

LACLEDE GAS CO filed this 10-Q on 04/27/2001.

OutlinePrinter FriendlyFirst Page »

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2001

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-1822

LACLEDE GAS COMPANY

(Exact name of registrant as specified in its charter)

Missouri  
(State of Incorporation)

43-0368139  
(I.R.S. Employer  
Identification Number)

720 Olive Street, St. Louis, Missouri  
(Address of principal executive offices)

63101  
(Zip Code)

Registrant's telephone number, including area code 314-342-0500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

18,877,987 shares, Common Stock, par value \$1 per share at 4/27/01.

Exhibit No. 69  
Date 6-12-01 Case No. GT-2001-329  
Reporter KF

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

PART I

FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K for the year ended September 30, 2000.

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES  
STATEMENTS OF CONSOLIDATED INCOME  
(UNAUDITED)  
(In Thousands, Except Per Share Amounts)

|                                             | Three Months Ended<br>March 31, |           | Six Months Ended<br>March 31, |           |
|---------------------------------------------|---------------------------------|-----------|-------------------------------|-----------|
|                                             | 2001                            | 2000      | 2001                          | 2000      |
| <hr/>                                       |                                 |           |                               |           |
| Operating Revenues:                         |                                 |           |                               |           |
| Utility operating revenues                  | \$417,776                       | \$229,995 | \$741,590                     | \$374,654 |
| Non-utility operating revenues              | 24,966                          | 8,316     | 46,177                        | 15,011    |
| Total Operating Revenues                    | 442,742                         | 238,311   | 787,767                       | 389,665   |
| <hr/>                                       |                                 |           |                               |           |
| Operating Expenses:                         |                                 |           |                               |           |
| Utility operating expenses                  |                                 |           |                               |           |
| Natural and propane gas                     | 310,824                         | 141,790   | 544,156                       | 223,386   |
| Other operation expenses                    | 26,811                          | 22,389    | 53,849                        | 45,042    |
| Maintenance                                 | 5,036                           | 4,943     | 9,565                         | 9,651     |
| Depreciation and amortization               | 6,595                           | 6,455     | 13,113                        | 11,950    |
| Taxes, other than income taxes              | 27,996                          | 16,124    | 45,292                        | 26,496    |
| Total utility operating expenses            | 377,262                         | 191,701   | 665,975                       | 316,525   |
| Non-utility operating expenses              | 24,508                          | 8,172     | 45,073                        | 14,761    |
| Total Operating Expenses                    | 401,770                         | 199,873   | 711,048                       | 331,286   |
| <hr/>                                       |                                 |           |                               |           |
| Operating Income                            | 40,972                          | 38,438    | 76,719                        | 58,379    |
| Other Income and Income Deductions - Net    | 564                             | (19)      | 1,556                         | 831       |
| <hr/>                                       |                                 |           |                               |           |
| Income Before Interest and Income Taxes     | 41,536                          | 38,419    | 78,275                        | 59,210    |
| <hr/>                                       |                                 |           |                               |           |
| Interest Charges:                           |                                 |           |                               |           |
| Interest on long-term debt                  | 4,377                           | 3,785     | 8,754                         | 7,569     |
| Other interest charges                      | 3,504                           | 2,298     | 6,719                         | 4,487     |
| Total Interest Charges                      | 7,881                           | 6,083     | 15,473                        | 12,056    |
| <hr/>                                       |                                 |           |                               |           |
| Income Before Income Taxes                  | 33,655                          | 32,336    | 62,802                        | 47,154    |
| Income Taxes (Note 3)                       | 12,948                          | 12,882    | 23,578                        | 18,119    |
| <hr/>                                       |                                 |           |                               |           |
| Net Income                                  | 20,707                          | 19,454    | 39,224                        | 29,035    |
| Dividends on Preferred Stock                | 22                              | 24        | 44                            | 48        |
| <hr/>                                       |                                 |           |                               |           |
| Earnings Applicable to Common Stock         | \$ 20,685                       | \$ 19,430 | 39,180                        | \$ 28,987 |
| <hr/>                                       |                                 |           |                               |           |
| Average Number of Common Shares Outstanding | 18,878                          | 18,878    | 18,878                        | 18,878    |
| Earnings Per Share of Common Stock          | \$1.10                          | \$1.03    | \$2.08                        | \$1.54    |

|                                                 |         |         |        |        |
|-------------------------------------------------|---------|---------|--------|--------|
| Dividends Declared Per Share<br>of Common Stock | \$ .335 | \$ .335 | \$ .67 | \$ .67 |
|-------------------------------------------------|---------|---------|--------|--------|

See notes to consolidated financial statements.

