

LACLEDE GROUP INC
Form 10-K
November 25, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

FORM 10-K

ANNUAL REPORT

For the Fiscal Year Ended September 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2014
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	Registrant, Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification Number
1-16681	The Laclede Group, Inc. 720 Olive Street St. Louis, MO 63101 Telephone Number 314-342-0500	Missouri	74-2976504
1-1822	Laclede Gas Company 720 Olive Street St. Louis, MO 63101 Telephone Number 314-342-0500	Missouri	43-0368139

Securities registered pursuant to Section 12(b) of the Act

	Title of Each Class	Name of Each Exchange On Which Registered
The Laclede Group, Inc.	Common Stock \$1.00 par value	New York Stock Exchange
Laclede Gas Company	None	Not applicable

Securities registered pursuant to Section 12(g) of the Act:

The Laclede Group, Inc. Yes No
Laclede Gas Company Yes No

Indicate by check mark whether each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

The Laclede Group, Inc. Yes No
Laclede Gas Company Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the act.

The Laclede Group, Inc. Yes No
 Laclede Gas Company Yes No

Indicate by check mark whether each 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 report), and (2) has been subject to such filing requirements for the past 90 days.

The Laclede Group, Inc. Yes No
 Laclede Gas Company Yes No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

The Laclede Group, Inc.
 Laclede Gas Company

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The Laclede Group, Inc.
 Laclede Gas Company

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
The Laclede Group, Inc.	X			
Laclede Gas Company			X	

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

The Laclede Group, Inc. Yes No
 Laclede Gas Company Yes No

The aggregate market value of the voting stock held by non-affiliates of The Laclede Group, Inc. amounted to \$1,452,654,866 as of March 31, 2014. All of Laclede Gas Company's equity securities are owned by The Laclede Group, Inc., its parent company and a 1934 Act Reporting Company. Laclede Gas Company meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format specified in General Instructions I(2) to Form 10-K.

The number of shares outstanding of each registrant's common stock as of November 21, 2014 was as follows:

The Laclede Group, Inc.	Common Stock, par value \$1.00 per share	43,212,824
Laclede Gas Company		24,577

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Common Stock, par value \$1.00 per share (all owned by
The Laclede Group, Inc.)

Document Incorporated by Reference:

Portions of Proxy Statement for Laclede Group, Inc. dated December 19, 2014 — Part III Index to Exhibits is found on page 140.

This combined Form 10-K represents separate filings by The Laclede Group, Inc. and Laclede Gas Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrant, except that information relating to Laclede Gas Company is also attributed to The Laclede Group, Inc.

TABLE OF CONTENTS		Page No.
<u>Glossary of Terms</u>		<u>4</u>
 <u>PART I</u>		
<u>Forward-Looking Statements</u>		<u>5</u>
<u>Item 1</u>	<u>Business</u>	<u>6</u>
<u>Item 1A</u>	<u>Risk Factors</u>	<u>12</u>
<u>Item 1B</u>	<u>Unresolved Staff Comments</u>	<u>20</u>
<u>Item 2</u>	<u>Properties</u>	<u>20</u>
<u>Item 3</u>	<u>Legal Proceedings</u>	<u>20</u>
 <u>Executive Officers of the Registrant (Item 401(b) of Regulation S-K)</u>		 <u>22</u>
 <u>PART II</u>		
<u>Item 5</u>	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>24</u>
<u>Item 6</u>	<u>Selected Financial Data</u>	<u>26</u>
<u>Item 7</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>Item 7A</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 8</u>	<u>Financial Statements and Supplementary Data</u>	<u>51</u>
<u>Item 9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>128</u>
<u>Item 9A</u>	<u>Controls and Procedures</u>	<u>128</u>
<u>Item 9B</u>	<u>Other Information</u>	<u>129</u>
 <u>PART III</u>		
<u>Item 10</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>131</u>
<u>Item 11</u>	<u>Executive Compensation</u>	<u>131</u>
<u>Item 12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>131</u>
<u>Item 13</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>132</u>
<u>Item 14</u>	<u>Principal Accounting Fees and Services</u>	<u>132</u>
 <u>PART IV</u>		
<u>Item 15</u>	<u>Exhibits, Financial Statement Schedule</u>	<u>133</u>
 <u>SIGNATURES</u>		 <u>134</u>
 <u>INDEX TO EXHIBITS</u>		 <u>136</u>

