

ORIGINAL COST RATE BASE

(Thousands of Dollars)

<u>Description</u>	<u>July 31,2013</u>
Utility Plant in Service	\$1,527,430
Natural Gas Stored Underground - Non-Current	<u>11,989</u>
Subtotal of Plant	<u>\$1,539,419</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	(\$566,691)
Customer Advances for Construction	<u>(2,357)</u>
Subtotal of Plant Deductions	<u>(\$569,048)</u>
Net Plant	\$970,371
Add:	
Special Deposits	10
Prepayments	6,815
Materials and Supplies	3,915
Prepaid Pension Asset	114,531
OPEB Asset	6,298
Gas Safety Deferral GR-2005-0284	155
Energy Efficiency Program Balances	5,211
Insulation Financing and EnergyWise Program Loans	3,469
Cash Working Capital	<u>16,949</u>
Total Working Capital	157,353
-Deduct:	
Customer Deposits	(7,342)
Deferred Income Taxes	<u>(176,042)</u>
Original Cost Rate Base	<u><u>\$944,340</u></u>

LACLEDE GAS COMPANY
SUMMARY OF LAG TIME FROM PAYMENT OF EXPENSE UNTIL REVENUE IS RECEIVED
TEST YEAR ENDED SEPTEMBER 30, 2012
(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	322,760	881.858	39.7	11.3	9,965
L.P. - Peaking	0	0.000	13.5	37.5	0
L.P. - Subdivision	56	0.153	27.4	23.6	4
Total Gas Costs	<u>322,816</u>	<u>882.011</u>			<u>9,969</u>
Labor and Related Expenses					
Wages - Contract	44,389	121.281	12.0	39.0	4,730
- Management	30,834	84.246	12.0	39.0	3,286
- Missouri Natural	6,042	16.508	12.0	39.0	644
Group Insurance	12,987	35.484	2.8	48.2	1,709
401 (k) Contributions	2,773	7.577	13.5	37.5	284
Pensions and Other Postretirement Benefits	30,329	82.866	51.0	0.0	0
Total Labor and Related Expenses	<u>127,354</u>	<u>347.962</u>			<u>10,653</u>
Other Expenses					
Transportation	9,158	25.022	14.8	36.2	907
Natural Gas Costs to Operations	197	0.538	39.7	11.3	6
Utilities	860	2.350	19.4	31.6	74
Postage	2,884	7.880	(11.6)	62.6	494
Uncollectible Accounts - Actual	8,183	22.358	182.5	(131.5)	(2,940)
Uncollectible Accounts - Adjustment	717	1.959	0.0	51.0	100
Fees - Misc. Services	1,324	3.617	71.3	(20.3)	(73)
MoPSC Assessment	1,917	5.238	0.0	51.0	267
Rents	906	2.475	(9.7)	60.7	150
Miscellaneous Expense	34,854	95.230	30.0	21.0	2,000
Total Expense	<u>61,000</u>	<u>166.667</u>			<u>985</u>
Incidental Oil Sales - Expense	117	0.320	71.5	(20.5)	(7)
Subtotal of Above Expenses	<u>511,287</u>	<u>1,396.960</u>			<u>21,600</u>
Taxes (Other Than Deferred Taxes)					
Distribution - Income Taxes	3,336	9.115	59.9	(8.9)	(81)
- Gross Receipts Taxes	35,484	96.951	*	5.3	514
- Employment Taxes	6,234	17.033	16.1	17.2	293
- Property Taxes	12,204	33.344	182.5	(131.5)	(4,385)
- Other Taxes	399	1.090	(1.0)	52.0	57
Total Taxes	<u>57,657</u>	<u>157.533</u>			<u>(3,602)</u>
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION, AMORTIZATION, AND DEFERRED TAXES					
	568,944	1,554.493			17,998
Sales Taxes					
Sales Taxes	9,003	24.598	*	11.2	275
Employee Taxes Withheld	11,389	31.117	*	3.3	102
Interest Expense Offset - LTD	22,853	62.440	73.8	(22.8)	(1,426)
Interest Expense Offset - STD	-	0.000	12.4	38.6	0
TOTAL CASH WORKING CAPITAL ITEMS	<u>612,189</u>	<u>1,672.648</u>			<u>16,949</u>