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

|                                                             | Mar. 31<br>2001        | Sept. 30<br>2000       |
|-------------------------------------------------------------|------------------------|------------------------|
|                                                             | -----                  | -----                  |
|                                                             | (Thousands of Dollars) | (Thousands of Dollars) |
|                                                             | (UNAUDITED)            | (UNAUDITED)            |
| ASSETS                                                      |                        |                        |
| Utility Plant                                               | \$ 935,641             | \$ 921,378             |
| Less: Accumulated depreciation and amortization             | 377,454                | 372,545                |
|                                                             | -----                  | -----                  |
| Net Utility Plant                                           | 558,187                | 548,833                |
|                                                             | -----                  | -----                  |
| Other Property and Investments                              | 27,935                 | 26,546                 |
|                                                             | -----                  | -----                  |
| Current Assets:                                             |                        |                        |
| Cash and cash equivalents                                   | 7,988                  | 4,215                  |
| Accounts receivable - net                                   | 182,478                | 55,207                 |
| Materials, supplies, and merchandise at avg cost            | 5,894                  | 5,491                  |
| Natural gas stored underground for current use at LIFO cost | 19,030                 | 94,787                 |
| Propane gas for current use at FIFO cost                    | 9,621                  | 12,201                 |
| Prepayments and other                                       | 4,581                  | 3,303                  |
| Unamortized purchased gas adjustments                       | 4,223                  | 14,907                 |
| Delayed customer billings                                   | 62,790                 | -                      |
| Deferred income taxes                                       | 5,768                  | 2,485                  |
|                                                             | -----                  | -----                  |
| Total Current Assets                                        | 302,373                | 192,596                |
|                                                             | -----                  | -----                  |
| Deferred Charges:                                           |                        |                        |
| Prepaid pension cost                                        | 104,136                | 97,229                 |
| Regulatory assets                                           | 68,332                 | 64,336                 |
| Other                                                       | 3,186                  | 2,200                  |
|                                                             | -----                  | -----                  |
| Total deferred charges                                      | 175,654                | 163,765                |
|                                                             | -----                  | -----                  |
| Total Assets                                                | \$1,064,149            | \$ 931,740             |

See notes to consolidated financial statements.

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET (Continued)

|                                                 | Mar. 31<br>2001        | Sept. 30<br>2000       |
|-------------------------------------------------|------------------------|------------------------|
|                                                 | -----                  | -----                  |
|                                                 | (Thousands of Dollars) | (Thousands of Dollars) |
|                                                 | (UNAUDITED)            | (UNAUDITED)            |
| <b>CAPITALIZATION AND LIABILITIES</b>           |                        |                        |
| Capitalization:                                 |                        |                        |
| Common stock (20,743,625 shares issued)         | \$ 20,744              | \$ 20,744              |
| Paid-in capital                                 | 85,837                 | 85,835                 |
| Retained earnings                               | 226,955                | 200,423                |
| Accumulated other comprehensive income          | -                      | -                      |
| Treasury stock, at cost (1,865,638 shares held) | (24,017)               | (24,017)               |
|                                                 | -----                  | -----                  |
| Total common stock equity                       | 309,519                | 282,985                |
| Redeemable preferred stock                      | 1,603                  | 1,763                  |
| Long-term debt (less sinking fund requirements) | 234,416                | 234,408                |
|                                                 | -----                  | -----                  |
| Total Capitalization                            | 545,538                | 519,156                |
|                                                 | -----                  | -----                  |
| Current Liabilities:                            |                        |                        |
| Notes payable                                   | 195,700                | 127,000                |
| Accounts payable                                | 56,206                 | 45,660                 |
| Advance customer billings                       | -                      | 15,290                 |
| Current portion of preferred stock              | 181                    | 50                     |
| Taxes accrued                                   | 29,270                 | 12,044                 |
| Other                                           | 32,703                 | 31,060                 |
|                                                 | -----                  | -----                  |
| Total Current Liabilities                       | 314,060                | 231,104                |
|                                                 | -----                  | -----                  |
| Deferred Credits and Other Liabilities:         |                        |                        |
| Deferred income taxes                           | 136,019                | 134,944                |
| Unamortized investment tax credits              | 6,108                  | 6,267                  |
| Pension and postretirement benefit costs        | 24,534                 | 20,261                 |
| Regulatory liabilities                          | 18,597                 | 1,223                  |
| Other                                           | 19,293                 | 18,785                 |
|                                                 | -----                  | -----                  |
| Total Deferred Credits and Other Liabilities    | 204,551                | 181,480                |
|                                                 | -----                  | -----                  |
| Total Capitalization and Liabilities            | \$1,064,149            | \$ 931,740             |
|                                                 | =====                  | =====                  |

See notes to consolidated financial statements.