GLOSSARY OF KEY TERMS

Alagasco	Alabama Gas Corporation or Alabama Utility	MGE	Missouri Gas Energy
Alabama Utility	Alabama Gas Corporation or Alagasco; the utility serving the Alabama region	MGE PSA	Missouri Gas Energy Purchase and Sale Agreement
AOCI	Accumulated other comprehensive income	Missouri Utility	Laclede Gas Company, including Missouri Gas Energy (MGE), the utility serving the Missouri region
APSC	Alabama Public Service Commission	MMBtu	Million British thermal unit
ASC	Accounting Standards Codification	MDPU	Massachusetts Department of Public Utilities
APUC	Algonquin Power and Utilities Corp.	MoPSC	Missouri Public Service Commission or MPSC
Bcf	Billion cubic feet	MRT	Mississippi River Transmission LLC
CAM	Cost Allocation Manual	NEG	New England Gas Company
CCM	Cost Control Mechanism	NYSE	New York Stock Exchange
CNG	Compressed Natural Gas	NYMEX	New York Mercantile Exchange, Inc.
EPA	US Environmental Protection Agency	OCI	Other comprehensive income
ESR	Enhanced Stability Reserve	OTCBB	Over-the-counter bulletin board
ETE	Energy Transfers Equity, LP	PEPL	Panhandle Eastern Pipe Line Company, LP
FASB	Financial Accounting Standards Board	PGA	Purchased Gas Adjustment
FERC	Federal Energy Regulatory Commission	Plaza Mass	Plaza Massachusetts Acquisition, Inc.
FIFO	First-in, first-out	PP&E	Property, plant, and equipment
GAAP	Accounting principles generally accepted in the United States of America	REX	Rockies Express Pipeline, LLC
Gas Utility	Operating segment including the regulated operations of Laclede Gas Company (Missouri Utility) and Alabama Gas Corporation (Alabama Utility)	RSE	Rate Stabilization and Equalization
Gas Marketing	Operating segment including Laclede Energy Resources (LER), a subsidiary engaged in the non-regulated marketing of natural gas and related activities	SEC	US Securities and Exchange Commission
GSA	Gas supply adjustment	SPA	Stock Purchase Agreement with Energen to purchase 100% of the common shares of Alabama Gas Corporation (Alagasco)
ICE	ICE Clear Europe	Spire	Laclede Group's compressed natural gas fueling solutions business
ISRS	Infrastructure System Replacement Surcharge	Southern Natural Gas	Southern Natural Gas Company, LLC
LER	Laclede Energy Resources, Inc.	Southern Star	Southern Star Central Gas Pipeline, Inc.
LG	The Laclede Group, Inc.	SUG	Southern Union Company
LGC	Laclede Gas Company	TGIT	Tallgrass Interstate Gas Transmission, LLC
LIBOR	London Inter-Bank Offered Rate	TSR	Total shareholder return
LIFO	Last-in, first-out	Transco	Transcontinental Gas Pipe Line Company, LLC
LNG	Liquefied natural gas	US	United States

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, excluding historical information, include forward-looking statements. Certain words, such as “may,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “seek,” and similar words and expressions identify forward-looking statements that involve uncertainties and risks. Future developments may not be in accordance with our current expectations or beliefs and the effect of future developments may not be those anticipated. Among the factors that may cause results to differ materially from those contemplated in any forward-looking statement are:

- weather conditions and catastrophic events, particularly severe weather in the natural gas producing areas of the country;
- volatility in gas prices, particularly sudden and sustained changes in natural gas prices, including the related impact on margin deposits associated with the use of natural gas derivative instruments;
- the impact of changes and volatility in natural gas prices on our competitive position in relation to suppliers of alternative heating sources, such as electricity;
- changes in gas supply and pipeline availability, including decisions by natural gas producers to reduce production or shut in producing natural gas wells, expiration of existing supply and transportation arrangements that are not replaced with contracts with similar terms and pricing, as well as other changes that impact supply for and access to the markets in which our subsidiaries transact business;
- legislative, regulatory and judicial mandates and decisions, some of which may be retroactive, including those affecting
 - allowed rates of return
- incentive regulation
- industry structure
- purchased gas adjustment provisions
- rate design structure and implementation
- regulatory assets
- non-regulated and affiliate transactions
- franchise renewals
- environmental or safety matters, including the potential impact of legislative and regulatory actions related to climate change and pipeline safety
- taxes
- pension and other postretirement benefit liabilities and funding obligations
- accounting standards;
- the results of litigation;
- the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital or credit markets;
- retention of, ability to attract, ability to collect from, and conservation efforts of, customers;
- our ability to comply with all covenants in our indentures and credit facilities any violations of which, if not cured in a timely manner, could trigger a default of our obligations under cross-default;
- capital and energy commodity market conditions, including the ability to obtain funds with reasonable terms for necessary capital expenditures and general operations and the terms and conditions imposed for obtaining sufficient gas supply;
- discovery of material weakness in internal controls; and
- employee workforce issues, including but not limited to labor disputes and future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets.