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

THE LACLEDE GROUP, INC.
CAPITAL STRUCTURE
September 30, 2012
(Thousands of Dollars)

	<u>Amount</u>	<u>Percent of Total</u>
Common Equity:		
Common Stock	\$22,539	
Paid-in Capital	160,683	
Retained Earnings	414,581	
Accumulated other comprehensive income (loss)	3,808	
Total Common Stock Equity	<u>\$601,611</u>	<u>56.7%</u>
Long-Term Debt:		
First Mortgage Bonds:		
6.5% Series Due November 15, 2010	0	
6.5% Series Due October 15, 2012	0	
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	
3% Series	55,000	
3.31% Series	25,000	
3.4% Series	45,000	
Unamortized Discount, Expense, and Loss On Reacquired Debt	(5,307)	
Total Long-Term Debt	<u>\$459,693</u>	<u>43.3%</u>
Short Term Debt:		
Average Short Term Debt	\$0	0.0%
Total Capitalization	<u>\$1,061,304</u>	<u>100.0%</u>

EMBEDDED COSTS OF DEBT
 September 30, 2012

(Thousands of Dollars)

	<u>Amount Outstanding</u>	<u>Annualized Cost</u>
<u>Long-Term Debt</u>		
<u>First Mortgage Bonds</u>		
3% Series	55,000	1,650.000
3.31% Series	25,000	827.500
3.4% Series	45,000	1,530.000
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>(5,307)</u>	<u>338.967</u>
Total	<u><u>\$459,693</u></u>	<u><u>\$25,678.967</u></u>
Embedded Cost of Long-Term Debt		<u><u>5.59%</u></u>

Laclede Gas Company
Mo. PSC Case No. GR-2013-0171
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, 2012

	(Thousands of Dollars)			
	<u>Income per Books</u>		<u>Normalizaton & Annualization Adjustments</u>	<u>Pro Forma Income</u>
Operating Revenues				
Gas Service Revenues				
Residential Sales	\$487,529			\$487,529
Commercial & Small Industrial Sales	161,866			161,866
Interruptible Sales	2,105			2,105
Transportation Sales	14,094			14,094
Late Payment Charges	4,209			4,209
Other Operating Revenues	94,848			94,848
Revenue Adjustments		-1-	(\$421,567)	(421,567)
Total Operating Revenues	<u>\$764,651</u>		<u>(\$421,567)</u>	<u>\$343,084</u>
Operating Expenses				
Natural Gas Supply Expense	\$414,846	-2-	(\$415,061)	(\$215)
Other Operation Expenses				
Manufactured Gas Production	151	-3-	0	151
Underground Storage	1,477			1,477
Other Storage	116			116
Distribution	29,680	-4-	0	29,680
Customer Accounts	38,400	-5-	1,952	40,352
Sales	3,357			3,357
Administrative and General	71,578	-6-	11,355	82,933
(Gain) / Loss on Disposal of Assets	(320)	-7-	313	(7)
Total Operation Expenses	<u>\$559,285</u>		<u>(\$401,441)</u>	<u>\$157,844</u>
Maintenance	\$22,911			\$22,911
Wage and Salary Incr. Appl. To Oper. & Mtce.		-8-	\$7,384	7,384
Miscellaneous Expense Adjustments		-9-	0	0
Depreciation and Amortization	40,739	-10-	9,374	50,113
Taxes, Other Than Income Taxes	53,672	-11-	1,193	54,865
Income Taxes- Federal, Net of ITC, State and City	16,385	-12-	(9,663)	6,722
Total Operating Expenses	<u>\$692,992</u>		<u>(\$393,153)</u>	<u>\$299,839</u>
Total Utility Operating Income	<u>\$71,659</u>		<u>(\$28,414)</u>	<u>\$43,245</u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2012