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 LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES  
 STATEMENTS OF CONSOLIDATED CASH FLOWS  
 (UNAUDITED)

|                                                                                      | Six Months Ended<br>March 31, |             |
|--------------------------------------------------------------------------------------|-------------------------------|-------------|
|                                                                                      | 2001                          | 2000        |
|                                                                                      | ----                          | ----        |
|                                                                                      | (Thousands of Dollars)        |             |
| Operating Activities:                                                                |                               |             |
| Net Income                                                                           | \$ 39,224                     | \$ 29,035   |
| Adjustments to reconcile net income to<br>net cash provided by operating activities: |                               |             |
| Depreciation and amortization                                                        | 13,148                        | 11,986      |
| Deferred income taxes and investment<br>tax credits                                  | (5,825)                       | 2,444       |
| Other - net                                                                          | (50)                          | 248         |
| Changes in assets and liabilities:                                                   |                               |             |
| Accounts receivable - net                                                            | (127,271)                     | (48,994)    |
| Unamortized purchased gas adjustments                                                | 10,684                        | (5,871)     |
| Deferred purchased gas costs                                                         | 17,115                        | 12,719      |
| Delayed customer billings - net                                                      | (78,080)                      | (27,674)    |
| Accounts payable                                                                     | 10,546                        | 2,795       |
| Refunds due customers                                                                | (320)                         | (1,009)     |
| Taxes accrued                                                                        | 17,226                        | 15,247      |
| Natural gas stored underground                                                       | 75,757                        | 41,378      |
| Other assets and liabilities                                                         | (786)                         | (6,543)     |
|                                                                                      | -----                         | -----       |
| Net cash provided by/(used) in<br>operating activities                               | \$ (28,632)                   | \$ 25,761   |
|                                                                                      | -----                         | -----       |
| Investing Activities:                                                                |                               |             |
| Construction expenditures                                                            | (21,214)                      | (24,549)    |
| Investments - non-utility                                                            | (286)                         | (443)       |
| Employee benefit trusts                                                              | (925)                         | (109)       |
| Other                                                                                | (1,151)                       | (1,244)     |
|                                                                                      | -----                         | -----       |
| Net cash used in investing activities                                                | \$ (23,576)                   | \$ (26,345) |
|                                                                                      | -----                         | -----       |
| Financing Activities:                                                                |                               |             |
| Issuance of short-term debt - net                                                    | 68,700                        | 8,400       |
| Dividends paid                                                                       | (12,692)                      | (12,694)    |
| Preferred stock reacquired and other                                                 | (27)                          | (40)        |
|                                                                                      | -----                         | -----       |
| Net cash provided by/(used) in<br>financing activities                               | \$ 55,981                     | \$ (4,334)  |
|                                                                                      | -----                         | -----       |
| Net Increase (Decrease) in Cash and Cash<br>Equivalents                              | \$ 3,773                      | \$ (4,918)  |
| Cash and Cash Equivalents at Beg of Period                                           | 4,215                         | 9,352       |
|                                                                                      | -----                         | -----       |
| Cash and Cash Equivalents at End of Period                                           | \$ 7,988                      | \$ 4,434    |
|                                                                                      | =====                         | =====       |
| Supplemental Disclosure of Cash Paid/(Refunded)<br>During the Period for:            |                               |             |
| Interest                                                                             | \$ 14.984                     | \$ 11.465   |

Income taxes

11,320

(3,277)

See notes to consolidated financial statements.

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, this interim report includes all adjustments (consisting only of normal recurring accruals) necessary for the fair presentation of the results of the periods covered.
2. Laclede Gas Company is a natural gas distribution utility having a material seasonal cycle. As a result, this interim statement of consolidated income is not necessarily indicative of annual results nor representative of the succeeding quarters of the fiscal year. Due to the seasonal nature of the Company's business, earnings are typically concentrated in the first six months of the fiscal year, which generally corresponds with the heating season. Fiscal year earnings will likely be lower than earnings during the first six months of the fiscal year, reflecting typically lower summer sales volumes, partially offset by lower operating expenses.
3. Net provisions for income taxes were charged (credited) as follows during the periods set forth below:

|                 | Three Months Ended<br>March 31, |                 | Six Months Ended<br>March 31, |                 |
|-----------------|---------------------------------|-----------------|-------------------------------|-----------------|
|                 | 2001                            | 2000            | 2001                          | 2000            |
|                 | (Thousands of Dollars)          |                 |                               |                 |
| Federal         |                                 |                 |                               |                 |
| Current         | \$ 5,398                        | \$13,257        | \$25,234                      | \$13,469        |
| Deferred        | 5,710                           | (2,224)         | (5,067)                       | 1,977           |
| State and Local |                                 |                 |                               |                 |
| Current         | 826                             | 2,180           | 4,169                         | 2,206           |
| Deferred        | 1,014                           | (331)           | (758)                         | 467             |
| Total           | <u>\$12,948</u>                 | <u>\$12,882</u> | <u>\$23,578</u>               | <u>\$18,119</u> |

4. The Missouri Public Service Commission extended the Company's Gas Supply Incentive Plan with specific modifications through September 30, 2001. Under the modified plan, the Company continues to share with its customers certain gains and losses related to the acquisition of its gas supply assets, but Laclede retains all income from sales made outside its service area. Total pretax income derived from the sharing provision of the Plan, excluding income derived from off system sales, cannot exceed \$9.0 million for fiscal 2001. On November 17, 2000, the Company filed a proposal with the MoPSC to extend, add a fixed price component and make other modifications to the Plan. Hearings are scheduled for June 2001.