Readers are urged to consider the risks, uncertainties, and other factors that could affect our business as described in this report. All forward-looking statements made in this report rely upon the safe harbor protections provided under

the Private Securities Litigation Reform Act of 1995. We do not, by including this statement, assume any obligation to review or revise any particular forward-looking statement in light of future events.

Table of Contents

ITEM 1. BUSINESS

OVERVIEW

The Laclede Group, Inc. (Laclede Group or the Company) is a public utility holding company formed through a corporate restructuring that became effective October 1, 2001. The Company has two key business segments: Gas Utility and Gas Marketing.

The Gas Utility segment includes the regulated operations of Laclede Gas Company (Laclede Gas, the Missouri Utility) and Alabama Gas Corporation (Alagasco or the Alabama Utility) (together with Laclede Gas, the Utilities). Laclede Gas is a public utility engaged in the purchase, retail distribution and sale of natural gas, is the largest natural gas distribution utility in Missouri, serving more than 1.1 million residential, commercial and industrial customers, and is headquartered in St. Louis, Missouri. The Missouri Utility serves St. Louis and eastern Missouri through its legacy Laclede Gas assets and serves Kansas City and western Missouri through Missouri Gas Energy (MGE), whose assets were acquired by Laclede Gas on September 1, 2013. Alagasco is a public utility engaged in the purchase, retail distribution and sale of natural gas principally in central and north Alabama, serving more than 0.4 million residential, commercial and industrial customers with primary offices located in Birmingham, Alabama. The Company purchased 100% of the common shares of Alagasco from Energen Corporation (Energen) in the fourth quarter of 2014. The acquisition date (Closing Date) was September 2, 2014, with an effective time under the Stock Purchase Agreement (SPA) of 11:59 p.m. on August 31, 2014. The purchase price for the Alagasco acquisition remains subject to certain post-closing adjustments, which at this time are not expected to be material.

The Gas Marketing segment includes Laclede Energy Resources, Inc. (LER), a 100% owned subsidiary engaged in the marketing of natural gas and related activities on a non-regulated basis.

As of September 30, 2014, Laclede Group had 3,152 employees, including 24 part-time employees, Laclede Gas had 1,929 employees, including 7 part-time employees, and Alagasco had 943 employees.

The business of the Utilities is subject to seasonal fluctuations with the peak period occurring in the winter season. Consolidated operating revenues contributed by each segment for the last three fiscal years are presented below. For more detailed financial information regarding the segments, see Note 14, Information By Operating Segment, of the Notes to the Financial Statements.

(\$ Millions)	2014	2013	2012
Gas Utility	\$1,462.6	\$847.2	\$763.5
Gas Marketing	164.6	169.8	362.0
Total Operating Revenues	\$1,627.2	\$1,017.0	\$1,125.5

2014 Gas Utility operating revenues include twelve months of MGE revenues and one month of Alagasco revenues.

2013 Gas Utility operating revenues include one month of MGE revenues.

Laclede Group's common stock is listed on the NYSE and trades under the ticker symbol "LG."

The following table reflects Laclede Group shares issued during the periods indicated:

	2014	2013
Common Stock Issuance	10,350,000	10,005,000
DRIP	33,667	44,074
Equity Incentive Plan	97,902	108,331
Total Shares Issued	10,481,569	10,157,405

Shares were issued during 2014 to effect the acquisition of 100% of the common shares of Alagasco. Shares were also issued at historically consistent levels for Laclede Group's Dividend Reinvestment and Stock Purchase Plan (DRIP) and its Equity Incentive Plan. Shares were issued during 2013 to effect the acquisition of the MGE assets as well as historically consistent levels for Laclede Group's DRIP and its Equity Incentive Plan.

