

Transaction and Transition Costs

Name	Description	Book Treatment
Transaction Costs	Expenditures incurred in order to complete the acquisition of MGE assets	Costs will be excluded from any ATL account. Costs charged to BTL account.
One-Time Non-Capital Transition Costs	The non-rate base account expenditures incurred over a period not exceeding one twelve month period* resulting from integrating and merging the operations of MGE and LGC other than changes that would occur absent the transaction incurred no later than the first five years after closing.	50% of these costs are recorded to the BTL account. The other 50% are deferred and amortized over a five year life beginning with the effective date of the first general rate case filed on or after October 1, 2015. The full amount of the amortization is allowed only upon a showing that the Net Synergies exceed the amount of the amortization. **
Capital Transition Costs	Rate base account expenditures resulting from integrating and merging the operations of MGE and LGC other than changes that would occur absent the transaction incurred no later than the first five years after closing.	Recorded either as a Regulatory Asset or in the normal accounts of the Company and earmarked as transition costs. These costs will be amortized or depreciated over a period consistent with current depreciation rates for that asset class. In no event will any portion of such Regulatory Asset amortization be included in customer rates without a showing that the amount of amortization is exceeded by the Net Synergies net of other amortized transition costs included in the case.
On-going Non-Capital Transition Costs	On-going, multiple year expenditures incurred resulting from integrating and merging the operations of MGE and LGC other than changes that would occur absent the transaction.	Recorded on books as incurred and offset against synergies to arrive at Net Synergies. No special accounting treatment is applicable. In no event will any portion of these costs be included in customer rates without a showing that the amount of recurring transition costs is less than or equal to synergy cost savings included in the case.
SUG transition charges***	SUG charges to Laclede Gas to support the operations of the MGE division after the transaction.	No markup over SUG actual costs to provide such services will be included in rates.

ATL=Above the line

BTL=Below the line. Not eligible for recovery in consumer rates.

SUG=Southern Union Gas Company

* If the Company believes a one-time transition cost will exceed a twelve month period the Company agrees to notify the Staff and OPC within 30 days of being aware of the occurrence.

**As used herein, Net Synergies means the level of ongoing cost reductions reflected in the test year or update period in the rate case in which transition costs are sought to be recovered resulting from the merger or integration of the LGC and MGE operations based on a comparison of actual pre-merger/pre-integration costs of the two companies' operations versus costs of the combined operations during the test year or update period in the rate case in which transition costs are sought to be recovered. It is expressly understood that any party shall be able to challenge Laclede Gas' representation of eligible transition costs and eligible savings.

*** Represents one-time transition costs.