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Results of the Plan and off system sales activities are set forth below. These results may not be representative of results in future periods due to the volatile and seasonal nature of these efforts.

|                                               | Three Months Ended<br>March 31, |          | Six Months Ended<br>March 31, |          |
|-----------------------------------------------|---------------------------------|----------|-------------------------------|----------|
|                                               | 2001                            | 2000     | 2001                          | 2000     |
|                                               | (Thousands of Dollars)          |          |                               |          |
| Net Benefits to Customers<br>and Shareholders | \$ 8,042                        | \$ 8,615 | \$18,128                      | \$17,485 |
| Shareholder Benefits                          |                                 |          |                               |          |
| Off system and Incentive<br>Plan Revenues     | \$ 7,119                        | \$20,428 | \$15,648                      | \$29,442 |
| Off system and Incentive<br>Plan Expense      | 5,549                           | 17,714   | 11,061                        | 24,216   |
| Company Share -<br>Pretax Income              | \$ 1,570                        | \$ 2,714 | \$ 4,587                      | \$ 5,226 |

5. Laclede Gas Company is a public utility engaged in the retail distribution of natural gas. The Company has also made investments in some non-utility businesses as part of a diversification program, none of which are reportable segments. These non-regulated operations are primarily conducted through five wholly-owned subsidiaries. There are no material intersegment revenues.

|                                      | Gas<br>(Thousands of Dollars) | All Other<br>(Non-Utility) | Eliminations | Consolidated |
|--------------------------------------|-------------------------------|----------------------------|--------------|--------------|
| Three Months Ended<br>March 31, 2001 |                               |                            |              |              |
| Operating revenues                   | \$ 417,776                    | \$ 24,966                  | \$ -         | \$ 442,742   |
| Net income (loss)                    | 20,378                        | 329                        | -            | 20,707       |
| Total assets                         | 1,054,533                     | 22,986                     | (13,370)     | 1,064,149    |
| Six Months Ended<br>March 31, 2001   |                               |                            |              |              |
| Operating revenues                   | \$ 741,590                    | \$ 46,177                  | \$ -         | \$ 787,767   |
| Net income (loss)                    | 38,454                        | 770                        | -            | 39,224       |
| Total assets                         | 1,054,533                     | 22,986                     | (13,370)     | 1,064,149    |
| Three Months Ended<br>March 31, 2000 |                               |                            |              |              |
| Operating revenues                   | \$ 229,995                    | \$ 8,316                   | \$ -         | \$ 238,311   |
| Net income (loss)                    | 19,403                        | 51                         | -            | 19,454       |
| Total assets                         | 868,325                       | 16,432                     | (13,605)     | 871,152      |
| Six Months Ended<br>March 31, 2000   |                               |                            |              |              |
| Operating revenues                   | \$ 374,654                    | \$ 15,011                  | \$ -         | \$ 389,665   |

|                   |         |        |          |         |
|-------------------|---------|--------|----------|---------|
| Net income (loss) | 29,000  | (33)   | -        | 29,033  |
| Total assets      | 868,325 | 16,432 | (13,605) | 871,152 |

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6. The Company is subject to various environmental laws and regulations. To date they have not materially affected the Company's financial position and results of operations. In the past, the Company operated various manufactured gas plants that produced certain by-products and residuals. Environmental efforts are underway at two of the sites.

The actions relative to the site in Shrewsbury, Missouri with the state and federal environmental regulatory agencies are nearing completion. In the process of grading, some manufactured gas wastes were released into an adjacent stream, which the Company contained. The Company and the agencies have tentatively agreed on a work plan that will restore the integrity of the stream bank and prevent a recurrence of any such release. The current estimate for the overall costs of actions for this site is \$1,729,000. As of March 31, 2001, the Company has paid \$1,216,000 and reserved \$513,000 for these actions.

With regard to the site in the City of St. Louis, Missouri, the Company placed it in the Missouri Voluntary Cleanup Program, which provides opportunities to contain costs while maximizing possibilities for development. Laclede sold this site in 1950 and the subsequent owners operated a coke manufacturing facility on it. The Company submitted a site characterization report to the Missouri Department of Natural Resources that it accepted subject to the Company's development of a remedial action plan by the end of August 2001. The Company's current estimate of the cost of the site investigation, agency oversight and related legal and engineering consulting fees is \$585,000. As of March 31, 2001, the Company has paid \$461,000 and reserved an additional \$124,000. The Company requested that other former site owners and operators share the costs of the investigation and any actions, and one former owner has reimbursed the Company for some of the costs. The Company plans to seek proportionate reimbursement of all costs relative to this site from any other potentially responsible parties, if practicable.

The costs relative to the Shrewsbury site are not believed to be significant, but the scope of costs relative to the City of St. Louis site are unknown and may be material. The Company has notified its insurers that it intends to seek reimbursement from them of its costs at both these sites; none of the insurers have agreed that its insurance covers such costs and a majority have sent letters reserving their rights with respect to these issues. The denial of coverage relative to the Shrewsbury site is not expected to have a significant impact on the Company, but the denial of coverage relative to the City of St. Louis site, since the scope of those costs are unknown and may be material, may have a material impact on the Company.