<u>Adjustment Number</u>	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
1. Operating Revenues:		
a. Adjust revenues for firm sales service load changes. (Feldman)		72
b. Adjust revenues for firm transportation and sales service load changes. (Feldman)		37
c. Adjust revenues for basic transportation and sales service load changes. (Feldman)	49	
d. Adjust revenues for interruptible sales service load changes. (Feldman)	39	
e. Adjust basic transportation revenues to a normalized level of unauthorized use charges. (Feldman)	84	
f. Adjust revenues to a normalized level of demand charges. (Feldman)	214	
g. Adjust revenues for the effect of the unrealized portion of customer changes through July 31,2013. (Krieger)	1,907	
h. Adjust revenues to remove Infrastructure System Replacement Surcharge revenues. (Krieger)		6,763
i. Adjust 12 months ended September 30, 2012 to billed basis revenues. (Krieger)	130	
j. Adjust 12 months ended September 30, 2012 for off-system sales and capacity release revenues. (Krieger)		92,477
k. Adjust revenues for Insulation Financing and EnergyWise program interest income. (Sparacino)	209	
l. Adjust revenues to remove billed gas costs. (Krieger)		324,850
m. Adjust for general rate C&I rate classification changes (Feldman)		<u>0</u>
Total Adjustment to Operating Revenues		<u><u>\$421,567</u></u>

LACLEDE GAS COMPANY
Summary of Normalization and Annualization
Adjustments to Items of Income and Expense
Year Ended September 30, 2012

		(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, 2012 to billed basis gas costs. (Krieger)	\$562	
b.	Adjust 12 months ended September 30, 2012 for off system sales. (Krieger)		90,996
c.	Adjust to remove billed gas costs. (Krieger)		<u>324,627</u>
	Total Adjustments to Natural Gas Supply Expense		<u><u>\$415,061</u></u>
3.	Manufactured Gas Production Expense		
	Total Adjustment to Manufactured Gas Production Expenses		<u><u> </u></u>
4.	Distribution Expenses:		
a.	No adjustment		
	Total Adjustment to Distribution Expenses		<u><u> </u></u>
5.	Customer Accounts Expenses:		
a.	Adjust the provision for uncollectible accounts. (Brown)	\$1,115	
b.	Adjust for interest on customer deposits. (Sparacino)	312	
c.	Adjust for postal rate increase. (Sparacino)	78	
d.	Adjust for increased energy efficiency (Sparacino)	<u>447</u>	
	Total Adjustment to Customer Accounts Expenses		<u><u>\$1,952</u></u>
6.	Administrative and General Expenses:		
a.	Adjust pension expense to pro-forma levels. (Rasche)	\$6,932	
b.	Adjust FAS 106 expense to pro-forma levels based on financial reporting policy. (Rasche)	4,455	

LACLEDE GAS COMPANY
 Summary of Normalization and Annualization
 Adjustments to Items of Income and Expense
 Year Ended September 30, 2012

<u>Adjustment Number</u>	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
c. Adjust for increased 401(k) expense. (Sparacino)	269	
d. Adjust for dental insurance. (Sparacino)	88	
e. Adjust for vision care. (Sparacino)	13	
f. Adjust for increased Missouri Public Service Commission assessment. (Sparacino)		25
g. Adjust for rent. (Sparacino)		3
h. Adjust property and liability insurance to a normal level (Buck)	90	
i. Adjust injuries and damages provision to a pro-forma payments basis. (Buck)		820
j. Adjust for rate case expenses. (Sparacino)	25	
k. Adjust for elimination of Equity Compensation. (Buck)		1,212
l. Adjust for elimination of dues and other expenses. (Sparacino)		557
m. Adjust for representative credit card fees. (Buck)	2,100	
Total Adjustments to Administrative and General Expenses	\$11,355	
7. Gain / Loss on Disposal of Assets		
a. To remove a non-recurring gain on disposal of assets (Buck)		\$313
8. Wages and Salaries Applicable to Operation and Maintenance:		
Adjust wages and salaries to normalized levels. (Buck)		\$7,384

LACLEDE GAS COMPANY
 Summary of Normalization and Annualization
 Adjustments to Items of Income and Expense
 Year Ended September 30, 2012

<u>Adjustment Number</u>	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
9. Miscellaneous Expense Adjustments:		
a. No adjustments needed		
		\$0
Total Miscellaneous Adjustments		<u> </u>
10. Depreciation and Amortization Expenses:		
Adjust for unrealized portion of expenses to reflect additional utility plant in service at July 31,2013 at proposed depreciation rates.		
a. Depreciation (Krieger)	4,828	
b. Amortization (Krieger)	4,546	
Total Adjustments to Depreciation and Amortization Expenses		<u> </u> <u> </u>
		\$9,374

