

ORIGINAL COST RATE BASE

(Thousands of Dollars)

<u>Description</u>	<u>March 31, 2010</u>
Utility Plant in Service	\$1,272,718
Natural Gas Stored Underground - Non-Current	<u>11,989</u>
Subtotal of Plant	<u>\$1,284,707</u>
-Deduct	
Accumulated Provision for Depreciation of	
Gas Plant and Provision for Depletion and	
Amortization of Land, Land Rights and	
Other Gas Plant in Service	(\$490,771)
Customer Advances for Construction	<u>(564)</u>
Subtotal of Plant Deductions	<u>(\$491,335)</u>
Net Plant	<u>\$793,372</u>
Add:	
Special Deposits	\$10
Prepayments	5,230
Materials and Supplies	4,666
Prepaid Pension Asset	94,101
OPEB Asset	7,684
Gas Safety Deferral GR-2001-629	459
Gas Safety Deferral GR-2002-356	84
Gas Safety Deferral GR-2005-0284	389
Insulation Financing and EnergyWise Program Loans	1,159
Cash Working Capital	<u>17,351</u>
Total Working Capital	131,133
-Deduct:	
Customer Deposits	(9,722)
Deferred Income Taxes	<u>(159,826)</u>
Original Cost Rate Base	<u><u>\$754,957</u></u>

LACLEDE GAS COMPANY
SUMMARY OF LAG TIME FROM PAYMENT OF EXPENSE UNTIL REVENUE IS RECEIVED
TEST YEAR ENDED SEPTEMBER 30, 2009
(Thousands of Dollars)

	Normalized 12 Month Expenses	Average Daily Expense	Lag Days From Day of Expense To Day Paid	Net (Lead)/Lag Days from Day Exp. Paid To Day Rev. Rec'd	Cash Required For Operating Expenses
Gas Costs					
Natural Gas	619,275	1,692.008	40.7	9.1	15,313
L.P. - Peaking	5,645	15.423	31.5	18.3	281
L.P. - Subdivision	101	0.276	50.8	(1.1)	0
Total Gas Costs	<u>625,021</u>	<u>1,707.707</u>			<u>15,594</u>
Labor and Related Expenses					
Wages - Contract	53,060	144.973	12.0	37.8	5,473
- Management	27,733	75.773	16.2	33.6	2,542
- Missouri Natural	6,252	17.082	13.0	36.8	628
Group Insurance	12,183	33.287	(2.4)	52.2	1,736
401 (k) Contributions	2,818	7.699	13.2	36.6	281
Pensions and Other Postretirement Benefits	27,124	74.109	52.6	(2.9)	(211)
Total Labor and Related Expenses	<u>129,170</u>	<u>352.923</u>			<u>10,449</u>
Other Expenses					
Materials and Supplies	3,846	10.508	24.1	25.7	270
Transportation	7,720	21.093	22.2	27.6	581
Natural Gas Costs to Operations	501	1.369	35.4	14.4	20
Utilities	1,078	2.945	26.0	23.8	70
Postage	2,864	7.825	(6.1)	55.9	437
Misc. Customer Accounts Expense	3,572	9.760	42.0	7.8	76
Uncollectible Accounts - Actual	13,792	37.683	182.5	(132.8)	(5,002)
Uncollectible Accounts - Adjustment	1,853	5.063	0.0	49.8	252
Fees - Misc. Services	2,767	7.560	92.6	(42.9)	(324)
MoPSC Assessment	2,099	5.735	0.0	49.8	285
Rents	825	2.254	(1.2)	51.0	115
Miscellaneous Expense	23,671	64.675	30.0	19.8	1,277
Total Expense	<u>64,588</u>	<u>176.470</u>			<u>(1,943)</u>
Incidental Oil Sales - Expense	45	0.123	67.3	(17.6)	(2)
Subtotal of Above Expenses	<u>818,824</u>	<u>2,237.223</u>			<u>24,098</u>
Taxes (Other Than Deferred Taxes)					
Distribution - Income Taxes	(1,198)	(3.273)	62.5	(12.8)	42
- Gross Receipts Taxes	50,603	138.260	*	(7.9)	(1,092)
- Employment Taxes	6,463	17.658	16.1	33.7	594
- Property Taxes	11,443	31.265	182.5	(132.8)	(4,150)
- Other Taxes	744	2.033	(1.0)	50.8	103
Total Taxes	<u>68,055</u>	<u>185.943</u>			<u>(4,503)</u>
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION, AND DEFERRED TAXES	886,879	2,423.166			19,595
Sales Taxes	13,017	35.566	*	10.3	366
Employee Taxes Withheld	26,778	73.164	*	(4.1)	(300)
Interest Expense Offset - LTD	20,950	57.240	90.1	(40.4)	(2,310)
Interest Expense Offset - STD	-	0.000	12.4	37.4	0
TOTAL CASH WORKING CAPITAL ITEMS	<u>947,624</u>	<u>2,589.136</u>			<u>17,351</u>

