

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

In the Matter of the Joint Application of Southern)
Union Company d/b/a Missouri Gas Energy)
The Laclede Group, Inc., and Laclede Gas)
Company for an Order Authorizing the Sale,)
Transfer, and Assignment of Certain Assets and) Case No. GM-2013-0254
Liabilities from Southern Union Company to)
Laclede Gas Company and, in Connection)
Therewith, Certain other Related Transactions)

**NOTICE OF LACLEDE GAS COMPANY
RELATING TO MOTION FOR LEAVE TO ENTER INTO CERTAIN INTEREST
RATE SWAP AGREEMENTS AND REPLY TO PUBLIC COUNSEL**

COMES NOW Laclede Gas Company (“Laclede Gas”) and, for its Notice Relating to Motion for Leave to Enter into Certain Interest Rate Swap Agreements and its Reply to Public Counsel, states the following:

1. On January 14, 2013, Southern Union Company (“SUG”), The Laclede Group, Inc. (“LG”) and Laclede Gas jointly filed an application for an order authorizing SUG to sell, transfer and assign to Laclede Gas the entire franchise, works and system of SUG’s Missouri Gas Energy (“MGE”) operating division (the “Transaction”).

2. On February 4, 2013, Laclede Gas filed its Motion for Leave to Enter into Certain Interest Rate Swap Agreements (the “Motion”) seeking the Commission’s approval for Laclede Gas to enter into interest rate swap agreements to mitigate interest rate risk in financing the Transaction. As stated in the Motion, the purpose of an interest rate swap agreement is to effectively fix the interest rate on debt to be offered in the future at a rate close to what it would have been if the debt were to be issued at the time of the swap.

3. On February 11, 2013, the Office of the Public Counsel (“Public Counsel”) filed a Response to the Motion. Although Public Counsel did not request an evidentiary hearing or

request that the Commission deny the Motion, it did raise a number of concerns in connection with the relief requested by the Company.

NOTICE

4. In the Motion, Laclede Gas noted that its parent, The Laclede Group, Inc. (“LG”) may enter into swap agreements with a third party so as to lock in rates sooner rather than later. In order to assure Laclede Gas the benefit of obtaining current rates, and decrease Laclede Gas’ exposure to further interest rate volatility, LG entered into swap agreements on February 6, 2013. These swap agreements cover approximately 70% of the amount Laclede Gas currently plans to borrow to finance its acquisition at locked-in rates that keep the Company on target for achieving an average interest rate of below 3.5% for all the long-term debt that will be issued. To facilitate additional interest rate swaps by Laclede Gas to cover all or a portion of the remaining financing debt yet to be protected, Laclede Gas continues to request that the Commission grant its Motion, subject to the reservation of rights by other parties as described in the Motion and repeated below.

RESPONSE TO PUBLIC COUNSEL

5. In its Motion, Public Counsel raises a number of concerns regarding the potential impact of the swaps. As stated in the Motion, Laclede Gas is not requesting that the Commission decide any aspects of the underlying Transaction or the prudence of these interest rate swaps at this time. Laclede Gas understands that the Commission and other parties reserve the right to address the merits of the underlying Transaction in this proceeding as well as the prudence of its interest rate hedging decisions in the context of any general rate case proceeding in which such costs are at issue. Laclede Gas is also sensitive to Public Counsel’s concerns regarding the need to review and deal with the costs associated with any swaps in the context of Laclede Gas’ current rate case, Case No. GR-2013-0171. While Laclede does not anticipate seeking recovery

of such costs in its current rate case, it commits to working with Public Counsel to address its information and review needs should that change.

WHEREFORE, Laclede Gas requests that the Commission accept this Notice and Reply to Public Counsel.

Respectfully submitted,

/s/ Paul A. Boudreau

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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent via electronic mail on this 12th day of February, 2013, to:

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