Laclede Gas issued shares to the Laclede Group in both fiscal 2013 and fiscal 2014. For more detailed common stock information of Laclede Group and Laclede Gas, see Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Table of Contents

The information the Laclede Group, Laclede Gas and Alagasco file or furnish to the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and their amendments, and proxy statements are available under SEC Filings in the Investor Services section of Laclede Group's website, www.TheLacledeGroup.com, as soon as reasonably practical after the information is filed with or furnished to the SEC. Information contained on Laclede Group's website is not incorporated by reference in this report.

GAS UTILITY

Natural Gas Supply

The Utilities' fundamental gas supply strategy is to meet the two-fold objective of 1) ensuring that the gas supplies it acquires are dependable and will be delivered when needed and 2) insofar as is compatible with that dependability, purchasing gas that is economically priced. In structuring their natural gas supply portfolio, the Utilities continue to focus on natural gas assets that are strategically positioned to meet the Utilities' primary objectives.

Laclede Gas

Laclede Gas focuses its gas supply portfolio around a number of large natural gas suppliers with equity ownership or control of assets strategically situated to complement its regionally diverse firm transportation arrangements. Laclede Gas utilizes both Mid-Continent and Gulf Coast gas sources to provide a level of supply diversity that facilitates the optimization of pricing differentials as well as protecting against the potential of regional supply disruptions. MGE utilizes both Mid-Continent and Rocky Mountain gas sources to provide a level of supply diversity that accesses low cost supplies while providing a natural gas price arbitrage.

In fiscal year 2014, Laclede Gas purchased natural gas from 43 different suppliers to meet current gas sales and storage injection requirements. Laclede Gas entered into firm agreements with suppliers including major producers and marketers providing flexibility to meet the temperature sensitive needs of its customers. Natural gas purchased by Laclede Gas for delivery to its service area through the Enable Mississippi River Transmission LLC (MRT) system totaled 67.6 billion cubic feet (Bcf). Laclede Gas also holds firm transportation on several other interstate pipeline systems that provide access to gas supplies upstream of MRT. In addition to deliveries from MRT, 55.3 Bcf was purchased on the Southern Star Central Gas Pipeline, Inc. (Southern Star), 10.7 Bcf of gas was purchased on MoGas Pipeline LLC (MoGas), 3.0 Bcf on the Tallgrass Interstate Gas Transmission, LLC (TGIT) system, 2.1 Bcf on the Panhandle Eastern Pipe Line Company, LP (PEPL) system, 0.7 Bcf on the Rockies Express Pipeline, LLC (REX) system, and 0.1 Bcf on the KPC Pipeline (KPC) system. Some of Laclede Gas' commercial and industrial customers purchased their own gas with Laclede Gas transporting 43.4 Bcf to them through its distribution system.

The fiscal year 2014 peak day sendout of natural gas to Laclede Gas customers in both eastern and western Missouri, including transportation customers, occurred on January 6, 2014. The average temperature was negative 2.0 degrees Fahrenheit in St. Louis and negative 3.0 degrees Fahrenheit in Kansas City. On that day, the Missouri Utility's customers consumed 1.814 Bcf of natural gas. For eastern Missouri, about 65% of this peak day demand was met with natural gas transported to St. Louis through the MRT, MO Gas, and Southern Star transportation systems, and the other 35% was met from Laclede Gas' on-system storage and peak shaving resources. For western Missouri, this peak day demand was met with natural gas transported to Kansas City through the Southern Star, PEPL, TGIT, and REX transportation systems.

Alagasco

Alagasco's distribution system is connected to two major interstate natural gas pipeline systems, Southern Natural Gas Company, L.L.C. (Southern Natural Gas) and Transcontinental Gas Pipe Line Company, LLC (Transco). It is also connected to two intrastate natural gas pipeline systems and to Alagasco's four liquefied natural gas (LNG) facilities. Alagasco purchases natural gas from various natural gas producers and marketers. Certain volumes are purchased under firm contractual commitments with other volumes purchased on a spot market basis. The purchased volumes are delivered to Alagasco's system using a variety of firm transportation, interruptible transportation and storage capacity arrangements designed to meet the system's varying levels of demand. Alagasco's LNG facilities can provide the system with up to an additional 0.2 Bcf of natural gas to meet peak day demand.

In calendar year 2014 through September 30, 2014, Alagasco purchased natural gas from 18 different suppliers to meet current gas sales, storage injection, and LNG liquefaction requirements, of which eight are under long term

supply agreements. Approximately 46.5 Bcf was transported by Southern Natural Gas, 4.4 Bcf by Transco, and 3.9 Bcf through intrastate pipelines to the Alagasco delivery points for its residential, commercial, and industrial customers.

