are set forth below. No retainers or fees are paid to directors who are executives or employees of the Company and its subsidiaries.

Board and Committee Fees and Retainers

Annual Board Retainer (1)	\$35,000
Lead Director Annual Retainer	12,000
Audit Committee Chair Annual Retainer	10,000
Compensation Committee Chair Annual Retainer	10,000
Other Committee Chair Annual Retainer	6,000
Board Meeting Fee for Personal Attendance	2,000
Board Meeting Fee for Teleconference Attendance	1,000
Committee Meeting Fee for Personal Attendance	1,000
Committee Meeting Fee for Teleconference Attendance	500

(1) Effective February 1, 2010, the annual retainer will increase to \$55,000.

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The table below discloses the compensation paid or earned by all those who served as Company directors in fiscal year 2009. Not included in the table is the retirement plan for non-employee directors in which participation and benefits have been frozen since November 1, 2002. Under that plan, a non-employee director who had at least five years of service as a director as of November 1, 2002, qualified for an annual payment after retirement in an amount equal to the board retainer at November 1, 2002, (\$18,000) with such payments being made for the longer of 10 years or life. The only current directors eligible for benefits under the plan are Nasser and Van Lokeren.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Nonqualified Deferred	All Other Compensation (3)	Total
			Compensation Earnings (2)		
Donald	\$64,500	\$22,184	\$ 1,132	\$ 8,576	\$ 96,392
Glotzbach	78,500	22,806	10,987	7,352	119,645
Leness	68,500	86,867	-	4,509	159,876
Maritz	59,000	39,751	12,932	10,030	121,713
Nasser	78,500	51,668	51,228	-	181,396
Newberry	63,000	12,201	2,114	4,904	82,219
Stupp, Jr.	61,000	19,304	-	7,352	87,656
Van Lokeren	53,500	51,668	39,511	-	144,679

(1) Amounts calculated using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, "Compensation-Stock Compensation" (FASB ASC Topic 718), except that these amounts are exclusive of the estimate of forfeitures. See Note 1, Summary of Significant Accounting Policies, Stock-Based Compensation, of the consolidated financial statements in each of the Company's annual reports on Form 10-K for the years ended September 30, 2005 - 2009 for a discussion regarding the manner in which the fair value of these awards are calculated, including assumptions used.

The table below provides more details relative to the restricted stock awards made under the Restricted Stock Plans for Non-Employee Directors:

	No. of Shares Awarded	Fair Value of Shares	Aggregate No. of
	In Fiscal Year 2009	Fiscal Year 2009	Shares Awarded at 2009 Fiscal Year End
Donald	1,600	\$ 74,432	6,400
Glotzbach	1,600	74,432	5,600
Leness	1,600	74,432	5,000
Maritz	1,600	74,432	7,350
Nasser	1,450	67,454	7,300
Newberry	1,600	74,432	4,000
Stupp, Jr.	1,600	74,432	5,600
Van Lokeren	1,450	67,454	7,700

Under the plans, each of those directors who does not have benefits under the frozen retirement plan for non-employee directors received a grant of 1,600 restricted shares. Each of those directors with benefits under the frozen retirement plan received a grant of 1,450 shares.

- (2) Represents above-market earnings in fiscal year 2009 on deferrals of fees and retainers by participating directors in the Deferred Income Plans.
- (3) Includes dividends paid on restricted shares of stock.

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The Company's Restricted Stock Plan for Non-Employee Directors, approved by shareholders in January 2009, provides an initial award of 800 restricted shares to each new non-employee director. Annually thereafter, each non-employee director who is not a participant in the retirement plan for non-employee directors receives an additional grant of 1,600 shares for service rendered during the year preceding the annual meeting, while each non-employee director who is a participant in the retirement plan for non-employee directors receives an annual grant of 1,450 shares on the annual meeting date for the prior year's service. The Plan trustee purchases shares for grants on the open market and holds them in trust for the account of the participants until they are vested. Forfeited shares are held by the trustee and available for future grants. Participants receive cash dividends on the Company's common stock and may vote the shares awarded even while the shares are restricted, but the restricted shares may not be sold, pledged or otherwise transferred, except in accordance with the terms of the Plan. Directors Nasser and Van Lokeren are fully vested in their awards under the Plan. Mr. Leness is fully vested in one-half of his awarded shares and the other half will vest on his 70th birthday in 2010. The table below shows the vesting schedule for the other directors.

	Half of Plan Shares Vest	All of Plan Shares Vest
Donald		Annual Meeting January 2015
Glotzbach	On 65 th birthday in 2013	Annual Meeting January 2017
Maritz		Annual Meeting January 2012
Newberry	On 65 th birthday in 2018	Annual Meeting January 2019
Stupp, Jr.	On 65 th birthday in 2015	Annual Meeting January 2017

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COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

Overview of Executive Compensation Program and Philosophy

The Company's Compensation Committee (the "Committee") establishes the executive compensation philosophy and assists the Board in the development and oversight of all aspects of executive compensation.

Company's Compensation Philosophy

In determining compensation of our named executive officers and other key employees, the Company's compensation philosophy is to pay for performance by:

- Making compensation decisions based on what promotes our corporate strategy, creates shareholder value, and remains equitable for the Company, its executives and its shareholders.
- Providing an executive compensation program to attract, motivate and retain key executives, and to drive the development of value for the shareholders.

Role of the Compensation Committee

In implementing the Company's compensation philosophy, the Committee:

- Evaluates the design and administration of each of the components of our executive compensation program, in conjunction with an analysis of total compensation for executives through reviews of tally sheets, and makes adjustments as needed to reflect the execution of our corporate strategy and the creation of shareholder value.
- Reviews the performance of the Company for the most recently completed fiscal year and the degree of attainment of pre-established performance goals by the executives, including the named executive officers.
- Reviews executive compensation data, as prepared by its independent compensation consultant ("Consultant") from various sources including published surveys from major independent compensation survey providers containing market data from general industry and energy/utilities industry companies, and publicly available data from our comparator group made up of companies of similar size and industry, to ensure our compensation levels and opportunities are competitive.
- Reviews results of internal audit's review of the CEO's expenses during the past year.
- Consistent with its charter, approves or makes recommendations to the independent members of the Board as to compensation matters.

During the course of the year, the Committee requests and receives from management information regarding the attainment of Company objectives and the performance of individual executive officers. However, the Committee obtains its own information regarding the attainment of goals by the CEO.

Role of the Compensation Consultant

The Committee continued in fiscal year 2009 to retain the firm of Frederic W. Cook & Co., Inc. to serve as its Consultant. Frederic W. Cook & Co., Inc. is a completely independent firm, providing only compensation consulting services to the Committee. The Consultant reports to the Committee and attends most Committee meetings either in person or by phone. Specifically, the Consultant advises the Committee on performance metrics and linkage between pay and performance, makes recommendations to the Committee on companies to be used as a comparator group, and presents findings relative to the competitiveness of the Company's executive compensation. However, the Committee and the Board retain all decision-making authority.

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Role of the CEO in Compensation Matters

The CEO makes recommendations to the Committee on compensation changes for all Company officers (other than himself), including the other named executive officers. The CEO does not play any role in the establishment of his own compensation opportunity. Each year the CEO provides the Committee with:

- His evaluation of the performance of all Company officers;

- His recommendations for base salary adjustments for those officers;
- Recommendations for promotions, as appropriate;
- His review of the individual objectives for those officers in the Annual Incentive Plan;
- Recommendations for awards under the Annual Incentive Plan based on the officers' performance; and
- Recommendations for equity grants under the Equity Incentive Plan to those officers based on the officer's performance and role in executing the corporate strategy to build long-term shareholder value.

Our Named Executive Officers

The Company's named executive officers for fiscal year 2009 consisted of the following individuals:

- Mr. Douglas H. Yaeger, our President, Chief Executive Officer and Chairman of the Board;
- Mr. Mark D. Waltermire, our Chief Financial Officer;
- Mr. Kenneth J. Neises, our Executive Vice President of Laclede Gas;
- Mr. Mark C. Darrell, our General Counsel; and
- Mr. Michael R. Spotanski, our Senior Vice President of Operations and Marketing of Laclede Gas.

Components of Executive Compensation

The Company's executive compensation program is comprised of the following five basic components:

- Base salary;
- Annual incentive;
- Long-term incentives;
- Post-termination compensation; and
- Other Company provided benefits.

The Committee uses the processes described in this Compensation Discussion and Analysis (CD&A) to determine the appropriate balance among the components of executive compensation that will result in an effective total compensation package, and does not solely rely on the use of formulaic, targeted allocations between cash and equity based compensation or annual and long-term incentive compensation.

Benchmarking and Comparator Groups

Each year the Committee evaluates a number of factors when determining executive compensation levels to help ensure that pay opportunities being delivered to our executive officers are competitive with labor markets in which the Company competes for talent. The use of market data from surveys and publicly available sources are elements of this decision-making process. The Committee reviews the data to see how the Company's executive compensation levels compare to the labor market. If any meaningful deviations compared to the market data are identified, the Committee reviews further to ensure that there is rationale to support this.

