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 Liabilities from Southern Union Company to Laclede Gas Company and, in Connection Therewith, Certain other Related Transactions	))))))))	Case No. GM-2013-0254

MOTION OF LACLEDE GAS COMPANY FOR LEAVE TO ENTER INTO CERTAIN INTEREST RATE SWAP AGREEMENTS AND FOR EXPEDITED APPROVAL

COMES NOW Laclede Gas Company ("Laclede Gas") and, for its Motion for Leave to Enter into Certain Interest Rate Swap Agreements intended to mitigate interest rate risk associated with the proposed acquisition of Southern Union Company's Missouri Gas Energy ("MGE") assets, 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 MGE operating division (the "Transaction").

2. The Joint Application includes a request by Laclede Gas for authorization to issue long-term debt, preferred stock and common stock and to receive capital contributions in an amount up to and including $975 million to finance the Transaction.

3. In order to mitigate interest rate risk associated with the issuance of long-term indebtedness, Laclede Gas proposes to enter into one or more interest rate swap agreements addressing a significant portion of the long-term indebtedness to be issued to fund the

Transaction.[1] While it is not entirely clear whether Laclede Gas is required to obtain Commission authorization prior to entering into interest rate swaps for long-term debt issuances, Laclede Gas believes the prudent course of action is to request such authorization.

4. Interest rate swap agreements are in common use as a means to reduce exposure to interest rate volatility. Specifically, if a company like Laclede Gas intends to issue long-term debt at a future date, it enters into a contract that fixes an interest rate for a specified debt term at a time in the future. When the company actually issues the long-term debt, it does so at then current interest rates and at the same time settles the hedge contract. Settlement is based on the discounted value of the difference between the fixed interest rate (swap rate) and the then-current swap rates. In the event that interest rates are higher at the time of settlement, the company receives payment from the counterparty, thus avoiding the effect of having to pay higher interest rates on its long-term debt. Conversely, if the rates are lower, the company pays the counterparty, effectively receiving the fixed interest rate from the swap agreement.

5. GAAP[2] treatment of any settlement amount provides for the amortization of that amount into interest expense over the term of the indebtedness in the same manner as other debt issuance costs.

6. The end result of an interest rate swap agreement is that interest expense is close to what it would have been if the debt were to be issued now.

7. Laclede Gas believes that one or more interest rate swap agreements are advantageous because the closing of the Transaction is anticipated to occur in the third quarter of 2013 and such agreements will allow Laclede to mitigate its interest rate risk. Current interest

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[1]Over the last several weeks, interest rates on certain long-term debt instruments have been increasing. Accordingly, in order to lock in rates sooner rather than later, Laclede Gas' parent corporation, LG, may enter into swap agreements for the same purpose as described herein. Although Commission authorization is not necessary for LG to enter into such arrangements, Laclede Gas will advise the Commission if such action is taken.

[2]GAAP is an abbreviation for Generally Accepted Accounting Principles.

rates for long-term debt that Laclede Gas could issue are at historic lows, ranging from less than 2% to about 4.5% for debt instruments of 5- to 30-year terms. Locking in these rates will keep the long-term cost of debt capital for utility operations at extremely favorable levels for a significant period of time.

8. Hedging agreements are not a new concept in the field of utility regulation. Interest rate hedges are similar to natural gas price hedging with which the Commission is very familiar. Its gas price hedging program calls for Laclede Gas to enter into contracts that fix the price of gas at a point in the future. When that time comes, Laclede Gas buys gas at then-current prices and settles the hedge contract. The results of the gas hedge become part of the cost of gas sold to the customers of Laclede Gas.

9. Laclede Gas believes that its customers will be well served by locking in current low interest rates and reducing interest rate volatility risk. This ensures that the customers get the benefit of advantageous interest rates associated with this indebtedness for as long as thirty years. Additionally, Laclede Gas is not requesting that the Commission decide any aspects of the underlying Transaction at this time. Laclede Gas understands that the Commission reserves the right to address the prudence of its interest rate hedging decisions in the context of a general rate case proceeding.

10. In accordance with Commission rule 4 CSR 240-2.080(16), Laclede asks the Commission to grant this motion by no later than February 13, 2013. As noted above, current long-term interest rates are at historic lows. Should the cost of long-term debt begin to increase, the cost of the Transaction and capital costs generally for utility customers could be much higher than otherwise would be the case. With an interest rate swap in place, customers would be protected from the full brunt of any such increase in market rates. There is no upfront cost to entering into the swap arrangement and the issuance of the indebtedness by Laclede Gas remains

contingent on the Commission's approval of the Transaction. Also, as noted above, Laclede Gas has filed this motion as soon as reasonably could have been expected after the filing of the Joint Application on January 14, 2013, preparation of this motion and discussion of it with Staff and Public Counsel.

11. Laclede Gas has discussed this Motion with counsel for the Staff of the Missouri Public Service Commission and is authorized to represent that the Staff has no objection to the specific relief requested herein. Staff continues to reserve its rights, however, to take whatever position it believes is appropriate on the proposed Transaction and whatever position it believes is appropriate on any costs related to the Transaction in the context of the next general rate case proceeding.

WHEREFORE, Laclede Gas requests that the Commission grant Laclede Gas leave to enter into one or more interest rate swap agreements for the purposes set forth above and for such other orders and relief as may be appropriate in the circumstances.

Respectfully submitted,

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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 4th day of February, 2013, to

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