* - Net (Lead)/Lag Days determined independently for these items

THE LACLEDE GROUP, INC.
CAPITAL STRUCTURE
September 30, 2009
(Thousands of Dollars)

	<u>Amount</u>	<u>Percent of Total</u>
Common Equity:		
Common Stock	\$22,168	
Paid-in Capital	154,218	
Retained Earnings	342,810	
Accumulated other comprehensive income (loss)	(2,051)	
Total Common Stock Equity	<u>\$517,145</u>	<u>57.5%</u>
Long-Term Debt:		
First Mortgage Bonds:		
6.5% Series Due November 15, 2010	25,000	
6.5% Series Due October 15, 2012	25,000	
5.5% Series Due May 1, 2019	50,000	
7% Series Due June 1, 2029	25,000	
7.9% Series Due September 15, 2030	30,000	
6% Series Due May 1, 2034	100,000	
6.15% Series Due June 1, 2036	55,000	
6.35 Series Due October 15, 2008	80,000	
Unamortized Discount, Expense, and Loss On Reacquired Debt	(7,334)	
Total Long-Term Debt	<u>\$382,666</u>	<u>42.5%</u>
Short Term Debt:		
Average Short Term Debt	<u>\$0</u>	<u>0.0%</u>
Total Capitalization	<u><u>\$899,811</u></u>	<u><u>100.0%</u></u>

EMBEDDED COSTS OF DEBT
September 30, 2009

(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Annualized Cost</u>
<u>Long-Term Debt</u>		
<u>First Mortgage Bonds</u>		
6.5% Series Due November 15, 2010	25,000	1,625.000
6.5% Series Due October 15, 2012	25,000	1,625.000
5.5% Series Due May 1, 2019	50,000	2,750.000
7% Series Due June 1, 2029	25,000	1,750.000
7.9% Series Due September 15, 2030	30,000	2,370.000
6% Series Due May 1, 2034	100,000	6,000.000
6.15% Series Due June 1, 2036	55,000	3,382.500
6.35 Series Due October 15, 2008	80,000	5,080.000
Unamortized Discount, Expense, and Loss On Reacquired Debt	<u>(7,334)</u>	<u>418.816</u>
Total	<u><u>\$382,666</u></u>	<u><u>\$25,001.316</u></u>
Embedded Cost of Long-Term Debt		<u><u>6.53%</u></u>

LACLEDE GAS COMPANY
Test Year and Pro Forma Utility Operating Income Statements
Year Ended September 30, 2009

	(Thousands of Dollars)		
	Income per Books	Normalization & Annualization Adjustments	Pro Forma Income
Operating Revenues			
Gas Service Revenues			
Residential Sales	\$684,533		\$684,533
Commercial & Small Industrial Sales	255,912		255,912
Interruptible Sales	5,302		5,302
Transportation Sales	14,394		14,394
Late Payment Charges	6,089		6,089
Other Operating Revenues	87,763		87,763
Revenue Adjustments		-1- (\$715,605)	(715,605)
Total Operating Revenues	<u>\$1,053,993</u>	<u>(\$715,605)</u>	<u>\$338,388</u>
Operating Expenses			
Natural Gas Supply Expense	\$699,984	-2- (\$700,437)	(\$453)
Other Operation Expenses			
Manufactured Gas Production	228	-3- (277)	(49)
Underground Storage	1,326		1,326
Other Storage	104		104
Distribution	31,038	-4- 0	31,038
Customer Accounts	44,827	-5- 2,887	47,714
Sales	4,103		4,103
Administrative and General	65,909	-6- 13,114	79,023
(Gain) / Loss on Disposal of Assets	(994)	-7- 958	(36)
Total Operation Expenses	<u>\$846,525</u>	<u>(\$683,755)</u>	<u>\$162,770</u>
Maintenance	\$27,818		\$27,818
Wage and Salary Incr. Appl. To Oper. & Mtce.		-8- \$2,401	2,401
Miscellaneous Expense Adjustments		-9- 352	352
Depreciation and Amortization	36,751	-10- 5,818	42,569
Taxes, Other Than Income Taxes	68,639	-11- 661	69,300
Income Taxes- Federal, Net of ITC, State and City	13,258	-12- (12,101)	1,157
Total Operating Expenses	<u>\$992,991</u>	<u>(\$686,624)</u>	<u>\$306,367</u>
Total Utility Operating Income	<u>\$61,002</u>	<u>(\$28,981)</u>	<u>\$32,021</u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2009