LACLEDE GAS COMPANY
 Summary of Normalization and Annualization
 Adjustments to Items of Income and Expense
 Year Ended September 30, 2012

<u>Adjustment Number</u>	(Thousands of Dollars)	
	<u>Increase</u>	<u>Decrease</u>
11. Taxes Other Than Income Taxes:		
a. Adjust Property Taxes and Manufacturers License expense to Calendar 2012 actuals and for the unrealized portion applicable to increased net utility plant at July 31,2013. (Reck)	\$1,150	
b. Adjust FICA Tax to reflect liability for normalized wages and salaries. (Reck)	253	
c. Adjust for City of St. Louis Payroll Expense Tax on increased wages and salaries. (Reck)	19	
d. Adjust for Federal & State Unemployment Taxes Expense	78	
e. Adjust for the effect of gross receipts tax related to timing differences. (Krieger)		307
Total Adjustments to Taxes Other Than Income Taxes	<u>\$1,193</u>	
12. Income Taxes:		
Adjust Federal, State, and City Earnings income taxes for the effect of adjustments to revenues and expenses. (Reck)		<u>\$9,663</u>

LACLEDE GAS COMPANY
Calculation of Taxable Income For Utility Operations

<u>Description</u>	<u>(Thousands of Dollars)</u>	
Operating Revenues		\$343,084
Operating Expenses		<u>(293,117)</u>
Net operating income before income taxes		\$49,967
Add:		
Contributions in aid of construction	\$612	
Miscellaneous non-deductible expenses	<u>612</u>	
Total additions		1,224
Deduct:		
Administrative and general expenses capitalized	(\$15,427)	
Tax depreciation in excess of book depreciation	7,453	
Deductible software expenses	(28,963)	
Transfer of services	(4,290)	
Deductible cost of removal	(2,419)	
Bond premium net	106	
Deductible interest	<u>(22,853)</u>	
Total deductions		<u>(66,393)</u>
Taxable income		<u><u>(\$15,202)</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	(\$15,202)
City income tax rate	0.30%
	<u>(\$46)</u>
City income tax credit	0
Total City income tax	<u><u>(\$46)</u></u>
<u>State income tax</u>	
Taxable income	(\$15,202)
Less: City income tax	46
Federal income tax	2,509
Bonus depreciation	<u>(463)</u>
State taxable income	(\$13,110)
State income tax rate	<u>6.25%</u>
State income tax	<u><u>(\$819)</u></u>
<u>Federal income tax</u>	
Taxable income	(\$15,202)
Less: City income tax	46
State income tax	<u>819</u>
Federal taxable income	(\$14,337)
Federal income tax rate	<u>35.0%</u>
Federal income tax	<u><u>(\$5,018)</u></u>

LACLEDE GAS COMPANY
Taxes Chargeable to Operations

<u>Description</u>	(Thousands of Dollars)
<u>Current provision</u>	
Federal	(\$5,018)
State	(819)
City	<u>(46)</u>
Total current provision	(\$5,883)
Deferred income tax provision	12,818
Investment tax credit amortization	<u>(213)</u>
Total income taxes	<u><u>\$6,722</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)		\$43,245
	Proposed Rate Increase	\$58,395	
	Less: Income Taxes Associated with Increased Revenues	22,561	
	Increase in Utility Operating Income from Proposed Rate Increase		35,834
	Pro Forma Utility Operating Income at Proposed Rates		79,079
	Original Cost Rate Base (Section A, Sch. 1)		944,340
	Rate of Return at Proposed Rates on Original Cost Rate Base		8.374%
2.	Related Return on Common Equity		
		Capitalization Ratios (%) <u>(Section B, Sch. 1, P. 1)</u>	Weighted Cost (%)
	Long Term Debt	43.3%	5.59%
	Short Term Debt	0.0%	0.00%
	Subtotal		2.420%
	Common Equity	56.7%	10.50%
	Rate of Return at Proposed Rate on Original Cost Rate Base		8.374%