7. Certain prior-period amounts have been reclassified to conform to current-period presentation. These reclassifications did not affect consolidated net income for the periods presented.
8. This Form 10-Q should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's Fiscal 2000 Form 10-K.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

Quarter Ended March 31, 2001  
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Earnings were \$1.10 per share for the quarter ended March 31, 2001 compared with \$1.03 per share for the quarter ended March 31, 2000. The increase in earnings was attributable to the favorable impact of higher sales levels resulting from weather experienced this quarter that was 3% colder than normal and 24% colder than the same quarter last year. The impact of colder weather was partially offset by a higher provision for uncollectible accounts reflecting a significant increase in accounts receivable balances due to higher revenues compared with last year and other increases in the costs of doing business.

A dramatic and unprecedented rise across the nation this winter in the wholesale cost of natural gas, coupled with the significantly higher sales levels arising from the colder weather, resulted in utility operating revenues for the quarter ended March 31, 2001 of \$417.8 million compared with \$230.0 million for the same quarter last year. Increases or decreases in the wholesale cost of natural gas are passed on to Laclede's customers in accordance with the Company's Purchased Gas Adjustment Clause. System therms sold and transported increased by 53.2 million therms, or 13.1%, above the quarter ended March 31, 2000.

Non-utility operating revenues for this quarter increased \$16.7 million from those revenues for the same quarter last year mainly due to increased gas marketing sales by Laclede Energy Resources, Inc., a wholly-owned non-utility subsidiary.

Utility operating expenses for the quarter ended March 31, 2001 were \$377.3 million compared with \$191.7 million for the same period last year - mainly the result of the extraordinary nationwide increase in the wholesale cost of natural gas and the colder weather. Natural and propane gas expense this quarter increased \$169.0 million above last year's level primarily due to the higher rates charged by the Company's suppliers and increased volumes purchased for sendout mainly because of colder weather. Other operation and maintenance expenses increased \$4.5 million, or 16.5%, principally due to a higher provision for uncollectible accounts, higher wage rates, lower net pension credits, and reduced gains on lump sum pension settlements. Depreciation and amortization expense increased slightly. Taxes, other than income taxes, increased \$11.9 million primarily due to higher gross receipts taxes (reflecting the increased revenues).

Non-utility operating expenses increased \$16.3 million this quarter mainly

due to increased gas expense associated with gas marketing sales by Laclede Energy Resources, Inc.

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The \$1.8 million increase in interest expense is primarily due to increased short-term interest expense (reflecting higher average borrowings) and to higher interest on long-term debt resulting from the issuance of \$30 million of 7.90% first mortgage bonds in September 2000.

The increase in income taxes is mainly due to higher pre-tax income.

#### Six Months Ended March 31, 2001

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Due to the seasonal nature of the Company's business, earnings are typically concentrated in the first six months of the fiscal year, which generally corresponds with the heating season. Fiscal year 2001 earnings will likely be lower than earnings during the first six months of this fiscal year, reflecting typically lower summer sales volumes. The six months ended March 31, 2001 was the ninth coldest such period in the last 100 years with 13% colder than normal weather. In contrast, the same period last year was the third warmest comparable period for the century. As a result of this extremely opposite weather experience, the six months ended March 31, 2001 was 37% colder than the comparable period last year, resulting in a substantial increase in the earnings level achieved this year as compared with the same period last year.

Earnings were \$2.08 per share for the six months ended March 31, 2001 compared with \$1.54 per share for the six-month period ended March 31, 2000. In addition to the favorable impact of higher sales levels resulting from colder weather, earnings also increased due to the benefit of the general rate increase effective December 27, 1999. These factors were partially offset by a higher provision for uncollectible accounts reflecting a significant increase in accounts receivable balances due to higher revenues compared with last year and higher costs of doing business.

The previously mentioned rise in the wholesale cost of natural gas, coupled with the significantly higher sales levels arising from the colder weather, resulted in utility operating revenues for the six months ended March 31, 2001 of \$741.6 million compared with \$374.7 million for the same period last year. Increases or decreases in the wholesale cost of natural gas are passed on to Laclede's customers in accordance with the Company's Purchased Gas Adjustment Clause. System therms sold and transported increased by 179.7 million therms, or 26.1%, above the six months ended March 31, 2000.

Non-utility operating revenues for this period increased \$31.2 million from those revenues for the same period last year mainly due to increased gas marketing sales by Laclede Energy Resources, Inc., a wholly-owned non-

utility subsidiary.

Utility operating expenses for the six months ended March 31, 2001 were \$666.0 million compared with \$316.5 million for the same period last year - mainly the result of the increase in the wholesale cost of natural gas and the colder weather. Natural and propane gas expense increased \$320.8 million above last year's level primarily due to the higher rates charged by the Company's suppliers and increased volumes purchased for sendout mainly because of colder weather. Other operation and maintenance expenses increased \$8.7 million, or 15.9%, principally due to a higher provision for uncollectible accounts, higher wage rates, lower gains on lump sum pension settlements, lower net pension credits and higher group insurance charges.