To assist the Committee in its annual market review of executive officer compensation, Frederic W. Cook & Co., Inc., the Committee's independent consultant (the "Consultant"), prepares an analysis of the market competitiveness of compensation for each officer. The Consultant uses a combination of survey and peer company pay information to establish competitive market rates for base salary and annual and long-term incentives for the officer positions to ensure our competitive market is as robust, reliable and objective as possible on an on-going basis. For 2009 compensation decisions, the Committee used the following sources to develop an understanding of the compensation paid to officers holding similar positions:

1. Comparator group data, as disclosed publicly, from AGL Resources Inc., Atmos Energy Corporation, New Jersey Resources Corporation, Nicor Inc., Northwest Natural Gas Company, Piedmont Natural Gas Company, South Jersey Industries, Inc., Southwest Gas Corporation, UGI Corporation and WGL Holdings, Inc., which provides information regarding the pay levels and programs at the companies competing in our industry, with whom we compete for executive talent;
2. American Gas Association (AGA) annual compensation survey, which provides an additional broader source of reliable and consistent industry-specific data; and
3. General industry data from multiple survey sources, including Mercer and Watson Wyatt, which provides an additional reference market for consideration.

Of the sources listed above, the Committee places more emphasis on our direct comparator group and broader energy industry sources.

The AGA compensation survey and general industry data are proprietary third party surveys, and the specific identity of respondents for any given position is not provided to the Company. Because of the large variance in size among participating companies within the general industry surveys, the Consultant conducted analyses, including regression, to adjust the compensation data for differences in revenue size. These adjustments are necessary to allow for appropriate size comparisons between our Company and the participating companies in the third-party surveys. These adjusted data were used as the basis for comparison between us and the companies participating in the third party surveys.

The Committee reviews each executive's total target compensation to see if there is sufficient compensation to retain and motivate the executive. If adjustments are needed to create

greater alignment with the stated compensation philosophy, the Committee evaluates each component of total compensation (base, annual incentive targets, long-term incentives) to determine where such adjustments may be required. In addition, the Committee considers other subjective factors in its compensation decisions, such as individual performance, experience, future potential, expertise, and a comparison of the specific job to the benchmark position.

Base Salary

The Company's base salary program is designed to provide competitive salaries to attract and retain key executive talent and to reward leadership effectiveness. Base salaries for executive officers are generally based on the following factors (none of which is given any particular weight), including:

- The executive's job responsibilities and performance in his or her position;
- The executive's level of expertise in a given area;
- The executive's role in developing and executing corporate strategy;
- The executive's potential to lead the Company in the future; and
- A comparison of salaries for similarly situated positions.

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Effective February 1, 2009, based on the factors described above, the Committee approved merit increases in the salaries for the named executive officers ranging from 3.0% - 4.4%. In addition to consideration of merit-based increases, the Committee reviewed the market pay data and determined to make certain market adjustments to base salaries that, when combined with annual incentives and long-term incentives, produce total target compensation that is consistent with the stated compensation philosophy. As a result of this review, the Committee approved additional base salary increases in the amount of 3.4% for Mr. Waltermire and Mr. Spotanski.

Annual Incentive Plan

The Company's Annual Incentive Plan ("AIP") is designed to motivate and reward participants for short-term, annual results tied to corporate financial, operational and customer objectives, as well as to individual performance objectives. At the beginning of the fiscal year performance targets are set based on the corporate business and strategic plan for the upcoming year. The level of attainment of those measures, which is calculated after completion of the fiscal year, determines the extent to which the AIP is funded. Awards for executives are based on the following formula:

AIP Target Opportunity MULTIPLIED BY Individual Performance.

The AIP Target Opportunity is a dollar value expressed as a percentage of the participant's base salary, and the actual award may go up or down based on performance against pre-defined goals and objectives. As discussed under the "Role of the Compensation Committee" and "Benchmarking and Comparator Groups" above, the Committee seeks to establish AIP Target Opportunities at levels that, when combined with base salary and long-term incentives, produce total compensation that is consistent with the stated compensation philosophy. The AIP Target Opportunity percentages were approved by the Committee following an assessment by its Consultant of the total target compensation packages for the executive officers.

Individual Performance is the weighted percentage of performance achievement of the individual's objectives. Individual objectives for each named executive officer are set at the beginning of the fiscal year and are related to each executive's functional area of responsibility.

For fiscal year 2009, the Board set the following corporate-level performance measures and weightings and determined the actual performance level attained:

Performance Measure	Weighting	Potential Performance Levels/Funding Rate			Actual Performance Level
		Threshold	Target	High	
Earnings Per Share	70%	\$2.49	\$2.59	\$2.73	\$2.93(1)
J.D. Power Customer Satisfaction Survey – Midwest Local Gas Distribution Companies	15%	Rank in top 60%	Rank in top 40%	Rank in top 20%	Rank in top 50%
Aggregate Attainment of Strategic Milestones	15%	60%	80%	100%	87%

(1) Represents earnings from continuing operations in fiscal year 2009.

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The table below indicates for the named executive officers their range of payout opportunities for the fiscal year 2009, their target opportunities and the awards paid based on Company and individual performance results:

Name	Threshold	Target	High	Actual
	Performance	Performance (1)	Performance	AIP Award
Yaeger	50%	75% \$457,500	100%	98% \$600,000

Waltermire	20%	40%	87,400	60%	53%	116,440
Neises	25%	50%	172,500	75%	75%	258,750
Darrell	20%	40%	97,000	60%	53%	128,520
Spotanski	20%	40%	87,400	60%	55%	120,620

(1) Represents percentage of base salary.

Performance status is reviewed periodically during the year, and the Committee reviews and approves the final evaluation shortly after the end of the fiscal year. Some discretionary adjustments may be applied where appropriate, and there are instances where objectives may be modified during the year, when warranted. After evaluating the performance of the Company and the named executive officers, the Board approved annual incentive awards above target for each officer. The award for Mr. Yaeger reflected his leadership role in reaching several strategic plan milestones and in achieving record earnings for seven consecutive years, excluding the fiscal year 2008 operating results and net gain on the sale of SM&P Utility Resources. Mr. Neises' award reflected his contributions in the growth of Laclede Energy Resources' business and resulting record earnings as well as his role in both the LER long-term implementation plan and Laclede Gas Company's gas supply analysis. Mr. Waltermire's award was based on his involvement in several significant negotiations, including certain real estate transactions, and his leadership role in key projects, including enterprise risk management. Mr. Darrell's award reflected his leadership in several key legal, regulatory and insurance initiatives. Mr. Spotanski's award was reflective of his leadership role in driving efficiencies throughout the organization and his role in the implementation of the Continuous Improvement Project.

Long-term Incentives

Equity Incentive Plan

The Company provides long-term incentive compensation under the Equity Incentive Plan to further align the interests of executives with shareholders and the long-term strategy, as well as provide a retention incentive. Generally, the Committee approved equity grants with approximately 75% of the value of long-term incentives being awarded in performance contingent restricted shares (PCRS) and approximately 25% of the value being awarded in time-vested restricted shares. The time-vested restricted shares are believed to contribute to share ownership and serve as an effective retention approach.

Fiscal Year 2009 Grants

On November 5, 2008, the Committee granted time-vested restricted shares and PCRS to 18 executives, including all of the named executive officers. Both the time-vested restricted shares and the PCRS are included in the Grants of Plan-Based Awards table in this proxy statement. The time-vested restricted shares fully vest on the third anniversary of the grant date if the recipient continues employment with the Company through that date.

The PCRS awarded in fiscal year 2009 included threshold, target and high performance levels that may be earned. The threshold level is 50% of the target level and high performance level is 150% of the target level. During the performance period, participants receive dividends and voting rights on the target number of shares.

The performance criteria for the Fiscal 2009 PCRS are cumulative three-year average earnings per share growth over fiscal years 2009 – 2011 and business portfolio development metrics that are weighted at 80% and 20%, respectively. Performance under the cumulative average earnings per share growth metric is measured by adding the earnings per share for each of the three fiscal years in the performance period and dividing that sum by three. Earnings per share in fiscal year 2009 was \$2.93. Earnings per share for fiscal years 2010 and 2011 will be added to the 2009 earnings per share amounts for calculating the three-year average earnings per share to determine if performance at any level has been achieved. Performance under the portfolio development metric is determined by measuring the level of organic earnings and/or investments or acquisitions made in new businesses during the three-year performance period. While we continue to explore various development options, no acquisitions or investments were made in fiscal year 2009.

To further emphasize the focus on building shareholder value, the Committee included a modifier to the 2009 PCRS award based on a review of the Company's relative total shareholder return compared to the previously identified comparator group over the three-year performance period. The awards may be subject to forfeiture of up to 25% if relative total shareholder return is below the median of the comparator group. In setting the targets for these metrics, the independent members of the Board established measures that are challenging, yet achievable.