The 2014 calendar year peak day send out for Alagasco was 0.62 Bcf on January 6, 2014, when the average temperature was 15 degrees Fahrenheit in Birmingham, of which 55% was met with supplies transported through Southern Natural Gas,

7

Table of Contents

Transco and intrastate facilities, 28% with Alagasco's LNG peak shaving facilities, and 17% with upstream underground storage assets.

Natural Gas Storage

Laclede Gas

Laclede Gas has a contractual right to store 21.6 Bcf of gas in MRT's storage facility located in Unionville, Louisiana, 16.3 Bcf of gas storage in Southern Star system storage facilities located in Kansas and Oklahoma, and 1.4 Bcf of firm storage on PEPL's system storage. MRT's tariffs allow injections into storage from May 16 through November 15 and require the withdrawal from storage of all but 2.1 Bcf from November 16 through May 15. Southern Star tariffs allow both injections and withdrawals into storage year round with ratchets that restrict the associated flows dependent upon the underlying inventory level per the contracts.

In addition, Laclede Gas supplements flowing pipeline gas with natural gas withdrawn from its own underground storage field located in St. Louis and St. Charles Counties in Missouri. The field is designed to provide 0.3 Bcf of natural gas withdrawals on a peak day and annual withdrawals of approximately 4.0 Bcf of gas based on the inventory level that Laclede Gas plans to maintain.

Alagasco

Alagasco has a contractual right to store 12.5 Bcf of gas with Southern Natural Gas, 0.2 Bcf of gas with Transco and 0.2 Bcf with Tennessee Gas Pipeline. In addition, the Company has 1.8 Bcf of LNG storage.

Regulatory Matters

For details on regulatory matters, see Note 15, Regulatory Matters, of the Notes to the Financial Statements.

Other Pertinent Matters

The Missouri Utility is the only distributor of natural gas within its franchised service areas, while the Alabama Utility is the main distributor of natural gas in its service areas. The principal competition for the Utilities comes from the local electric companies. Other competitors in the service areas include suppliers of fuel oil, coal, propane, natural gas pipelines that can directly connect to large volume customers, and for the Missouri Utility, district steam systems in the downtown areas of both St. Louis and Kansas City. Coal is price competitive as a fuel source for very large boiler plant loads, but environmental requirements for coal have shifted the economic advantage to natural gas. Oil and propane can be used to fuel boiler loads and certain direct-fired process applications, but these fuels require on-site storage, thus limiting their competitiveness. In certain cases, district steam has been competitive with gas for downtown St. Louis and Kansas City area heating users.

Laclede Gas' residential, commercial, and small industrial markets represented approximately 91% of its operating revenue for fiscal 2014. Alagasco's residential, commercial, and small industrial markets represented approximately 86% of its operating revenue for the twelve months ended September 30, 2014. Given the current level of natural gas supply and market conditions, the Utilities believe that the relative comparison of natural gas equipment and operating costs with those of competitive fuels will not change significantly in the foreseeable future, and that these markets will continue to be supplied by natural gas. In new multi-family and commercial rental markets, the Missouri Utility's competitive exposure is presently limited to space and water heating applications. Certain alternative heating systems can be cost competitive in traditional markets.

Laclede Gas offers gas transportation service to its large-user industrial and commercial customers. The tariff approved for that type of service produces a margin similar to that which the Missouri Utility would have received under its regular sales rates. Alagasco's transportation tariff allows the Alabama Utility to transport gas for large commercial and industrial customers rather than buying and reselling it to them and is based on the Alabama Utility's sales profit margin so that operating margins are unaffected. During 2014, substantially all of Alagasco's large commercial and industrial customer deliveries involved the transportation of customer-owned gas.

The Utilities are subject to various environmental laws and regulations that, to date, have not materially affected the Utilities' or the Company's financial position and results of operations. For a detailed discussion of environmental matters, see Note 16, Commitment and Contingencies, of the Notes to the Financial Statements.

Union Agreements

For its legacy eastern Missouri business, Laclede Gas has labor agreements with Locals 884, 11-6 and 11-194 of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International

Union (USW), which represent approximately 67% of Laclede Gas' employees. On February 14, 2014, the agreements with Locals 11-6 and

8

Table of Contents

11-194 were extended through midnight on July 31, 2015. Laclede Gas and Local 884 have a labor agreement that expires on midnight on July 31, 2015.