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Depreciation and amortization expense increased \$1.2 million due to additional depreciable property and an increased proportion of amortization related to shorter-lived property. Taxes, other than income taxes, increased \$18.8 million primarily due to higher gross receipts taxes (reflecting the increased revenues).

Non-utility operating expenses increased \$30.3 million this period mainly due to increased gas expense associated with gas marketing sales by Laclede Energy Resources, Inc.

The \$3.4 million increase in interest expense is primarily due to increased short-term interest expense (reflecting higher average borrowings and increased rates) and to higher interest on long-term debt resulting from the issuance of \$30 million of 7.90% first mortgage bonds in September 2000.

The increase in income taxes is mainly due to higher pre-tax income.

#### Updated Regulatory Matters

The Missouri Public Service Commission (MoPSC or Commission) previously approved an extension of the Company's Gas Supply Incentive Plan (GSIP) with modifications through September 30, 2001. Under the GSIP, Laclede shares certain gains and losses related to the acquisition and management of its gas supply assets, but the Company retains all income resulting from sales made outside of its traditional service area. During the quarter ended March 31, 2001, these activities (the GSIP and off system sales) produced savings of \$6.5 million for Laclede customers and \$1.6 million in pretax income to its shareholders. For the six months ended March 31, 2001, these activities produced savings of \$13.5 million for Laclede customers and \$4.6 million in pretax income to its shareholders. On November 17, 2000, the Company filed a proposal with the MoPSC to extend, add a fixed price component, and make other modifications to the GSIP. A hearing by the MoPSC is scheduled for June 2001.

The Company's Purchased Gas Adjustment (PGA) Clause, through which the Company flows through to customers the cost of purchased gas supplies, allows two scheduled PGA filings each year, one for the summer months and another for the winter period, plus one unscheduled winter filing if certain conditions are met. The significant, ongoing increase in natural gas prices from last spring through this winter necessitated an unscheduled filing that

increased PGA rates in January 2001. However, the MoPSC approved an additional unscheduled filing in February 2001 which reduced PGA rates in response to declining wholesale gas prices and to flow through a portion of the gains made by the Company on its purchases and sales of financial instruments under the Company's Price Stabilization Program. The MoPSC has recently approved the Company's spring PGA filing, effective April 18, 2001, that further reduces PGA rates.

The Price Stabilization Program (PSP) authorizes the Company to purchase certain financial instruments in an effort to hedge against significant increases in the cost of natural gas. The cost of such financial instruments, however, like the cost of natural gas itself, increased significantly from last spring through this past winter. As a result, the MoPSC reduced the amount of natural gas purchases required to be covered by such financial instruments for this past heating season. In February of this year, the MoPSC approved modifications to the PSP, including that \$4 million in supplemental funding be added to the PSP for the purchase of financial instruments for the next heating season. The Company relinquished a claim on \$4 million arising from gains realized from the purchase and sale

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of such instruments during the recent heating season and has offered to utilize a similar amount to provide funding for such instruments in the 2002-2003 program year. The MoPSC has also approved modifications to the PSP to reduce the 2001-2002 percentage of gas requirements covered by the PSP.

On May 11, 2000, the Company appealed to the Circuit Court of Cole County, Missouri the MoPSC's decision on one of the contested issues in the Company's 1999 rate case relating to the calculation of the Company's depreciation rates. On December 1, 2000, the court remanded this decision to the MoPSC based on inadequate findings of fact. The Company believes that any decision on this appeal would not adversely impact the \$11.24 million increase in rates, which became effective December 27, 1999, or the Company's earnings; however, a favorable decision, when recognized in the Company's rates, would be expected to benefit the Company's cash flow.

In response to recent price increases in the commodity cost of natural gas that have led to significant increases in the prices paid by customers of local distribution companies, like Laclede, the MoPSC established a case and task force to investigate the process for the recovery of natural gas commodity cost increases by such companies from their customers. Meetings of the task force have been scheduled throughout this spring and summer in which Laclede intends to participate.

On April 20, 2001, the Company filed with the MoPSC a Weather Mitigation Plan (Plan) that would protect Laclede's customers from weather-related fluctuations in their bills and help stabilize the Company's annual revenues in that regard. The Plan, as filed, would mitigate the volatile effects of weather by basing a portion of customers' winter bills on usage associated with normal weather and adjusting to offset the impact of temperatures that are colder or warmer than normal. Currently, the Company's revenues increase or decrease depending on colder- or warmer-than-normal weather. The weather adjustment, if approved by the Commission, would apply to the Company's distribution costs, that portion of a customer's bill that covers Laclede's costs of operating and maintaining its distribution system and storage facilities. It would not affect increases and decreases in wholesale gas costs that are passed on to customers in accordance with the Purchased Gas Adjustment Clause. By stabilizing the Company's weather-related revenues, the Plan would allow Laclede to cover what are primarily fixed costs that do not fluctuate with the weather while still providing the Company's shareholders with a fair return on investment.

