

ORIGINAL COST RATE BASE

(Thousands of Dollars)

<u>Description</u>	<u>March 31, 2005</u>
Utility Plant in Service	\$1,077,798
Natural Gas Stored Underground - Non-Current	<u>5,884</u>
Subtotal of Plant	<u>\$1,083,682</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	(\$431,203)
Customer Advances for Construction	<u>(891)</u>
Subtotal of Plant Deductions	<u>(\$432,094)</u>
Net Plant	\$651,588
Add:	
Special Deposits	\$10
Propane Gas Inventory	15,253
Natural Gas Stored Underground - Laclede Field	18,780
Natural Gas Stored Underground - Other	60,978
Prepayments	3,619
Materials and Supplies	4,502
Prepaid Pension Asset	108,362
Gas Safety Deferral	934
Gas Safety Deferral GR-2001-629	1,809
Gas Safety Deferral GR-2002-356	245
Insulation Financing and EnergyWise Program Loans	1,500
Cash Working Capital	<u>18,439</u>
Total Working Capital	234,431
-Deduct:	
Customer Deposits	(5,896)
Deferred Income Taxes	<u>(134,949)</u>
Original Cost Rate Base	<u><u>\$745,174</u></u>

LACLEDE GAS COMPANY
SUMMARY OF LAG TIME FROM PAYMENT OF EXPENSE UNTIL REVENUE IS RECEIVED
TEST YEAR ENDED SEPTEMBER 30, 2004
(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	578,450	1,580.464	40.7	10.0	15,836
L.P. - Peaking	6,418	17.536	31.5	19.2	337
L.P. - Subdivision	154	0.421	50.8	(0.1)	0
Total Gas Costs	<u>585,022</u>	<u>1,598.421</u>			<u>16,173</u>
Labor and Related Expenses					
Wages - Contract	56,226	153.623	12.0	38.7	5,948
- Management	24,094	65.831	16.2	34.5	2,272
- Missouri Natural	5,959	16.281	13.0	37.7	614
Group Insurance	10,942	29.896	(2.4)	53.1	1,588
401 (k) Contributions	2,503	6.839	13.2	37.5	257
Pensions and Other Postretirement Benefits	9,014	24.628	52.6	(1.9)	(46)
Total Labor and Related Expenses	<u>108,738</u>	<u>297.098</u>			<u>10,633</u>
Other Expenses					
Material and Supplies	3,350	9.153	24.1	26.6	244
Transportation	2,071	5.658	22.2	28.5	161
Natural Gas Costs to Operations	315	0.861	35.4	15.3	13
Utilities	1,978	5.404	26.0	24.7	134
Postage	2,071	5.658	(6.1)	56.8	321
Misc. Customer Accounts Expense	2,896	7.913	42.0	8.7	69
Uncollectible Accounts - Actual	9,140	24.973	182.5	(131.8)	(3,291)
Uncollectible Accounts - Adjustment	1,611	4.402	0.0	50.7	223
Advertising Items	519	1.418	32.2	18.5	26
Fees - Misc. Services	1,388	3.792	92.6	(41.9)	(159)
MoPSC Assessment	2,162	5.907	0.0	50.7	300
Rents	808	2.208	(1.2)	51.9	115
Miscellaneous Expense	29,887	81.658	30.0	20.7	1,692
Total Expense	<u>58,196</u>	<u>159.005</u>			<u>(152)</u>
Incidental Oil Sales - Expense	34	0.093	67.3	(16.6)	(2)
Subtotal of Above Expenses	<u>751,990</u>	<u>2,054.617</u>			<u>26,652</u>
Taxes (Other Than Deferred Taxes)					
Distribution - Income Taxes	4,622	12.628	62.5	(11.8)	(149)
- Gross Receipts Taxes	45,918	125.459	*	(7.9)	(991)
- Employment Taxes	6,879	18.795	16.1	34.6	651
- Property Taxes	15,611	42.653	182.5	(131.8)	(5,621)
- Other Taxes	707	1.932	(1.0)	51.7	100
Total Taxes	<u>73,737</u>	<u>201.467</u>			<u>(6,010)</u>
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION, AND DEFERRED TAXES	825,727	2,256.084			20,642
Sales Taxes	10,080	27.541	*	10.3	284
Employee Taxes Withheld	22,509	61.500	*	(4.1)	(252)
Interest Expense Offset - LTD	22,877	62.505	90.1	(39.4)	(2,461)
Interest Expense Offset - STD	<u>2,161</u>	5.904	12.4	38.3	<u>226</u>
TOTAL CASH WORKING CAPITAL ITEMS	<u>883,354</u>	<u>2,413.534</u>			<u>18,439</u>