The targets require specific levels of growth on each metric over the three-year performance period. The performance targets are considered to be confidential and competitive information, particularly to the extent the performance targets relate to projected company financial data and strategy, neither of which the Company publicly discloses. An analysis of the fiscal years 2007 – 2009 targets compared to actual performance is covered later in this section. As the metrics have since changed, we have no history of performance relative to these types of awards from which to provide an analysis of past difficulty in meeting various performance levels. The Committee believes that targeted levels of performance for the EIP grants are challenging, yet attainable, and thus would not be achieved all of the time. The Committee also believes, at the time the performance goals were set, that high performance is set at levels that would require exceptional performance that is very difficult to achieve.

Description and Example of Interpolation

Determination of performance between threshold and target performance and between target and high performance is based on straight-line interpolation, certified by the Committee. The following example illustrates how we compute the number of shares of PCRS earned by a participant under a hypothetical award. For purposes of the example, assume the following terms for a grant:

Three year performance period

Maximum shares able to be earned under the award: 3,000

Metrics:

For Illustrative Purposes Only

	Threshold	Target	High Performance
Average EPS over three-year period	\$1.00	\$1.50	\$2.00
Number of shares as to which restrictions lapse	1/3 x 3,000 (1,000) x 80% weighting = 800	2/3 x 3,000 (2,000) x 80% weighting = 1,600	Maximum or 3,000 x 80% weighting = 2,400

	shares eligible at threshold	shares eligible at target	shares eligible at high performance
Portfolio Development	Investment of \$500,000 or earnings added of \$.01/share	Investment of \$1.0 million or earnings added of \$.02/share	Investment of \$1.5 million or earnings added of \$.03/share
Number of shares as to which restrictions lapse	1/3 x 3,000 (1,000) x 20% weighting = 200 shares	2/3 x 3,000 (2,000) x 20% weighting = 400 shares	Maximum or 3,000 x 20% weighting = 600 shares

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Shareholder Return Modifier: Committee retains the discretion to reduce the total award of performance contingent restricted stock by up to 25% based on total shareholder return performance relative to the comparator group stated above.

Total Shareholder Return for the Company and for comparator companies shall be calculated as:

Total Share Value at the end of the Performance Period	MINUS	Average Share Price Immediately Prior to the Grant
Average Share Price Immediately Prior to the Grant.		

Total Share Value at the end of the Performance Period is calculated as the average share price for the last quarter of the performance period (7/1/11 – 9/30/11) plus the value of reinvested dividends. Average Share Price Immediately Prior to the Grant is calculated using the average share price for the last quarter immediately prior to the grant (7/1/08 – 9/30/08).

Using the hypothetical grant, outlined in the table above, assume the actual performance results in average EPS over the three-year period of \$1.05 and portfolio development investment of \$1.25 million at the end of the performance period.

The EPS performance exceeded the threshold level, so the participant earned the 800 shares eligible to be earned for the threshold level performance. Since the actual EPS reached 10% of the range between threshold and target, the participant also earned 10% x 80% weighting x the 1,000 share difference between threshold and target, or 80 additional shares. Thus under the EPS metric, the participant has earned 880 shares.

For the portfolio development metric, the performance exceeded the target, so the participant earned the 400 shares eligible to be earned at target; and since the actual investment reached 50% of the range between target and high performance, the participant also earned 50% x 20% weighting x the 1,000 share difference between target and high performance, or 100 additional shares. Thus under the portfolio development metric the participant earned 500 shares.

The total shares earned, prior to total shareholder return results are considered, is 1,380 (880 + 500) shares. However, if the Company's total shareholder return fell below the median of the comparator group, up to 345 (25% of 1,380) shares earned may be forfeited.

With regard to the Compensation Committee's certification of performance, the Committee, which is comprised solely of independent directors, reviews and discusses the calculations of the metrics to verify compliance with the terms of the award agreement, determines the level of performance achieved and the number of shares earned. The Committee then approves resolutions that reflect the Committee's determinations. The PCRS will vest upon the Committee's certification as to performance.

Vesting of Shares Granted in Prior Fiscal Years

In November 2006, the Committee granted shares of PCRS to 12 current executives for the performance period of FY 2007 – 2009. The vesting of those shares was contingent upon the attainment of earnings per share growth and dividend growth measures over the three-year performance period. In reviewing the Company's performance over the performance period and in accordance with the terms of the Equity Incentive Plan, the Committee determined the Company's performance level at the end of the period by averaging the earnings per share for fiscal year 2007 and only the continuing operations earnings per share for fiscal year 2008 so as not to include the gain from the sale of SM&P, and fiscal year 2009. The metrics and actual performance for these PCRS were as follows:

	Weighting	Threshold	Target	Actual Performance
Three Year EPS	70%	\$2.11	\$2.35	\$2.64
Dividend Growth	30%	\$1.48	\$1.54	\$1.54

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This grant did not have a high performance level.

As shown by the above table, the Committee certified that performance met or exceeded the target level on both metrics, resulting in a total of 30,000 PCRS shares vesting on November 2, 2009 for the named executive officers as follows:

Yaeger	15,000
Waltermire	3,000
Noises	5,000
Spotanski	3,000
Darrell	4,000

In December 2007, the Committee made a special two-year PCRS award to Mr. Neises based in anticipation of his retirement in December 2009. The vesting of those shares was contingent on attaining specific strategic objectives; including LER expansion in which Mr. Neises received a high performance rating. The threshold, target, and high performance number of shares for this award were 5,000, 10,000, and 15,000. In reviewing Mr. Neises' performance on the strategic objectives over the performance period, the Committee determined that in the aggregate he exceeded target and reached 25% of the range between target and high performance. Based on this achievement, 11,250 shares became vested on October 30, 2009.

Incentive Compensation Plan

Laclede Gas Company offers an Incentive Compensation Plan that was designed to provide a long-term incentive for certain senior executives. The plan provided for the award of share units with two payment features: quarterly dividend equivalent payments and an annual deferred compensation amount based on changes in consolidated retained earnings. The Laclede Gas Incentive Compensation Plan was frozen in 2003. Under the plan, Messrs. Yaeger and Neises are currently the only active employee participants and have 73,465 and 34,750 fully vested share units, respectively. There are also other retired executives receiving benefits under this plan. The dividend equivalents and deferred compensation amounts are reflected in the all other compensation and non-equity incentive plan compensation columns, respectively, of the Summary Compensation Table.

Post-Termination Compensation

The Company believes it is important to provide officers the payment of benefits in the event of a termination, resignation or retirement after a change in control, particularly since it generally does not enter into employment agreements. As a result, various Company plans include provisions relative to vesting or payments in the event of a termination after a change in control. More details on these various provisions are discussed later in the Potential Payments Upon Termination or Change in Control section.

The Company's Management Continuity Protection Plan provides for lump sum severance payments if an officer is terminated for any reason (other than death, disability or for actions involving moral turpitude) within a certain period following a change in control. For more discussion of the details of these plan provisions, see the discussion in Potential Payments Upon Termination or Change in Control below.

Executive Salary Protection Plan

The executive salary protection plan entitles the designated beneficiaries of a participating executive officer to receive certain payments upon the executive officer's death. The amount of the payment is determined based upon the annual salary of the executive officer, whether the executive officer was actively employed or retired and the age of the executive officer, all as of the time of the executive officer's death. If the executive officer dies prior to retirement, his beneficiary receives, payable monthly, an aggregate amount equal to his annual salary at death for the first year following the officer's death. In each of the nine years following that first year, his beneficiary receives, payable monthly, an aggregate amount equal to 1/2 his annual salary at death.

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If the officer dies after retirement, but before age 70, his beneficiary receives, payable in four equal installments, an aggregate amount equal to twice the officer's annual salary at retirement. If the officer dies after retirement and after age 70, his beneficiary receives, payable in two equal installments, an aggregate amount equal to the officer's annual salary at retirement. Of the named executive officers, only Messrs. Yaeger and Neises are participants in this plan. The Company provides a life insurance benefit for the other named executive officers in an amount equal to: (i) double their base salary up to a maximum benefit of \$500,000 while they are employed by the Company and prior to age 65, (ii) 65% of double their base salary while they are employed on and after age 65 but before age 70, (iii) 50% of double their base salary after retirement but before age 70, and (iv) 25% of double their base salary after age 70. The costs for this coverage are included in the all other compensation column of the Summary Compensation Table.

Deferred Income Plans

Since 1986, the Company has offered its directors, officers and certain key employees the opportunity to defer income under deferred income plans. More details on the plan are provided in the Nonqualified Deferred Compensation section later in this proxy statement.

Other Company Provided Benefits

The Company believes retirement, health and welfare benefits serve an important role in the total compensation and benefits package offered to employees to assist in attracting and retaining key talent. The Company, through its subsidiary, Laclede Gas Company, provides both Company-paid and voluntary health and welfare programs. The programs are reviewed periodically pursuant to the Company's intent to be competitive within the industry in terms of total compensation.

Retirement Plans

The Company offers its employees defined contribution 401(k) plans that provide Company matches for all employees, including the named executive officers. All of the named executive officers participate in the Laclede Gas Company Salary Deferral Savings Plan.

Laclede Gas Company provides a qualified defined benefit retirement plan for its employees. Benefit payments under this plan are based upon a participant's "average final compensation" and years of service. Effective January 1, 2009, the Company froze the years of service component of the formula and introduced a new qualified defined benefit retirement formula derived from cash balance pay credits based on a participant's age. Laclede Gas Company also provides nonqualified supplemental retirement plan benefits. More details relative to these plans are included in the Pension Benefits and Nonqualified Deferred Compensation sections later in this proxy statement.