With respect to its MGE operations in western Missouri, Laclede Gas has labor agreements with Local 53 of the International Brotherhood of Electrical Workers (IBEW), Locals 12561, 14228 and 11-267 of the USW and Gas Workers Metal Trades Local Union 781-Kansas City and Local 781-Monett of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, which represent approximately 75% of MGE employees. On April 25, 2014, Laclede Gas and IBEW Local 53 reached a tentative agreement on a new contract that will expire at midnight on July 31, 2016. The tentative agreement was ratified by the IBEW membership on April 29, 2014. On May 28, 2014, Laclede Gas and USW Locals 12561, 14228 and 11-267 along with Gas Workers Local 781 KC and Local 781 Monett reached tentative agreement on new labor contracts that expire at midnight on July 31, 2016. The tentative agreements were ratified by the memberships of the various unions on May 31, 2014.

Alagasco has labor agreements with three unions. Local Unions 12030, 12030-A of the United Steelworkers and Local Union 548 of the United Association of Gas Fitters, which together make up approximately 42% of Alagasco's employees. Local Union 12030's contract, covering 230 employees, expires at midnight on December 18, 2014. Local Union 12030-A's contract, covering 65 employees, expires at midnight on April 30, 2017 and Local Union 548's contract covering 121 employees expires at midnight on June 30, 2016. Alagasco and USW Local Union 12030 commenced contract negotiations in mid-November 2014.

Operating Revenues and Customer Information

Revenues and therms sold and transported for the Gas Utility segment for the last three fiscal years are as follows (before intersegment eliminations):

Gas Utility Operating Revenues (\$ Millions)	2014 *	2013 **	2012
Residential	\$974.3	\$556.8	\$487.5
Commercial & Industrial	357.1	184.1	161.9
Interruptible	2.1	3.5	2.1
Transportation	32.4	15.3	14.1
Off-System and Capacity Release	79.5	90.2	92.5
Other	22.4	7.9	6.6
Total	\$1,467.8	\$857.8	\$764.7
Gas Utility Therms Sold and Transported (Millions)	2014 *	2013 **	2012
Residential	952.9	496.6	385.3
Commercial & Industrial	435.6	229.6	183.6
Interruptible	3.5	3.1	3.0
Transportation	484.6	160.4	146.1
System Therms Sold and Transported	1,876.6	889.7	718.0
Off-System	125.8	229.4	314.5
Total Therms Sold and Transported	2,002.4	1,119.1	1,032.5

* Includes MGE for the twelve months ended September 30, 2014 and Alagasco for the one month ended September 30, 2014.

** Includes MGE for the one month ended September 30, 2013.

Table of Contents

The following table presents our Gas Utility customers as of September 30 for the last three fiscal years:

Gas Utility Customers	2014 *	2013 **	2012
Residential	1,427,375	1,027,556	588,061
Commercial & Industrial	134,838	100,335	39,741
Interruptible	18	17	15
Transportation	911	628	140
Total Customers	1,563,142	1,128,536	627,957

The number of customers for 2014 is based on average customers over the twelve months ended September 30, 2014, including Alagasco customers for the one month of Laclede Group ownership. Previous methodology was a point in time customer count as of September 30, 2013 and 2012, which did not capture seasonal customers. The average customer methodology will be utilized going forward.

* Includes MGE for the one month ended September 30, 2013.

Laclede Gas has franchises in nearly all of the 236 Missouri communities where it provides service with terms varying from five years to an indefinite duration. Generally, a franchise allows Laclede Gas, among other things, to install pipes and construct other facilities in the community. All of the franchises are free from unduly burdensome restrictions and are adequate for the conduct of Laclede Gas Company's current public utility business in the State of Missouri. In recent years, although certain franchise agreements have expired, including Clayton, North Kansas City, Cameron, and Riverside, Laclede Gas has continued to provide service in those communities without formal franchises.

Alagasco has franchises in nearly all of the 186 Alabama communities where it provides service with terms varying from five years to an indefinite duration. Generally, a franchise allows Alagasco, among other things, to install pipes and construct other facilities in the community. All of the franchises are free from unduly burdensome restrictions and are adequate for the conduct of Alagasco's current public utility business in the State of Alabama.