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

THE LACLEDE GROUP, INC.
CAPITAL STRUCTURE
September 30, 2004
(Thousands of Dollars)

	<u>Amount</u>	<u>Percent of Total</u>
Redeemable Preferred Stock:		
Authorized, 1,480,000 shares \$25 Par Value		
Issued and Outstanding		
5.0% Series B 38,400 shares	\$960	
4.56% Series C 5,906 shares	148	
Total Preferred Stock	<u>\$1,108</u>	<u>0.1%</u>
Common Equity:		
Issued and Outstanding: 100 shares	\$0	
Premium on Common Stock	135,613	
Other Paid-In Capital	429	
Retained Earnings	194,089	
Total Common Stock Equity	<u>\$330,131</u>	<u>44.2%</u>
Long-Term Debt:		
First Mortgage Bonds:		
8-5/8% Series Due May 15, 2006	40,000	
7-1/2% Series Due November 1, 2007	40,000	
6-1/2% Series Due November 15, 2010	25,000	
5-1/2% Series Due May 1, 2019	50,000	
6% Series Due May 1, 2034	100,000	
6-1/2% Series Due October 15, 2012	25,000	
7% Series Due June 1, 2029	25,000	
7-9/10% Series Due September 15, 2030	30,000	
Unamortized Discount, Expense, and Loss On Reacquired Debt	<u>(4,545)</u>	
Total Long-Term Debt	<u>\$330,455</u>	<u>44.2%</u>
Short Term Debt:		
Average Short Term Debt	<u>\$86,368</u>	<u>11.5%</u>
Total Capitalization	<u><u>\$748,062</u></u>	<u><u>100.0%</u></u>

EMBEDDED COSTS OF DEBT

September 30, 2004

(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Annualized Cost</u>
<u>Long-Term Debt</u>		
<u>First Mortgage Bonds</u>		
8-5/8% Series Due May 15, 2006	\$40,000	\$3,450.000
7-1/2% Series Due November 1, 2007	40,000	3,000.000
6-1/2% Series Due November 15, 2010	25,000	1,625.000
5-1/2% Series Due May 1, 2019	50,000	2,750.000
6% Series Due May 1, 2034	100,000	6,000.000
6-1/2% Series Due October 15, 2012	25,000	1,625.000
7% Series Due June 1, 2029	25,000	1,750.000
7-9/10% Series Due September 15, 2030	30,000	2,370.000
Unamortized Discount, Expense, and Loss On Recquired Debt	<u>(4,545)</u>	<u>371.624</u>
Total	<u><u>\$330,455</u></u>	<u><u>\$22,941.624</u></u>
Embedded Cost of Long-Term Debt		<u><u>6.94%</u></u>
<u>Short Term Debt</u>		
Average Short Term Debt Balance	<u><u>\$86,368</u></u>	<u><u>\$2,150.563</u></u>
Embedded Cost of Short-Term Debt		<u><u>2.49%</u></u>

EMBEDDED COST OF PREFERRED STOCK

September 30, 2004

(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Annualized Cost</u>
<u>Redeemable Preferred Stock</u>		
5.0% Series B	\$960	\$48.000
4.56% Series C	<u>148</u>	<u>6.749</u>
Totals	<u>\$1,108</u>	<u>\$54.749</u>
Embedded Cost of Preferred Stock		<u>4.94%</u>

Laclede Gas Company
Mo. PSC Case No. GR-2005-
Operating Income Statement
Schedule 4, Page 1 of 1

LACLEDE GAS COMPANY
Test Year and Pro Forma Utility Operating Income Statements
Year Ended September 30, 2004