On March 7, 2008, the Company entered into a Supplemental Pension Agreement with Mr. Neises to retain his services. Under the terms of the qualified pension plan described above, Mr. Neises was subject to mandatory retirement if the Board had not authorized the extension of his employment. More details on the Agreement are included in the Nonqualified Deferred Compensation section.

Perquisites

As a matter of business philosophy, the Company provides limited perquisites or personal benefits to executive officers (including the CEO). These limited perquisites include the personal use of a Company automobile, parking at the Company headquarters, spousal travel to industry associations that encourage spousal attendance, club memberships that are used primarily for business purposes, and Company paid annual physical exams.

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Internal Revenue Code

The Committee considers Section 162(m) of the Internal Revenue Code in the design of incentive plans to preserve the corporate tax deductibility of compensation. In some circumstances, however, the Committee recognizes that factors other than tax deductibility should be considered in determining the forms and levels of executive compensation most appropriate and in the best interests of the Company and its shareholders. Annually, the Committee reviews all compensation programs and payments, including the tax impact on the Company.

Accounting Information

The Company accounts for equity incentive grants under FASB ASC Topic 718 and uses the binomial option-pricing model to estimate the fair value of awards of stock options. The fair value of restricted stock awards is estimated using the closing price of the Company's common stock on the grant date or, for those with the total shareholder return modifier, as valued by a Monte Carlo simulation model that assesses probabilities of various outcomes of market conditions. Each year an independent third party runs the Monte Carlo simulation, which is subject to the audit procedures of the Company's independent registered public accounting firm. During fiscal year 2009, the Company did not make any modifications to equity grants that resulted in a re-measurement of expense under the accounting rules.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with Company management the Compensation Discussion and Analysis ("CD&A") section included in this Proxy Statement. Based on this review and discussion, the Committee recommended to the Board (and the Board has approved) that the CD&A be included in this proxy statement and in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

COMPENSATION COMMITTEE

Arnold W. Donald, Chairman

Edward L. Glotzbach

William E. Nasser

John P. Stupp, Jr.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The table that follows presents information about compensation for the Company's named executive officers for the last fiscal year.

Salary – Salary includes amounts earned in the most recent fiscal year. The Board considers adjustments to salaries of officers at its January meeting after the appointment of officers, with any adjustment effective February 1. The amounts in this column also include any amounts of salary that the named executive officer may have deferred under the LaCledde Gas Company Salary Deferral Savings Plan and deferred income plans. Salary deferred under the deferred income plans also appears in the "Executive Contributions in Last FY" column of the Nonqualified Deferred Compensation table.

Stock Awards – The amounts in this column represent amounts calculated using the provisions of FASB ASC Topic 718, except that these amounts are exclusive of the estimate of forfeitures for awards of performance contingent restricted stock, time vested restricted stock and restricted stock units in fiscal years 2006, 2007, 2008, and 2009.

Option Awards – Like the Stock Awards column, the amounts in this column represent calculations in accordance with FASB ASC Topic 718. These amounts are for option awards made in fiscal years 2003, 2004 and 2005, all of which are now vested. All of the options have exercise prices equal to the closing market price on the respective grant dates.

Non-Equity Incentive Plan Compensation – This column includes bonuses earned by the named executive officers under the Annual Incentive Plan, as well as deferred compensation amounts earned under the LaCledde Gas Incentive Compensation Plan. Further details relative to the Plan are in the CD&A.

With regard to the LaCledde Gas Incentive Compensation Plan, share units were awarded that provide for the payment of dividend equivalents and the accrual of annual deferred compensation amounts. The amounts in this column represent the accruals of deferred compensation amounts in 2009. The dividend equivalent payments are in the All Other Compensation column. The plan has been frozen as to new participants and no awards have been made since 2002. Of the named executive officers, only Messrs. Yaeger and Neises have outstanding awards under this plan. Messrs. Yaeger and Neises are now fully vested in their awards of 73,465 and 34,750 share units, respectively. They will forfeit all rights to the share units, however, if their employment ends for any reason other than retirement, death, disability or resignation following a hostile change in control of the Company. Because Messrs. Yaeger and Neises are fully vested, they, and their spouses after their deaths, are entitled to continue receiving dividend equivalent payments for life. The deferred compensation amounts are payable upon retirement in 10 annual installments with interest credited after retirement based on the then current prime rate. These amounts are also included in the "Company Contributions in Last FY" column of the Nonqualified Deferred Compensation Table later in this proxy statement.

Change in Pension Value and Nonqualified Deferred Compensation Earnings – This column includes the aggregate change in the actuarial present value of the named officers' accumulated benefit under the Employees' Retirement Plan of LaCledde Gas Company and the Supplemental Retirement Plans, as well as the above market or preferential earnings in fiscal year 2009 on deferrals in the Deferred Income Plans. In fiscal year 2009, the Company adopted the measurement date provisions of Statement of Financial Accounting Standard (SFAS) No. 158, as codified in ASC Topic 715, "Compensation -- Retirement Plans" (FASB ASC Topic 715). ASC Topic 715 required the measurement date for the pension plans be changed from June 30 to September 30, resulting in a 15-month measurement period. Because of this change in the measurement date, the aggregate change in the actuarial present value has been annualized for fiscal year 2009.

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Summary Compensation Table

Change in
Pension Value
And

Name	Year	Salary	Stock		Non-Equity		Nonqualified		Total
			Awards (1)	Options (1)	Incentive Plan Compensation (2)	Deferred Compensation Earnings (3)	All Other Compensation (4)		
Yaeger <i>Chairman of the Board, President & CEO</i>	2009	\$623,333	\$ 991,049	\$ 5,612	\$702,116	\$1,399,223	\$246,142	\$3,967,475	
	2008	\$91,667	\$12,562	\$72,527	\$699,277	\$808,604	\$230,701	\$3,015,338	
	2007	\$46,667	\$321,416	\$143,987	\$403,180	\$754,910	\$184,792	\$2,354,952	
Waltermire <i>Chief Financial Officer</i>	2009	\$27,833	\$243,542	\$842	\$116,440	\$336,361	\$49,404	\$974,422	
	2008	\$15,667	\$126,859	\$11,138	\$85,910	\$104,865	\$39,646	\$584,085	
Neises <i>Executive Vice President, Laclede Gas</i>	2009	\$355,000	\$470,128	\$2,104	\$307,053	\$415,162	\$213,401	\$1,762,848	
	2008	\$38,333	\$267,813	\$27,198	\$316,725	\$334,051	\$105,219	\$1,389,339	
	2007	\$21,100	\$107,139	\$3,995	\$217,885	\$414,941	\$88,218	\$1,203,278	
Darrell <i>General Counsel</i>	2009	\$48,167	\$255,525	\$842	\$128,520	\$119,527	\$52,426	\$805,007	
	2008	\$40,000	\$149,285	\$10,101	\$104,000	\$55,307	\$44,321	\$603,014	
Spotanski <i>Sr. Vice President of Operations & Marketing, Laclede Gas</i>	2009	\$27,833	\$243,542	\$842	\$120,620	\$435,480	\$48,385	\$1,076,702	
	2008	\$15,667	\$126,859	\$10,879	\$82,070	\$144,433	\$41,137	\$621,045	

- (1) Amounts calculated using the provisions of FASB ASC Topic 718, except that these amounts are exclusive of the estimate of forfeitures. See Note 1, Summary of Significant Accounting Policies, Stock-Based Compensation, of the consolidated financial statements in the Company's annual reports on Form 10-K for each of the years ended September 30, 2005 - 2009 for discussions regarding the manner in which the fair value of these awards are calculated, including assumptions used.
- (2) In fiscal year 2009, the named executives earned awards under the Annual Incentive Plan and accrued deferred compensation amounts under the Laclede Gas Company Incentive Compensation Plan and Laclede Gas Company Incentive Compensation Plan II, which represents the incentive compensation plan as modified to comply with section 409A of Internal Revenue Code. The details are below:

	Incentive Compensation		Total
	Plan - Deferred		
	Annual Incentive Plan Award Earned	Compensation Amounts Accrued	
Yaeger	\$600,000	\$102,116	\$702,116
Waltermire	116,440	-	116,440
Neises	258,750	48,303	307,053
Darrell	128,520	-	128,520
Spotanski	120,620	-	120,620

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- (3) In fiscal year 2009, the Company adopted the measurement date provisions of SFAS No. 158, as codified in ASC Topic 715. ASC Topic 715 required the measurement date for the pension plans be changed from June 30 to September 30, resulting in a 15-month measurement period. Because of this change in the measurement date, the aggregate change in the actuarial present value has been annualized for fiscal year 2009. The amounts shown below in the "Above-Market Interest" column are also included in the amounts in the "Aggregate Earnings in Last FY" column of the Nonqualified Deferred Compensation table for the deferred income plans.