Adjustment Number	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
1. Operating Revenues:		
a. Adjust revenues for weather. (Krieger)	97	
b. Adjust revenues for weather - large volume and transportation. (Linderer)		5
c. Adjust revenues for firm sales service load changes. (Linderer)		137
d. Adjust revenues for firm transportation and sales service load changes. (Linderer)		736
e. Adjust revenues for basic transportation and sales service load changes. (Linderer)		46
f. Adjust revenues for interruptible sales service load changes. (Linderer)	19	
g. Adjust basic transportation revenues to a normalized level of unauthorized use charges. (Linderer)	98	
h. Adjust revenues to a normalized level of demand charges. (Linderer)	188	
i. Adjust for general rate C&I rate classification changes (Linderer)	150	
j. Adjust revenues for the effect of the unrealized portion of customer changes through March, 2010. (Krieger)		99
k. Adjust revenues to remove Infrastructure System Replacement Surcharge revenues. (Krieger)		5,249
l. Adjust 12 months ended September 30, 2009 to billed basis revenues. (Krieger)	789	
m. Adjust 12 months ended September 30, 2009 for off-system sales and capacity release revenues. (Krieger)		85,822
n. Adjust revenues for Insulation Financing and EnergyWise program interest income. (Wotawa)	72	
o. Adjust revenues to remove billed gas costs. (Krieger)		624,375
p. Adjust to remove propane revenues (Krieger)		549
Total Adjustment to Operating Revenues		<u>\$715,605</u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2009

		(Thousands of Dollars)	
<u>Adjustment Number</u>		<u>Increase</u>	<u>Decrease</u>
2.	Natural Gas Supply Expense:		
a.	Adjust 12 months ended September 30, 2009 to billed basis gas costs. (Krieger)	\$1,013	
b.	Adjust 12 months ended September 30, 2009 for off system sales. (Krieger)		79,432
c.	Adjust to remove billed gas costs. (Krieger)		622,018
	Total Adjustments to Natural Gas Supply Expense		<u>\$700,437</u>
3.	Manufactured Gas Production Expense		
a.	To remove operating expenses related to the propane cavern (Buck)		\$277
	Total Adjustment to Manufactured Gas Production Expenses		<u>\$277</u>
4.	Distribution Expenses:		
a.	No adjustment		
	Total Adjustment to Distribution Expenses		<u></u>
5.	Customer Accounts Expenses:		
a.	Adjust the provision for uncollectible accounts. (Fallert)	\$1,853	
b.	Adjust for interest on customer deposits. (Wotawa)	413	
c.	Adjust for postal rate increase. (Buck)	75	
d.	Adjust for increased energy efficiency and other advertising (Buck)	429	
e.	Adjust for cost of communication equipment. (Buck)	117	
	Total Adjustment to Customer Accounts Expenses	<u>\$2,887</u>	
6.	Administrative and General Expenses:		
a.	Adjust pension expense to pro-forma levels. (Fallert)	\$14,846	
b.	Adjust FAS 106 expense to Fiscal 2010 levels based on financial reporting policy. (Fallert)	1,619	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2009

Adjustment Number	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
c. Adjust for increased 401(k) expense. (Wotawa)	98	
d. Adjust for dental insurance. (Wotawa)		8
e. Adjust for vision care. (Wotawa)	11	
f. Adjust for increased Missouri Public Service Commission assessment. (Wotawa)		209
g. Adjust for rent. (Wotawa)	3	
h. Adjust property and liability insurance to a normal level (Buck)	225	
i. Adjust injuries and damages provision to a pro-forma payments basis. (Buck)		747
j. Adjust for rate case expenses. (Wotawa)	28	
k. Adjust for elimination of Equity Compensation. (Fallert)		2,367
l. Adjust for elimination of dues and other expenses. (Buck)		615
m. Adjust for increase line of credit fees. (Buck)	128	
n. Adjust for directors' fees. (Fallert)	102	
Total Adjustments to Administrative and General Expenses	<u>\$13,114</u>	
7. Gain / Loss on Diposal of Assets		
a. To remove a non-recurring gain on disposal of assets (Buck)	<u>\$958</u>	
8. Wages and Salaries Applicable to Operation and Maintenance:		
Adjust wages and salaries to normalized levels. (Fallert)	<u>\$2,401</u>	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2009