	(Thousands of Dollars)		
	<u>Income per Books</u>	<u>Normalization & Annualization Adjustments</u>	<u>Pro Forma Income</u>
Operating Revenues			
Gas Service Revenues			
Residential Sales	\$543,996		\$543,996
Commercial & Small Industrial Sales	202,183		202,183
Interruptible Sales	3,206		3,206
Transportation Sales	14,523		14,523
Late Payment Charges	4,374		4,374
Other Operating Revenues	100,623		100,623
Revenue Adjustments		-1- (\$580,360)	(580,360)
Total Operating Revenues	<u>\$868,905</u>	<u>(\$580,360)</u>	<u>\$288,545</u>
Operating Expenses			
Natural Gas Supply Expense	\$575,691	-2- (\$575,353)	\$338
Other Operation Expenses			
Manufactured Gas Production	212		212
Underground Storage	1,194		1,194
Other Storage	117		117
Distribution	30,048		30,048
Customer Accounts	37,025	-3- (1,130)	35,895
Sales	3,625		3,625
Administrative and General	49,376	-4- 2,331	51,707
Total Operation Expenses	<u>\$697,288</u>	<u>(\$574,152)</u>	<u>\$123,136</u>
Maintenance	\$18,705		\$18,705
Wage and Salary Incr. Appl. To Oper. & Mtce.		-5- \$9,328	9,328
Miscellaneous Expense Adjustments		-6- 1,054	1,054
Depreciation and Amortization	22,385	-7- 6,857	29,242
Taxes, Other Than Income Taxes	60,077	-8- 2,413	62,490
Income Taxes- Federal, Net of ITC,			0
State and City	16,103	-9- (11,315)	4,788
Total Operating Expenses	<u>\$814,558</u>	<u>(\$565,815)</u>	<u>\$248,743</u>
Total Utility Operating Income	<u>\$54,347</u>	<u>(\$14,545)</u>	<u>\$39,802</u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2004

Adjustment Number	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
1. Operating Revenues:		
a. Adjust revenues for weather - general rate. (Krieger)	4,063	
b. Adjust revenues for weather - large volume and transportation. (Krieger)	44	
c. Adjust revenues for firm sales service load changes. (Krieger)	5	
d. Adjust revenues for firm transportation and sales service load changes. (Krieger)		111
e. Adjust revenues for basic transportation and sales service load changes. (Krieger)	93	
f. Adjust basic transportation revenues to a normalized level of unauthorized use charges. (Krieger)	21	
g. Adjust revenues to a normalized level of demand charges. (Krieger)	17	
h. Adjust revenues for the effect of the unrealized portion of customer changes through March, 2005. (Krieger)	673	
i. Adjust revenues to remove Infrastructure System Replacement Surcharge revenues. (Krieger)		1,024
j. Adjust 12 months ended September 30, 2004 to billed basis revenues. (Krieger)	118	
k. Adjust 12 months ended September 30, 2004 for gas supply incentive revenue and off-system sales. (Krieger)		95,352
l. Adjust revenues for Insulation Financing and EnergyWise program interest income. (Buck)	108	
m. Adjust revenues to remove billed gas costs. (Krieger)		489,015
Total Adjustment to Operating Revenues		<u><u>\$580,360</u></u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2004

<u>Adjustment Number</u>	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
2. Natural Gas Supply Expense:		
a. Adjust 12 months ended September 30, 2004 to billed basis gas costs. (Krieger)	\$613	
b. Adjust 12 months ended September 30, 2004 for gas supply incentive revenue and off system sales. (Krieger)		86,951
c. Adjust to remove billed gas costs. (Krieger)		489,015
Total Adjustments to Natural Gas Supply Expense		<u>\$575,353</u>
3. Customer Accounts Expenses:		
a. Adjust the provision for uncollectible accounts. (Fallert)		1,499
b. Adjust for interest on customer deposits. (Buck)	369	
Total Adjustment to Customer Accounts Expenses		<u>\$1,130</u>
4. Administrative and General Expenses:		
a. Adjust pension expense to pro-forma levels. (Fallert)	\$931	
b. Adjust FAS 106 expense to Fiscal 2005 levels based on current accounting policy. (Fallert)	191	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2004

Adjustment Number	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
c. Adjust for increased 401(k) and pension administrative fees. (Fallert)	78	
d. Adjust for dental insurance. (Buck)	195	
e. Adjust for vision care. (Buck)	12	
f. Adjust for increased Missouri Public Service Commission assessment. (Buck)	226	
g. Adjust for rent. (Buck)		27
h. Adjust for increased property and liability insurance premiums. (Buck)	384	
i. Adjust injuries and damages provision to a pro-forma payments basis. (Buck)	783	
j. Adjust for rate case expenses. (Buck)	22	
k. Adjust for elimination of dues and other expenses. (Buck)		464
Total Adjustments to Administrative and General Expenses	<u>\$2,331</u>	
5. Wages and Salaries Applicable to Operation and Maintenance:		
Adjust wages and salaries to normalized levels. (Fallert)	<u>\$9,328</u>	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2004