	Increase in Pension Value	Above-Market Interest	Total
Yaeger	\$1,371,035	\$28,188	\$1,399,223
Waltermire	335,836	525	336,361
Neises	357,177	57,985	415,162
Darrell	118,041	1,486	119,527
Spotanski	431,138	4,342	435,480

- (4) The table below provides details on the amounts included in this column:

	401(k) Match	Dividend Equivalents under		Dividends on		Total
		Laclede Gas Incentive Compensation Plan	Awards	Restricted Stock	Perquisites	
Yaeger	\$11,500	\$113,136	\$90,860	\$30,646	\$246,142	
Waltermire	10,259	-	24,640	14,505	49,404	
Neises	13,702	\$3,515	38,500	17,062	122,779	
Darrell	10,098	-	26,180	16,148	52,426	
Spotanski	10,358	-	24,640	13,387	48,385	

Perquisites include personal use of sports boxes, Company automobiles, and club memberships not used wholly for business purposes; life insurance premiums, physical exams, parking, and spousal travel. Values for perquisites are based on aggregate incremental costs to the Company and its subsidiaries. No individual perquisite exceeds \$25,000.

This column also includes for Mr. Neises \$90,622 of deferred compensation he accrued in fiscal year 2009 under his supplemental pension benefit agreement as described further under Nonqualified Deferred Compensation.

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Grants of Plan-Based Awards

The plans under which grants in the table below were made are generally described in the Compensation Discussion and Analysis in the Annual Incentive Plan and Equity Incentive Plan sections. Under the Annual Incentive Plan, grants of potential awards are typically made in November with the determinations of earned award amounts made in the following October based upon individual and corporate performance in the most recently completed fiscal year. Equity awards are generally considered for award in October each year, with the grant date being the fourth business day after the earnings release for the fiscal year is issued. Under the Equity Incentive Plan, performance awards, stock appreciation rights, stock options, restricted stock grants, and restricted stock units may be awarded.

Grants of Plan-Based Awards Table

Name	Grant Date	Action Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards (3)	Grant Date Fair Value (4)
			Threshold	Target	Maximum	(In Shares)				
Yaeger	11/14/08	11/14/08	\$ 305,000	\$457,500	\$610,000					
	11/5/08	10/30/08				8,250	16,500	24,750	5,500	\$ 1,447,460
Waltermire	11/14/08	11/14/08	43,700	87,400	131,100					
	11/5/08	10/30/08				2,500	5,000	7,500	1,500	430,141
Neises	11/14/08	11/14/08	86,300	172,500	258,800					
	11/5/08	10/30/08				5,000	10,000	15,000	-	707,613
Darrell	11/14/08	11/14/08	48,500	97,000	145,500					
	11/5/08	10/30/08				2,500	5,000	7,500	1,500	430,141
Spotanski	11/14/08	11/14/08	43,700	87,400	131,100					
	11/5/08	10/30/08				2,500	5,000	7,500	1,500	430,141

- (1) These columns show the range of payouts for performance in fiscal year 2009. The amounts paid in fiscal year 2010 but earned based upon performance in fiscal year 2009 are included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table and are based on the metrics described in the Compensation Discussion and Analysis.
- (2) These columns show the range of payouts for the performance-contingent restricted stock granted in fiscal year 2009. The dollar amounts recognized by the Company for these awards are shown in the Stock Awards column in the Summary Compensation Table with the valuation calculated using the assumptions referenced in footnote 1 to that table.
- (3) This column shows the number of shares of time-vested restricted stock granted in fiscal year 2009 as to which the restrictions will lapse on November 5, 2011.
- (4) This column provides the maximum number of shares valued using the provisions of FASB ASC Topic 718, except that these amounts are exclusive of the estimate of forfeitures.

In November 2008 awards were made to all of the named executive officers. These awards included performance-contingent restricted shares ("PCRS"), which are restricted shares that vest upon the attainment of multi-year performance results. Under the terms of the awards, these shares may vest if certain corporate performance metrics for the 2009 – 2011 fiscal year performance period are met or exceeded. The performance criteria for the PCRS awarded in fiscal year 2009 are the average earnings per share as measured at the end of a three-year period and portfolio development metrics weighted at 80% and 20%, respectively, subject to reduction by up to 25% if the Company's relative shareholder return is below the median of the comparator group described in the CD&A. If the performance contingency is not satisfied for the fiscal year 2009-2011 performance period, the shares will be forfeited. At the conclusion of the performance period, payouts can range

from 0% to 150% of target. Executives are expected to retain any vested shares, except for the payment of taxes on such shares, for an additional three-year period. In the event of a change in control, vesting will accelerate at the target level on a pro rata basis if the shares have not already been forfeited and the successor does not assume the award or provide a comparable award, provided that the assumed or replacement award must provide that the vesting will be accelerated if the participant is terminated without cause within 24 months of the change in control. If a participant leaves the Company due to death, disability or retirement, the participant's shares may vest on a pro rata basis if the performance metrics are met. Prior to vesting, participants are entitled to receive the dividends payable on and to vote the shares at the target level. More details on these awards are included in the CD&A.

In addition to the PCRS, the named executive officers were also awarded time-vested restricted stock on November 5, 2008. The restrictions will lapse as to these shares on November 5, 2011. Prior to vesting, participants are entitled to receive the dividends payable on and to vote the shares. If the executive is terminated without cause within two years after a change in control, the executive will become vested in the restricted shares at that time. If the executive leaves the Company's employment prior to the vesting date due to mandatory retirement, the executive will vest pro rata in the restricted shares on the mandatory retirement date. More details on these awards are included in the CD&A.

Outstanding Equity Awards Table

OPTION AWARDS		STOCK AWARDS		
Number of	Number of	Number	Value of	Equity
				Incentive
		of Shares	Shares or	Plan Awards:
				Market or
				Payout Value
				of Unearned
				Equity
				Incentive
				Plan Awards:
				Market or
				Payout Value
				of Unearned

Name	Option Grant Date	Securities	Securities	Option Exercise Price	Option Expiration Date	or Units of	Units of	Shares, Units	Shares, Units	
		Underlying Unexercised Options Exercisable	Underlying Unexercised Options Unexercisable			Stock Award Grant Date	Stock That Have Not Vested (1)	Stock That Have Not Vested (2)	or Other Rights That Have Not Vested (3)	or Other Rights That Have Not Vested (2)
Yaeger	2/5/03	10,000	-	\$23.27	2/5/13	11/2/06	-	-	15,000	\$482,400
	11/5/03	40,000	-	28.85	11/5/13	12/5/07	5,500	\$176,800	16,500	530,640
	11/3/04	40,000	-	30.95	11/3/14	2/14/08	15,000	482,400	-	-
Waltermire	-	-	-	-	-	11/5/08	5,500	176,800	16,500	530,640
	11/5/03	8,000	-	28.85	11/5/13	11/2/06	-	-	3,000	96,480
	11/3/04	6,000	-	30.95	11/3/14	12/5/07	1,500	48,240	5,000	160,800
Neises	-	-	-	-	-	11/5/08	1,500	48,240	5,000	160,800
	11/5/03	1,750	-	28.85	11/5/13	11/2/06	-	-	5,000	160,800
	11/3/04	7,500	-	30.95	11/3/14	12/5/07	-	-	10,000	321,600
Darrell	-	-	-	-	-	11/5/08	-	-	10,000	321,600
	-	-	-	-	-	11/2/06	-	-	4,000	128,640
	-	-	-	-	-	12/5/07	1,500	48,240	5,000	160,800
Spotanski	-	-	-	-	-	11/5/08	1,500	48,240	5,000	160,800
	11/5/03	6,000	-	28.85	11/5/13	11/2/06	-	-	3,000	96,480
	11/3/04	6,000	-	30.95	11/3/14	12/5/07	1,500	48,240	5,000	160,800
-	-	-	-	-	-	11/5/08	1,500	48,240	5,000	160,800

(1) Vesting dates for these awards are provided below:

Grant Date	Vesting Date
12/5/07	12/5/10
2/14/08	12/1/11
11/5/08	11/5/11

(2) The dollar amounts in these columns reflect the value calculated using the closing price of the Company stock on September 30, 2009 (\$32.16).

(3) Vesting dates, performance periods and levels of awards, assuming performance metrics are met, are provided below:

Grant Date	Performance Period	Vesting Date	Name	Threshold	Target	Maximum
11/2/06	10/1/06 – 9/30/09	11/02/09	Yaeger	7,500	15,000	N/A
			Waltermire	1,500	3,000	N/A
			Neises	2,500	5,000	N/A
			Darrell	2,000	4,000	N/A
			Spotanski	1,500	3,000	N/A
12/5/07	10/1/07 – 9/30/09	10/30/09	Neises	5,000	10,000	15,000
			Yaeger	8,250	16,500	24,750
12/5/07	10/1/07 – 9/30/10	Date in FY 2011 of certification performance metrics met	Waltermire	2,500	5,000	7,500
			Darrell	2,500	5,000	7,500
11/5/08	10/1/08 – 9/30/11	Date in FY 2012 of certification performance metrics met	Spotanski	2,500	5,000	7,500
			Yaeger	8,250	16,500	24,750
11/5/08	10/1/08 – 9/30/11	Date in FY 2012 of certification performance metrics met	Waltermire	2,500	5,000	7,500
			Neises	5,000	10,000	15,000
11/5/08	10/1/08 – 9/30/11	Date in FY 2012 of certification performance metrics met	Darrell	2,500	5,000	7,500
			Spotanski	2,500	5,000	7,500

Option Exercises and Stock Vested in Fiscal 2009 Table (1)

Name	Option Awards		Stock Awards	
	No. of Shares Acquired on Exercise	Value Realized on Exercise	No. of Shares Acquired on Vesting	Value Realized on Vesting
Yaeger	-	-	15,000	\$802,200
Waltermire	-	-	3,000	160,440
Neises	2,000	\$50,340	5,000	267,400
Darrell	3,000	56,832	4,000	213,920
Spotanski	-	-	3,000	160,440

(1) The table above reflects shares granted under the Equity Incentive Plan in November 2005 that vested on November 2, 2008 but does not reflect shares that vested after the close of fiscal year 2009.