GAS MARKETING

LER is engaged in the marketing of natural gas and providing energy services to both on-system utility transportation customers and customers outside of the Missouri Utility's traditional service area. During fiscal year 2014, LER utilized 14 interstate and intrastate pipelines and 98 suppliers to market natural gas to its customers primarily in the Midwest. LER served more than 230 retail customers and 90 wholesale customers. Through its retail operations, LER offers natural gas marketing services to large commercial and industrial customers, while its wholesale business consists of buying and selling natural gas to other marketers, producers, utilities, power generators, pipelines, and municipalities. Wholesale activities currently represent a majority of LER's total business.

In the course of its business, LER enters into agreements to purchase natural gas at a future date in order to lock up supply to cover future sales commitments to its customers. To secure access to the markets it serves, LER contracts for transportation capacity on various pipelines from both pipeline companies and through the secondary capacity market from third parties. Throughout fiscal year 2014, LER held approximately 0.4 Bcf per day of firm transportation capacity. In addition, to ensure reliability of service and to provide operational flexibility, LER enters into firm storage contracts and interruptible park and loan transactions with various companies, where it is able to buy and retain gas to be delivered at a future date, at which time LER sells the natural gas to third parties. As of September 30, 2014, LER has contracted for approximately 4.8 Bcf of such storage and park and loan capacity for the 2014-2015 winter period.

LER's strategy is to leverage its market expertise and risk management skills to manage and optimize the value of its portfolio of commodity, transportation, park and loan, and storage contracts while controlling costs and acting on new marketplace opportunities. Fiscal year 2014 was very profitable for LER due to extreme price volatility and basis differentials (pricing differences between supply regions) that occurred during the 2014 winter period caused by significantly colder than normal weather in and around the Midwest and the corresponding pipeline operational constraints related thereto. During that period of extreme conditions, LER was able to reliably serve its firm markets and incrementally serve others in the upper Midwest that were experiencing significantly higher than expected demand.

Looking forward, market conditions appear to be less profitable than last year with expectations of more normal winter weather and an increase in nationwide gas production. Although year over year nationwide natural gas storage inventory levels are lower than last year's level, higher year over year flowing production levels are expected to reliably meet this winter's needs absent a repeat of last year's extreme weather. Going forward, LER continues to look for new opportunities, concentrating its efforts on growing supply and demand areas in and around the Midwest.

Table of Contents

OTHER

The principal driver of the Other segment results for fiscal 2014 and fiscal 2013 have been costs associated with acquisition activity. Fiscal 2014 results include expenses related to MGE integration and transaction expenses of the Alagasco acquisition totaling \$13.6, net of tax. In fiscal 2013, the Other segment included \$10.5, net of tax, of transaction and integration expenses relating to the acquisition of substantially all the assets and liabilities of MGE. Other also includes Laclede Pipeline Company, a 100% owned subsidiary of Laclede Group, which operates a propane pipeline under Federal Energy Regulatory Commission (FERC) jurisdiction. This pipeline allows Laclede Gas to receive propane that is vaporized to supplement its natural gas supply and meet peak demands on its distribution system. Laclede Pipeline Company also provides transportation services to third parties. Other additionally includes Laclede Group's subsidiaries that are engaged in, among other activities, oil production, real estate development, compression of natural gas, and financial investments in other enterprises. These operations are conducted through seven subsidiaries. The Other category also includes Laclede Gas' non-regulated propane services business which involves providing propane-related services and storage to third parties and its affiliate, Laclede Pipeline Company. Beginning July 1, 2013, propane-related services are included within Gas Utility operations pursuant to Laclede Gas' rate case.

Table of Contents

ITEM 1A. RISK FACTORS

Laclede Group's and the Utilities' business and financial results are subject to a number of risks and uncertainties, including those set forth below. The risks described below are those the Company and the Utilities consider to be material. When considering any investment in Laclede Group or the Utilities' securities, investors should carefully consider the following information, as well as information contained in the caption "Forward-Looking Statements," Item 7A, and other documents Laclede Group and Laclede Gas file with the SEC. This list is not exhaustive, and Laclede Group's and the Utilities' respective management places no priority or likelihood based on the risk descriptions, order of presentation or grouping by subsidiary. All references to dollar amounts are in millions.