Adjustment Number	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
6. Miscellaneous Expense Adjustments:		
a. Adjust for allocation of merchandising salaries and expense to non-utility operations. (Fallert)		\$46
b. Adjust for amortization of gas safety deferral. (Fallert)	24	
c. Adjust for pre-tax income of Laclede Pipeline Company. (Buck)	212	
d. Eliminate net appliance service revenue. (Krieger)	864	
Total Miscellaneous Adjustments	<u>\$1,054</u>	
7. Depreciation and Amortization Expenses:		
Adjust for unrealized portion of expenses to reflect additional utility plant in service at March 31, 2005 at current depreciation rates.		
a. Depreciation (Krieger)	12,064	
b. Amortization (Krieger)		2,106
c. Adjust for actual cost of removal as an item of expense. (Krieger)		3,101
Total Adjustments to Depreciation and Amortization Expenses	<u>\$6,857</u>	

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2004

		(Thousands of Dollars)	
Adjustment Number		<u>Increase</u>	<u>Decrease</u>
8.	Taxes Other Than Income Taxes:		
a.	Adjust Property Taxes and Manufacturers License expense to Calendar 2004 actuals and for the unrealized portion applicable to increased net utility plant at March 31, 2005. (Fallert)	\$1,843	
b.	Adjust for decreased Missouri Franchise Taxes. (Fallert)		152
c.	Adjust FICA Tax to reflect liability for normalized wages and salaries. (Fallert)	561	
d.	Adjust Federal Unemployment Tax on increased wages and salaries. (Fallert)	3	
e.	Adjust for City of St. Louis Payroll Expense Tax on increased wages and salaries. (Fallert)	20	
f.	Adjust for the effect of gross receipts tax related to timing differences. (Krieger)	138	
	Total Adjustments to Taxes Other Than Income Taxes	<u>\$2,413</u>	
9.	Income Taxes:		
	Adjust Federal, State, and City Earnings income taxes for the effect of adjustments to revenues and expenses. (Fallert)		<u>\$11,315</u>

LACLEDE GAS COMPANY
Calculation of Taxable Income For Utility Operations

<u>Description</u>	(Thousands of Dollars)	
Operating Revenues		\$288,545
Operating Expenses		<u>(243,955)</u>
Net operating income before income taxes		\$44,590
Add:		
Contributions in aid of construction	\$1,959	
Miscellaneous non-deductible expenses	439	
Inventory overheads capitalized	81	
Safety Replacement Program expenditures	181	
Pension accrual	<u>3,400</u>	
Total additions		6,060
Deduct:		
Administrative and general expenses capitalized	(\$6,616)	
Tax depreciation in excess of book depreciation	(3,703)	
Transfer of services	(965)	
Deductible cost of removal	(1,021)	
Bond premium net	(1,209)	
Deductible interest	<u>(25,038)</u>	
Total deductions		<u>(38,552)</u>
Taxable income		<u><u>\$12,098</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	\$12,098
City income tax rate	0.40%
	<u>\$48</u>
City income tax credit	(37)
Total city income tax	<u><u>\$11</u></u>
 <u>State income tax</u>	
Taxable income	\$12,098
Less: City income tax	(11)
Federal income tax	(2,013)
Bonus depreciation	(693)
State taxable income	<u>\$9,381</u>
State income tax rate	6.25%
State income tax	<u><u>\$586</u></u>
 <u>Federal income tax</u>	
Taxable income	\$12,098
Less: City income tax	(11)
State income tax	(586)
Federal taxable income	<u>\$11,501</u>
Federal income tax rate	35.0%
Federal income tax	<u><u>\$4,025</u></u>

LACLEDE GAS COMPANY
Taxes Chargeable to Operations

<u>Description</u>	(Thousands of Dollars)	
<u>Current provision</u>		
Federal	\$4,025	
State	586	
Municipal	<u>11</u>	
Total current provision		\$4,622
 Deferred income tax provision		 509
 Investment tax credit adjustment		 <u>(343)</u>
 Total income taxes		 <u><u>\$4,788</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)		\$39,802
	Proposed Rate Increase	\$38,988	
	Less: Income Taxes Associated with Increased Revenues	<u>15,063</u>	
	Increase in Utility Operating Income from Proposed Rate Increase		<u>23,925</u>
	Pro Forma Utility Operating Income at Proposed Rates		63,727
	Original Cost Rate Base (Section A, Sch. 1)		<u>745,174</u>
	Rate of Return at Proposed Rates on Original Cost Rate Base		<u><u>8.552%</u></u>
2.	Related Return on Common Equity		
	Capitalization Ratios (%) (Section B, Sch. 1, P. 1)	Cost (%)	Weighted Cost (%)
	Long Term Debt	44.2%	6.94%
	Short Term Debt	11.5%	2.49%
	Preferred Stock	0.1%	4.94%
	Subtotal		<u>3.358%</u>
	Common Equity	44.2%	<u>11.75%</u>
	Rate of Return at Proposed Rate on Original Cost Rate Base		<u><u>8.552%</u></u>