Pension Plan Compensation

Laclede Gas Company maintains the Employees' Retirement Plan of Laclede Gas Company, a tax-qualified defined benefit plan. Effective January 1, 2009, Laclede Gas amended its plan to change the way benefits are calculated. Prior to January 1, the Plan provided benefits based on a final pay formula that used a participant's years of credited service and average final compensation. The average final compensation is the highest consecutive three-year average of the final ten years of employment. After December 31, 2008, participants' years of credited service under the plan are frozen. However, the average final pay was not frozen and will continue to be based on the highest three-year average in the final ten years of employment. Benefits under the plan formula in effect prior to January 1, 2009 are referred to as "grandfathered benefits." While normal retirement age under the plan is age 65, participants may retire at age 60 with 10 or more years of service without reduction of the grandfathered benefit for early retirement. Thus, as directed by the Securities and Exchange Commission, we assumed retirement at age 60 in calculating the grandfathered benefits for all the executives except Messrs. Yaeger and Neises, who are age 60 or over and for whom we used actual ages. Grandfathered benefits for participants who retire between age 55 and age 60 with 10 or more years of service are reduced by 1.4% per year for each year below age 60.

On and after January 1, 2009, the plan uses a cash balance formula that provides: (i) a cash balance credit from between 4-10% of compensation depending on the participant's age and (ii) interest credits using a rate equal to an average of corporate bond rates published by the Internal Revenue Service. Benefits under the plan formula in effect on and after January 1, 2009 are referred to as "current benefits". The cash balance credit and interest credit are applied as of December 31 of each year, on an average monthly basis, with interest compounded monthly. During 2009, Messrs. Yaeger and Neises received 10% cash balance credits, Messrs. Waltermire and Darrell received 8% cash balance credits, and Mr. Spotanski received a 7% cash balance credit. The early retirement amount of the current benefits will be the amount credited in the participant's cash balance account in the case of a lump sum payment. If an annuity is taken at early retirement, the benefit will be the actuarial equivalent of the lump sum amount.

The Internal Revenue Code generally places a limit on the amount of the annual pension that can be paid from a tax-qualified plan as well as on the amount of annual earnings that can be used to calculate a pension benefit. Since 1977, Laclede Gas has maintained a Supplemental Retirement Benefit Plan, a nonqualified plan that covers benefits that accrued through December 31, 2004 and that pays eligible employees the difference between the amount payable under the tax-qualified plan and the amount they would have received without the limits on the qualified plan. The Company adopted the Supplemental Retirement Benefit Plan II to comply with Section 409A of the Internal Revenue Code, which covers benefits accrued from January 1, 2005 through December 31, 2008. It also adopted Supplemental Retirement Benefit Plan III to provide similar supplemental benefits for those that accrue on and after January 1, 2009 under the new pension plan formula.

Please note the following relating to the benefits shown in the table below:

- The Supplemental Retirement Benefit Plan is unfunded and subject to forfeiture in the event of bankruptcy.
- The years of credited service in the table are the same as the executives' years of actual service.

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- The compensation used to determine current and grandfathered benefits under the Plan include the amounts in the Salary column and the amount attributable to payments under the Annual Incentive Plan in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.
- Executives at the Company are subject to mandatory retirement at age 65 unless the Board of Directors asks them to continue working past that age, as it did with Mr. Neises.
- The pension benefits in the table below were calculated using
 - the September 30, 2009 measurement date;
 - the same assumptions as described in Note 3, Pension Plans and Other Postretirement Benefits, of the consolidated financial statements in the Company's annual report for the year ended September 30, 2009, except we used retirement at the greater of 60 or the executive's actual age as noted above for the grandfathered benefit and, as required, we did not use an income growth assumption nor any forfeiture assumption;
 - for the grandfathered benefit, the greater of
 - years of service, multiplied by the sum of 1.7% of Social Security covered compensation (a 35-year average of Social Security maximum bases) plus 2.0% of the highest average normal compensation during a 36-month period in the 10 years prior to the measurement date in excess of Social Security covered compensation; and
 - the highest average normal compensation during a 36-month period in the 10 years prior to the measurement date, multiplied by (i) years of service and (ii) the benefit factor of 2.1%, less the executive's estimated Social Security benefit multiplied by 1.25% for each year of service up to a maximum of 40 years;
 - the assumption of a 90% probability that the participant elects a lump sum equivalent of the monthly annuity amount described above.

Pension Benefits Table

Name (1)	Plan Name	No. of Years	Present Value	Payments
		Credited Service (2)	of Accumulated Benefit	During Last Year
Yaeger	Laclede Gas Company Employees' Retirement Plan	18.08	\$1,148,902	-
	Supplemental Retirement Benefit Plans	18.08	4,641,423	-
Waltermire	Laclede Gas Company Employees' Retirement Plan	18.92	765,677	-
	Supplemental Retirement Benefit Plans	18.92	209,267	-
Neises	Laclede Gas Company Employees' Retirement Plan	25.08	1,232,567	-
	Supplemental Retirement Benefit Plans	25.08	2,045,708	-
Darrell	Laclede Gas Company Employees' Retirement Plan	4.67	209,403	-
	Supplemental Retirement Benefit Plans	4.67	89,285	-
Spotanski	Laclede Gas Company Employees' Retirement Plan	27.00	991,071	-
	Supplemental Retirement Benefit Plans	27.00	309,439	-

(1) Mr. Yaeger is currently eligible for early retirement benefits because he has reached age 55 and has 10 or more years of service. Because he has reached age 60, his grandfathered benefit under the plans will not be reduced. Mr. Neises is currently eligible for normal retirement benefits.

(2) As noted above, years of credited service were frozen as of December 31, 2008.

Nonqualified Deferred Compensation

The amounts in the table below include contributions by the executive and earnings on those contributions under the Laclede Gas Company Deferred Income Plan II, which covers deferrals through December 31, 2004, and The Laclede Group Deferred Income Plan, which covers deferrals on and after January 1, 2005 and represents the deferred income plan as modified to comply with Section 409A of the Internal Revenue Code. The amounts relative to these plans are in the first line of the table for each executive.

The Deferred Income Plan II:

- Allows participants, including the named executive officers, to defer up to 15% of salary and directors to defer up to 100% of fees and retainers,
- provides earnings on the deferrals based on Moody's corporate bond average rate plus a percentage ranging from 1% to 3%, which percentage varies depending on the age of the participant at the beginning of that plan year,
- provides for death and disability income benefits that are payable in annual installments over a 15-year period following termination of employment due to total disability or death,
- provides retirement income benefits under the plan payable in annual installments over a 15-year period, but the payments continue for the life of the participant if the participant retires at age 65 or later for employees or age 70 or later in the case of directors,
- provides for a lump sum payment to the participant in the event of termination within two years following a change in control. The lump sum payment will be equal to the greater of (i) the present value of the deferral account balance projected under the minimum retirement income formula through age 65 or (ii) the actual deferral account accumulated through the termination date.

The Laclede Group Deferred Income Plan provides similar benefits, except that the retirement benefits in all circumstances are payable in 15 annual installments and benefits payable in the event of death or disability are payable in a lump sum. However, in 2008 participants were offered a one-time opportunity under the transitional relief issued by the IRS under Section 409A to elect a lump sum payment alternative for retirement benefits.

For Messrs. Yaeger and Neises, the second lines represent the deferred compensation amounts accrued in the last fiscal year on the share units awarded to them under the Laclede Gas Company Incentive Compensation Plan, which covers those units vested as of December 31, 2004, and Laclede Gas Company Incentive Compensation Plan II, which covers those units that vested on and after January 1, 2005, as well as the aggregate deferred compensation amounts at fiscal year end that they have accrued under the plans. The Laclede Gas Company Incentive Compensation Plan II was adopted to comply with Section 409A of the Internal Revenue Code.

On March 7, 2008, Laclede Gas Company entered into a Supplemental Pension Agreement with Mr. Neises that triggers payment upon his death, disability or retirement. The amount of the payment will be in an amount equal to: the sum of his benefit under the pension plan and the Supplemental Retirement Plans as of his mandatory retirement date of November 1, 2005, plus the incremental difference between that amount and the amount he would have received under the plans on November 1, 2007 – the first date to which his mandatory retirement date was extended by the board, plus the incremental difference between the immediately preceding amount and the benefit calculated as of his death, disability or retirement; all offset by the actual benefit payable to him under the terms of the plans on the date of his death, disability or retirement. The amount of benefit that he accrued under this agreement in fiscal year 2009 is in his third line of the table.