### Accounting Pronouncements

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On October 1, 2000, the Company adopted Statements of Financial Accounting Standards (SFAS) No. 133 and 138. SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedge accounting. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 requires that changes in the fair value of a derivative be recognized currently in earnings, unless specific hedge accounting criteria are met. SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" amends portions of SFAS No. 133. Among other things, SFAS No. 138 provides an exception for contracts intended for the normal purchase and normal sale of something other than a financial instrument or derivative instrument, for which physical delivery is probable. Some of the Company's gas supply and

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transportation contracts are derivative instruments as defined under SFAS No. 133; however, all of these contracts qualify for the normal purchases and normal sales exception provided by SFAS No. 138. The financial instruments purchased by Laclede under its Price Stabilization Program are derivative instruments under SFAS No. 133. These financial instruments are purchased as hedges against significant increases in the price of natural gas, as approved by the MoPSC, and are accounted for in accordance with the Company's Purchased Gas Adjustment Clause. The effect of the Company's adoption of these statements on October 1, 2000 has not had a significant impact on the Company's financial position and results of operations.

### Liquidity and Capital Resources

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The Company's short-term borrowing requirements typically peak during colder months when the Company borrows money to cover the gap between when the Company purchases its natural gas and when the Company's customers pay for that gas. These short-term cash requirements have traditionally been met through the sale of commercial paper supported by lines of credit with banks. The Company currently has a primary line of credit totaling \$150 million extending through November 29, 2001. At this time, the Company also has various supplemental lines of credit of \$80 million that provide for aggregate credit lines of \$230 million through April 30, 2001 at which time, aggregate credit lines will be reduced to \$185 million through September 13, 2001. During fiscal 2001 to date, the Company sold commercial paper aggregating to a maximum of \$234.8 million at any one time, but did not borrow from the banks under the aforementioned lines of credit. Short-term borrowings amounted to \$195.7 million at March 31, 2001.

Construction expenditures for utility purposes for the six months ended March 31, 2001 were \$21.2 million compared with \$24.5 million for the same period last year.

Capitalization at March 31, 2001 increased \$26.4 million since September 30, 2000 and consisted of 56.7% common stock equity, .3% preferred stock

equity and 43.0% long-term debt.

The seasonal nature of the Company's sales affects the comparison of certain balance sheet items at March 31, 2001 and at September 30, 2000 such as Accounts Receivable - Net, Gas Stored Underground, Notes Payable, Accounts Payable, Regulatory Liabilities, and Advance and Delayed Customer Billings.

#### Environmental Matters

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The Company is subject to various environmental laws and regulations. To date they have not materially affected the Company's financial position and results of operations. In the past, the Company operated various manufactured gas plants that produced certain by-products and residuals. Environmental efforts are underway at two of the sites.

The actions relative to the site in Shrewsbury, Missouri with the state and federal environmental regulatory agencies are nearing completion. In the process of grading, some manufactured gas wastes were released into an adjacent stream, which the Company contained. The Company and the agencies have tentatively agreed on a work plan that will restore

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the integrity of the stream bank and prevent a recurrence of any such release. The current estimate for the overall costs of actions for this site is \$1,729,000. As of March 31, 2001, the Company has paid \$1,216,000 and reserved \$513,000 for these actions.

With regard to the site in the City of St. Louis, Missouri, the Company placed it in the Missouri Voluntary Cleanup Program, which provides opportunities to contain costs while maximizing possibilities for development. Laclede sold this site in 1950 and the subsequent owners operated a coke manufacturing facility on it. The Company submitted a site characterization report to the Missouri Department of Natural Resources that it accepted subject to the Company's development of a remedial action plan by the end of August 2001. The Company's current estimate of the cost of the site investigation, agency oversight and related legal and engineering consulting fees is \$585,000. As of March 31, 2001, the Company has paid \$461,000 and reserved an additional \$124,000. The Company requested that other former site owners and operators share the costs of the investigation and any actions, and one former owner has reimbursed the Company for some of the costs. The Company plans to seek proportionate reimbursement of all costs relative to this site from any other potentially responsible parties, if practicable.

The costs relative to the Shrewsbury site are not believed to be significant, but the scope of costs relative to the City of St. Louis site are unknown and may be material. The Company has notified its insurers that it intends to seek reimbursement from them of its costs at both these sites; none of the insurers have agreed that its insurance covers such costs and a majority have sent letters reserving their rights with respect to these issues. The denial of coverage relative to the Shrewsbury site is not expected to have a significant impact on the Company, but the denial of coverage relative to the City of St. Louis site, since the scope of those costs are unknown and may be material.

may have a material impact on the Company.