		(Thousands of Dollars)	
Adjustment Number		<u>Increase</u>	<u>Decrease</u>
9.	Miscellaneous Expense Adjustments:		
a.	Adjust for the impact of higher fuel rate charged to operation and maintenance (Fallert)	\$352	
	Total Miscellaneous Adjustments	\$352	
10.	Depreciation and Amortization Expenses:		
	Adjust for unrealized portion of expenses to reflect additional utility plant in service at March 31, 2010 at proposed depreciation rates.		
a.	Depreciation (Krieger)	3,265	
b.	Amortization (Krieger)		8
c.	Adjust for theoretical reserve amortization (Krieger)	2,561	
	Total Adjustments to Depreciation and Amortization Expenses	\$5,818	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2009

		(Thousands of Dollars)	
Adjustment Number		<u>Increase</u>	<u>Decrease</u>
11. Taxes Other Than Income Taxes:			
a. Adjust Property Taxes and Manufacturers License expense to Calendar 2009 actuals and for the unrealized portion applicable to increased net utility plant at March 31, 2010. (Reck)		\$532	
b. Adjust FICA Tax to reflect liability for normalized wages and salaries. (Reck)		189	
c. Adjust for City of St. Louis Payroll Expense Tax on increased wages and salaries. (Reck)		3	
d. Adjust for the effect of gross receipts tax related to timing differences. (Krieger)			63
Total Adjustments to Taxes Other Than Income Taxes		<u>\$661</u>	
12. Income Taxes:			
Adjust Federal, State, and City Earnings income taxes for the effect of adjustments to revenues and expenses. (Reck)			<u>\$12,101</u>

LACLEDE GAS COMPANY
Calculation of Taxable Income For Utility Operations

<u>Description</u>	(Thousands of Dollars)	
Operating Revenues		\$338,388
Operating Expenses		<u>(305,210)</u>
Net operating income before income taxes		\$33,178
Add:		
Contributions in aid of construction	\$1,497	
Miscellaneous non-deductible expenses	<u>506</u>	
Total additions		2,003
Deduct:		
Administrative and general expenses capitalized	(\$7,967)	
Tax depreciation in excess of book depreciation	(2,905)	
Deductible software expenses	(448)	
Transfer of services	(1,399)	
Deductible cost of removal	(4,685)	
Bond premium net	106	
Deductible interest	<u>(20,950)</u>	
Total deductions		<u>(38,248)</u>
Taxable income		<u><u>(\$3,067)</u></u>

LACLEDE GAS COMPANY
Calculation of Taxable Income For Utility Operations

<u>Description</u>	(Thousands of Dollars)
<u>City income tax</u>	
Taxable income	(\$3,067)
City income tax rate	0.30%
	<u>(\$9)</u>
City income tax credit	2
Total City income tax	<u><u>(\$7)</u></u>
 <u>State income tax</u>	
Taxable income	(\$3,067)
Less: City income tax	7
Federal income tax	503
Bonus depreciation	<u>(406)</u>
State taxable income	(\$2,963)
State income tax rate	6.25%
State income tax	<u><u>(\$185)</u></u>
 <u>Federal income tax</u>	
Taxable income	(\$3,067)
Less: City income tax	7
State income tax	<u>185</u>
Federal taxable income	(\$2,875)
Federal income tax rate	35.0%
Federal income tax	<u><u>(\$1,006)</u></u>

LACLEDE GAS COMPANY
Taxes Chargeable to Operations

<u>Description</u>	(Thousands of Dollars)	
<u>Current provision</u>		
Federal	(\$1,006)	
State	(185)	
City	<u>(7)</u>	
Total current provision		(\$1,198)
 Deferred income tax provision		 2,571
 Investment tax credit amortization		 <u>(216)</u>
 Total income taxes		 <u><u>\$1,157</u></u>

Rate of Return on Original Cost Rate Base
And Related Return on Common Equity
(Thousands of Dollars)

1.	<u>Rate of Return at Proposed Rates on Original Cost Rate Base</u>		
	Normalized Utility Operating Income (Section C, Sch. 1)		\$32,021
	Proposed Rate Increase	\$60,660	
	Less: Income Taxes Associated with Increased Revenues	<u>23,436</u>	
	Increase in Utility Operating Income from Proposed Rate Increase		<u>37,224</u>
	Pro Forma Utility Operating Income at Proposed Rates		69,245
	Original Cost Rate Base (Section A, Sch. 1)		<u>754,957</u>
	Rate of Return at Proposed Rates on Original Cost Rate Base		<u>9.172%</u>
2.	Related Return on Common Equity		
		<u>Capitalization</u>	<u>Weighted</u>
		<u>Ratios (%)</u>	<u>Cost (%)</u>
		(Section B, Sch. 1, P. 1)	
	Long Term Debt	42.5%	2.775%
	Short Term Debt	0.0%	0.000%
	Subtotal		2.775%
	Common Equity	<u>57.5%</u>	<u>6.397%</u>
	Rate of Return at Proposed Rate on Original Cost Rate Base		<u>9.172%</u>