Nonqualified Deferred Compensation Table

Name	Executive	Company	Aggregate	Aggregate	Aggregate	
	Contributions	Contributions	Earnings in	Withdrawals/	Balance at Last	
	In Last FY (1)	In Last FY (2)	Last FY (3)	Distributions	FYE	
Yaeger	Deferred Income Plans	\$89,438	\$ -	\$ 60,967	-	\$ 723,147
	Incentive Compensation Plan	-	102,116	-	-	539,666
Waltermire	Deferred Income Plans	11,250	-	720	-	11,970
	Incentive Compensation Plan	-	-	-	-	-
Neises	Deferred Income Plans	-	-	116,132	-	1,247,280
	Incentive Compensation Plan	-	48,303	-	-	254,058
	Supplemental Pension Agreement	-	-	90,622	-	465,954
Darrell	Deferred Income Plans	9,450	-	3,469	-	45,719
	Incentive Compensation Plan	-	-	-	-	-
Spotanski	Deferred Income Plans	30,300	-	9,985	-	132,740
	Incentive Compensation Plan	-	-	-	-	-

(1) The amounts in this column are also included in the Salary column of the Summary Compensation Table.

(2) The amounts in this column are also included in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column for Messrs. Yaeger and Neises.

(3) The amounts attributable to above market interest on non-qualified deferred compensation in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column in the Summary Compensation Table and identified in footnote 4 to that table are also included in this column.

Potential Payments Upon Termination or Change in Control

The following discussion describes the potential payments and benefits under the Company's compensation and benefit plans and arrangements to which the named executive officers would be entitled upon termination of employment if such termination were to occur on September 30, 2009 and using the closing price of \$32.16 per share of the Company's stock on the New York Stock Exchange on September 30, 2009, the last trading day of the fiscal year. The discussion does not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment.

The distributions of plan balances under the Company's deferred income plans are discussed in the Nonqualified Deferred Compensation section of this proxy statement and the payments under the Incentive Compensation Plan are discussed in the narrative to the Summary Compensation Table in this proxy statement.

Management Continuity Protection Plan

The Management Continuity Protection Plan, adopted in 1991 and restated in the first quarter of fiscal year 2009 to be compliant with Section 409A of the Internal Revenue Code, provides for the payment of benefits to officers in the event of termination, resignation or retirement after a change in control. The agreements executed pursuant to the plan are form agreements that are not separately negotiated with executives. The Compensation Committee considers the benefits under this plan, including the terms and conditions of the agreements, as part of the total compensation for the executives. Some key terms are listed below.

1. Change in control is defined in the plan as when someone acquires more than 50% of the voting power of securities of The Laclede Group or if someone acquires between 30% and 50% of the voting power and the Board determines that a de facto change in control has occurred.
2. The plan does not provide benefit payment to those participants who have reached normal retirement age of 65, such as Mr. Neises. Further, the plan limits the amount of the benefit payable to an amount equal to the participant's average monthly compensation for the five-year period immediately preceding the cessation of employment multiplied by the number of months until the date the participant would reach normal retirement age of 65.

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3. No benefits are payable if the officer is terminated for cause, with cause defined as irreversible incapacity or disability for six months that renders the officer unable to perform the services for which he was employed, any conduct in the performance of duties that involves moral turpitude, or death.
4. To the extent that any payment under the plan would trigger an adverse tax consequence under Section 280G or 4999 of the Internal Revenue Code or an excise tax by the participant, the officer does not receive any gross-up payment, and the amount of the benefit is reduced to the extent necessary to avoid such adverse tax consequence.

If, after a change in control, a participant is terminated other than for cause, resigns or retires within 54 months in the case of the President and any Executive Vice President, or within 42 months in the case of all other officers, then the participant is entitled to a lump-sum payment of an amount equal to the average annual compensation paid to the participant for the five-year period immediately preceding cessation of employment multiplied by 2.99 for the President or an Executive Vice President, or 2.00 for the other officers. Payments to the named executive officers under this plan must be delayed for six months upon termination to comply with the requirements of Internal Revenue Code Section 409A. The amount of the benefit is reduced for each month the participant remains employed by the company starting with the seventh month after the change in control. The amount of the reduction is 1/48 per month for the President or an Executive Vice President and 1/36 for all other officers. The potential payments to the named executive officers under the plan are as follows assuming a change in control and termination other than for cause on September 30, 2009:

Yaeger	\$3,505,435
Waltermire	525,289
Neises	
Darrell	630,622
Spotanski	511,781

Equity Incentive Plan

Under the Company's Equity Incentive Plan, participants, including the named executive officers, have received awards of nonqualified stock options, performance-contingent restricted stock, restricted stock and restricted stock units. The participant's termination of employment or a change in control of the Company may cause certain events to occur under the awards. Some key terms are defined by the plan:

Change in control:

- One or more persons acquiring 30% or more of the voting power of the Company's outstanding securities;
- Replacement of a majority of the board by individuals whose nominations were not approved by a majority of the board; or
- Consummation of a reorganization, merger or consolidation that results in the Company's shareholders no longer owning more than 50% of the voting power of the surviving entity's outstanding securities.

Termination for cause: Termination of the participant's employment with the Company or any of its subsidiaries upon:

- Willful and continued failure of the participant to perform substantially the duties of employment assigned by the Company (other than failure resulting from incapacity due to physical or mental illness) after the Company has given a demand of substantial performance that identifies the manner in which it believes that the participant has not substantially performed such duties; or
- Willful engagement by the participant in misconduct that is materially injurious to the Company.

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The participant's actions or omissions will be considered willful if done in bad faith or without reasonable belief that the actions or omissions were in the best interests of the Company and its subsidiaries. Any action or omission based upon authority in a board resolution, instructions from the CEO or other senior officer, or advice of Company counsel is conclusively presumed to be done or omitted in good faith and in the best interests of the Company.

Nonqualified stock options

Some of the named executive officers have vested nonqualified stock options, as reflected in the Outstanding Equity Awards Table. In the event of a change in control without cause, the vested options will expire upon the earlier to occur of:

- The date the participant voluntarily quits employment, other than by retirement or disability;
- Termination by the Company for cause;
- 90 days after the date the participant's employment is terminated for disability or any reason other than voluntary termination, cause, death or retirement;
- 18 months after the date the participant's employment ceases due to death;
- Three years after the date of the participant's retirement;
- The date the participant violates the provision regarding protection of confidential Company information and non-solicitation of Company employees; and
- The 10th anniversary of the grant date.

Performance-contingent restricted stock (PCRS)

These shares generally provide for vesting on the third anniversary of the grant date that falls after the end of the performance period, and only to the extent that the Compensation Committee determines that the performance contingency has been met or exceeded. A participant forfeits all non-vested shares upon the participant's termination of employment for cause.

If during the performance period a participant dies or leaves the Company due to retirement or disability, the participant remains eligible to earn a prorated award based on the number of full months as a participant during the performance period, as the administrator may determine, if the performance contingency is satisfied.

Under the awards granted in fiscal year 2007, if a participant's employment is terminated by the Company within two years of a change in control without cause, the awards are deemed earned at target and the shares become vested in such number as determined by multiplying the total shares in the award by a fraction the numerator of which is the number of months in the performance period to the date of the change in control and the denominator of which is the total number of months in the performance period. Under the awards granted in fiscal years 2008 and 2009, a change in control triggers a benefit at target as calculated above if the award is not assumed or replaced with a comparable award by the successor or surviving entity. If the successor or surviving entity does assume or replace the award, the award will trigger a benefit at target as calculated above if the participant is involuntarily terminated without cause within two years of the change in control. Assuming a change in control termination that triggers a benefit described above for the outstanding PCRS grants from fiscal years 2007, 2008 and 2009, the following table represents the value of the vesting of the awards. The same amounts would be payable in the event of a participant's death, retirement or termination of employment due to disability if the target level of performance is achieved.

Yaeger	\$1,013,040
Waltermire	257,280
Neises	482,400
Darrell	289,440
Spotanski	257,280

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Restricted stock

These shares generally provide for vesting on the third anniversary of the grant date. A participant forfeits all non-vested shares upon the participant's termination of employment for any reason prior to vesting, other than as a result of a change in control.

If a participant's employment is terminated by the Company without cause within two years of a change in control, the shares become vested on the earlier of the vesting date or the date of the change in control. Assuming a change in control and termination without cause on September 30, 2009, the table below indicates the total value of shares of restricted stock. Mr. Neises has none of these restricted shares.

Yaeger	\$353,760
Waltermire	96,480
Neises	
Darrell	96,480
Spotanski	96,480

Restricted stock units

In February 2008, Mr. Yaeger received an award of restricted stock units. Under the terms of the award, the restricted stock units generally vest on December 1, 2011. The restrictions do not lapse solely upon a change in control. If his employment is terminated by the Company without cause prior to the vesting date, the restrictions lapse upon the date of such termination. Assuming Mr. Yaeger's termination without cause on September 30, 2009, the value of the 15,000 restricted stock units is \$482,400.