#### Other Matters

On October 26, 2000, the Company announced its intention, subject to receipt of the necessary approvals, to reorganize its corporate structure to form a holding company known as The Laclede Group, Inc. As a result of the reorganization, The Laclede Group, Inc. would become a holding company under the Public Utility Holding Company Act of 1935 but would be exempt from all provisions of the Act except Section 9(a)(2) thereof. At the January 25, 2001 annual meeting, Laclede Gas shareholders voted and approved the reorganization. In December 2000, the Company filed an application with the MoPSC requesting its approval of the proposal. A procedural schedule has been established with a hearing currently scheduled for mid-July 2001.

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#### Forward-Looking Statements

Certain statements in this 10-Q are forward-looking statements made based upon the Company's expectations and beliefs concerning future developments and their potential effect on Laclede. These statements, however, do not include financial statements and other statements of historical fact. The forward-looking statements may be identified by the use of such terms as "anticipate," "believe," "estimate," "expect," "intend," "plan," "seek" and similar expressions. Future developments may not be in accordance with the Company's expectations or beliefs and the effect of future developments on Laclede may not be those anticipated. Among the factors that may cause actual results to differ materially from those contemplated in any forward-looking statements are:

- weather conditions and catastrophic events
- changes in transportation and gas supply costs or availability
- regulatory actions and initiatives of federal and state regulatory agencies, some of which could be retroactive, including those affecting:
  - financings
  - allowed rates of return
  - incentive regulation
  - industry and rate structure
  - purchased gas adjustment provisions
  - franchise renewal
  - environmental or safety requirements
- the effects of any industry or corporate restructuring
- the results of litigation
- conservation efforts of our customers

- collection of customer accounts receivable
- economic factors such as changes in the conditions of capital markets, interest rates and rates of inflation
- inability to retain existing customers or to attract new customers
- ability to obtain funds from operations or the sale of debt or equity to finance necessary capital expenditures and other investments
- employee workforce issues
- statutory or tax changes and
- changes in accounting standards

The Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

Part II

OTHER INFORMATION

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

Item 1. Legal Proceedings

For a description of the Company's environmental matters, see Note 6 to the unaudited Notes to Consolidated Financial Statements on page 9. For a description of the Company's pending regulatory matters, see "Updated Regulatory Matters" and "Other Matters" in the "Management's Discussion and Analysis" section on pages 12 and 15.

Item 4. Submission of Matter to a Vote of Security Holders

The Annual Meeting of Shareholders of Laclede Gas Company was held on January 25, 2001 for the purpose of electing three directors to the Board of Directors, ratifying the appointment of independent auditors and approving an agreement and plan of merger and reorganization dated as of October 26, 2000. Proxies for the meeting were solicited pursuant to Section 14(a) of the Exchange Act of 1934.

Management's three nominees for directors listed in the proxy statement were unopposed and were elected upon the following votes:

| Name of<br>Director Nominee | Shares<br>Voted For | Voted Withheld |
|-----------------------------|---------------------|----------------|
| Dr. Henry Givens, Jr.       | 16,980,819          | 324,354        |
| Mary Ann Krey VanLokeren    | 16,981,252          | 324,354        |
| Douglas H. Yaeger           | 15,848,849          | 324,354        |

The proposal to ratify the appointment of Deloitte & Touche LLP, Certified Public Accountants, to audit the accounts of the Company for the fiscal year ending September 30, 2001 was passed upon the following vote:

Shares Voted:

|                                |            |
|--------------------------------|------------|
| For the proposal               | 16,491,440 |
| Against the proposal           | 265,195    |
| Abstain regarding the proposal | 171,358    |

The proposal to approve an agreement and plan of merger and reorganization dated as of October 26, 2000 was passed upon the following vote:

Share Voted:

|                                |            |
|--------------------------------|------------|
| For the proposal               | 13,333,009 |
| Against the proposal           | 773,523    |
| Abstain regarding the proposal | 306,943    |
| Broker Non-Votes               | 2,514,518  |

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Item 6. Exhibits and Reports on Form 8-K

(a) See Exhibit Index

(b) Reports on Form 8-K

The Company filed a Form 8-K during the quarter ended March 31, 2001.

Item reported:

On January 25, 2001, the Company filed an 8-K with the presentation materials, including the financial results as of December 31, 2000, for its annual meeting of shareholders held that same date.

Date of Report (Date of Earliest Event Reported):  
January 25, 2001

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LACLEDE GAS COMPANY

Date: April 27, 2001

G. T. MCNEIVE, JR.

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G. T. McNeive, Jr.  
Sr. Vice President - Finance  
and General Counsel  
(Authorized Signatory and  
Chief Financial Officer)

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|      |                                                                                  |    |
|------|----------------------------------------------------------------------------------|----|
| 10.1 | Line of Credit Agreement dated<br>January 31, 2001 with Commerce<br>Bank, N.A.   | 22 |
| 10.2 | Line of Credit Agreements dated<br>January 16, 2001 with UMB<br>Bank, N.A.       | 29 |
| 10.3 | Line of Credit Agreement dated<br>January 31, 2001 with Bank<br>of America, N.A. | 33 |



  
10-K Wizard