Annual Incentive Plan

Annual incentive awards under the Annual Incentive Plan are deemed earned on a pro rata basis at target upon a change in control. The Grants of Plan Based Awards Table discloses the target level for the named executive officers under this plan. The plan defines change in control as:

- One or more persons acquiring 20% or more of the voting power of the Company's outstanding securities;

- Replacement of a majority of the board by individuals whose nominations were not approved by a majority of the board; or
- Consummation of a reorganization, merger or consolidation that results in the Company's shareholders no longer owning more than 50% of the voting power of the surviving entity's outstanding securities.

If a participant's employment ceases due to termination other than for cause or by death, disability or retirement, the participant is eligible to earn an award on a pro rata basis based upon Company performance and the participant's achievement of individual metrics. The following table shows the range of threshold to target amounts that could be payable upon termination other than for cause or upon retirement, death or disability assuming a termination without cause on September 30, 2009:

Yaeger	\$305,000 - \$457,500
Waltermire	43,700 - 87,400
Neises	86,300 - 172,500
Darrell	48,500 - 97,000
Spotanski	43,700 - 87,400

Termination for cause under the Annual Incentive Plan has the same meaning as in the Equity Incentive Plan.

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Deferred Income Plans

Under the terms of the deferred income plans, if a participant's employment is terminated within two years of a change in control, the participant will receive a lump sum payment equal to the greater of (i) the present value of the account balance projected under the minimum retirement income formula through age 65, or (ii) the actual account balance accumulated through the termination date. Since Mr. Neises is past age 65, he would receive his current account balance for any termination.

	Present Value	
	Projected Through Age 65	Actual Account Balance
Yaeger	\$715,294	\$ 723,147
Waltermire	12,625	11,970
Neises	-	1,247,280
Darrell	47,910	45,719
Spotanski	136,670	132,740

OTHER MATTERS

Internal Revenue Code Section 409A Compliance

In the first quarter of fiscal year 2009, the Company adopted new or restated versions of certain nonqualified plans to meet the requirements of Section 409A of the Internal Revenue Code for benefits that accrue on and after January 1, 2005. Section 409A required that plans be made compliant by December 31, 2008. The following list reflects the new or restated plans for 409A compliance, which were filed as exhibits to the Company's quarterly report on Form 10-Q for its first fiscal quarter:

- The Laclde Group Deferred Income Plan
- Laclde Gas Company Incentive Compensation Plan II
- The Laclde Group Management Continuity Protection Plan
- Laclde Gas Company Supplemental Retirement Benefit Plan II.

Delivery of Proxy Materials and Annual Report

Only one proxy statement, proxy card and annual report for 2009 are being delivered by the Company to multiple shareholders sharing an address, unless the Company receives contrary instructions. The Company will deliver, promptly upon written or oral request, a separate copy of this proxy statement and accompanying materials to shareholders at a shared address to which a single copy was delivered.

A shareholder who wishes to receive a separate copy of this proxy statement, proxy card or the annual report for 2009, now or in the future, or shareholders sharing an address who are receiving multiple copies of proxy materials and wish to receive a single copy of such materials, should submit a request to Investor Services at 314-342-0873, or Investor Services, The Laclde Group, Inc., 720 Olive Street, Room 1517, St. Louis, Missouri 63101.

Requirements, including deadlines, for submission of proxy proposals, nomination of directors and other business of shareholders

Under the rules of the Securities and Exchange Commission, shareholder proposals intended to be included in the proxy statement for the annual meeting of shareholders in January 2011 must be received by the corporate secretary of The Laclde Group at its principal office at 720 Olive Street, St. Louis, Missouri 63101 by August 24, 2010.

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Also, the procedures to be used by shareholders to recommend nominees to the Corporate Governance Committee are outlined on page 10 of this proxy statement. If a shareholder

seeks to nominate a person or make a shareholder proposal from the floor of the annual meeting in January 2011, notice must be received by the corporate secretary at the Company's principal executive offices no later than November 28, 2010 and not before October 29, 2010 (not less than 60 days nor more than 90 days, respectively, prior to January 27, 2011). Also, such proposal must be, under law, an appropriate subject for shareholder action to be brought before the meeting.

The Chairman of the Board may refuse to allow the transaction of any business or to acknowledge the nomination of any person not made in compliance with the procedures set forth in the bylaws of The LaCede Group.

Proxy solicitation

We will pay the expense of soliciting proxies. Proxies may be solicited on our behalf by officers or employees in person or by telephone, electronic transmission or facsimile transmission. We have hired Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902, to assist us in the solicitation of proxies for a fee of \$7,000, plus expenses for those services.



The LaCede Group

C/O COMPUTERSHARE TRUST, N.A.

P.O. BOX 43004

PROVIDENCE, RI 02940

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

THANK YOU FOR YOUR VOTE

Affiliate Transactions Rules
Annual Reporting/Affiliate Allocations and Transactions

17. The Parties agree and recommend that Laclede shall implement the various reporting (Affiliate Transactions Rules Annual Reporting) modifications and commitments relating to the Company's Cost Allocation Manual and affiliate allocations as set forth in Attachment C to this Partial Stipulation and Agreement.

Billing Determinants

18. The Company agrees to use Staff's billing determinants, without prejudice to the Company's right to pursue at hearing Laclede witness Michael Cline's Customer Usage Refund proposal as part of the Rate Design issue.

Rate Switching

19. The Company shall provide documentation to Staff and Public Counsel on customers who are rate-switched as a result of this case. Such rate-switched customers shall remain in the same rate classification until the time of the Company's next rate proceeding, unless the customer requests and is eligible to be switched in between cases.

Other Provisions

20. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation, depreciation or revenue-related method, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other Commission or judicial review or other proceeding, except as otherwise expressly specified herein. Nothing in this Stipulation and Agreement shall preclude the Staff in future proceedings from providing

**Affiliate Transactions Rule Annual
Reporting Requirements**

This agreement relating to affiliate transactions rule annual reporting requirements shall not waive the record keeping requirements of Laclede Gas Company (LGC) or its parent, The Laclede Group, or any of its affiliates as required by the affiliate transactions rules including 4 CSR 240-40.015 (4) and (5), or the access to records of affiliated entities in 4 CSR 240-40.015 (6) or the requirements contained in 4 CSR 240-40.016. Pursuant to staff witness Lisa Hanneken's direct testimony, this reporting requirement agreement does not include the Energy-Related Goods and Services category, which is addressed through the PGA/ACA.

A report listing each and every affiliate transaction (including but not limited to each purchase, sale or service, including management services, provided by/to LGC from/to any affiliates) by affiliated entity, by type of transaction, by amount, by month will be included with the affiliate transactions rule required annual report. This listing will include the methodology used to record each type of affiliate transaction (e.g. 3-factor, payroll, fair market price, etc.). Documentation to support the basis used and to verify the price charged will be maintained by LGC in accord with the affiliate transactions rules recordkeeping requirements and copies of such documentation shall be made available to Staff and the Office of the Public Counsel (OPC) upon request.

Laclede shall provide the monthly management payroll and distributions on an annual basis with a highly confidential designation, in the same format as in the response to DR 233 in Case No. GR-2010-0171. Documentation to support the distributions shall be maintained by LGC in accord with the affiliate transactions rules recordkeeping requirements and copies of such documentation shall be made available to Staff and the OPC upon request. Staff and the OPC shall provide names of any Staff or OPC person who views the monthly payroll data.

Laclede shall provide a list of each work order that has charges to its parent or any affiliate, denoting both payroll and non-payroll charge accounts, amounts charged to each account and a description of the purpose of the work order.

Laclede shall provide a list of each intercompany accounts receivable transaction between Laclede and its parent or any other affiliate, with details including: the date, each account, the amount of each transaction, and the general ledger description of each transaction. If a general ledger description requires additional explanation, copies of this information shall be made available to the Staff and OPC within 20 business days upon request.

Laclede shall provide the annual calculation of all allocation factors including: all components used in the development of each and every CAM allocation factor, all source documents to support the basis used and to verify the price charge shall be maintained by LGC in accord with the affiliate transactions rules recordkeeping requirements and copies of such documentation shall be made available to the Staff and OPC upon request.

Laclede shall work with Staff and OPC on the format of the affiliate transactions rule required annual report, with such work to be completed within nine months of the effective date of new rates established in this case.

Laclede shall update its procedures and employee training related to time reporting to better document the actual time spent by employees working for the parent, LGC, and any of its affiliates and shall provide a copy of the procedures to Staff and OPC within nine months of the effective date of new rates established in this case.

LGC shall meet with Staff and OPC in a working group to review and discuss the allocations between LGC, its parent, and its non-regulated affiliates. This item shall also provide for a review of allocations within LGC for regulated services and unregulated services.

LGC shall request and the Staff and OPC shall support a waiver from the Commission of the calendar year affiliate transactions report and submission date of March 15th requirements of the affiliate transactions rule.