RISKS AND UNCERTAINTIES THAT RELATE TO THE BUSINESS AND FINANCIAL RESULTS OF LACLEDE GROUP AND ITS SUBSIDIARIES

As a holding company, Laclede Group depends on its operating subsidiaries to meet its financial obligations. Laclede Group is a holding company with no significant assets other than the stock of its operating subsidiaries and cash investments. Laclede Group, and the Missouri Utility prior to Laclede Group's formation, have paid dividends continuously since 1946. Laclede Group's ability to pay dividends to its shareholders is dependent on the ability of its subsidiaries to generate sufficient net income and cash flows to pay upstream dividends and make loans or loan repayments. In addition, because it is a holding company and the substantial portion of its assets are represented by its holdings in the Utilities, the risks faced by the Utilities as described under **RISKS THAT RELATE TO THE GAS UTILITY SEGMENT** below may also adversely affect Laclede Group's cash flows, liquidity, financial condition and results of operations.

A downgrade in Laclede Group's and/or its subsidiaries' credit ratings may negatively affect its ability to access capital.

Currently, Laclede Group and its utility subsidiaries have investment grade credit ratings, which are subject to review and change by the rating agencies. On December 16, 2013, Standard & Poor's lowered its debt ratings for Alagasco from investment grade with a stable outlook to investment grade with a negative outlook. In April 2014, upon the announcement of Laclede Group's intent to acquire Alagasco, Standard & Poor's upgraded the outlook to "positive." Upon the completion of the acquisition by Laclede Group, Standard & Poor's upgraded Alagasco's debt ratings to A-, stable outlook. Laclede Group, Laclede Gas and Alagasco each have a working capital line of credit to meet their short-term liquidity needs. Laclede Group's line of credit may also be used to meet the liquidity needs of any of its subsidiaries. If the rating agencies lowered the credit rating at any of these entities, particularly below investment grade, it might significantly limit such entity's ability to secure new or additional credit facilities and would increase its costs of borrowing. Laclede Group's or the Utilities' ability to borrow under current or new credit facilities and costs of that borrowing have a direct impact on their ability to execute their operating strategies. In the fourth quarter of 2014, Laclede Group issued its first public debt and received its first senior unsecured debt ratings. Standard & Poor's rated Laclede Group debt BBB+, one notch lower than its issuer rating of A-, while Fitch also rated the Laclede Group debt at BBB+, equal to its issuer rating, and Moody's (which does not use issuer ratings) rated the Laclede Group debt at Baa2. These rating levels have no specific implications for Laclede Group's corporate funding ability or our ability to access the capital markets, nor do they trigger any collateralization requirements under Laclede Group's corporate guarantees. There is no assurance that such credit ratings for any of the Laclede Group companies will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant.

Unexpected losses may adversely affect Laclede Group's or its subsidiaries financial condition and results of operations.

As with most businesses, there are operations and business risks inherent in the activities of Laclede Group's subsidiaries. If, in the normal course of business, Laclede Group or any of its subsidiaries becomes a party to litigation, such litigation could result in substantial monetary judgments, fines, or penalties or be resolved on unfavorable terms. In accordance with customary practice, Laclede Group and its subsidiaries maintain insurance against a significant portion of, but not all, risks and losses. In addition, in the normal course of its operations, Laclede Group and its subsidiaries may be exposed to loss from other sources, such as bad debt expense or the failure of a counterparty to meet its financial obligations. Laclede Group and its operating companies employ many strategies to

gain assurance that such risks are appropriately managed, mitigated, or insured, as appropriate. To the extent a loss is not fully covered by insurance or other risk mitigation strategies, that loss could adversely affect the Company's and/or its subsidiaries' financial condition and results of operations.

Table of Contents

Increased inter-dependence on technology may adversely hinder Laclede Group's and its subsidiaries' business operations and affect their financial condition and results of operations if such technologies fail or are compromised. Over the last several years, Laclede Group and its subsidiaries have implemented a variety of technological tools including both Company-owned information technology and technological services provided by outside parties. In fiscal year 2013, the Company completed its implementation of a Company-wide enterprise resource planning (ERP) system. These tools and systems support critical functions including Laclede Group and its subsidiaries' integrated planning, scheduling and dispatching of field resources, its automated meter reading system, customer care and billing, procurement and accounts payable, operational plant logistics, management reporting, and external financial reporting. The failure of these or other similarly important technologies, or the Company's or Laclede Gas' inability to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder its business operations and adversely impact its financial condition and results of operations.

Although the Company and its subsidiaries have, when possible, developed alternative sources of technology and built redundancy into their computer networks and tools, there can be no assurance that these efforts to date would protect against all potential issues related to the loss of any such technologies or the Utilities' use of such technologies. Laclede Gas has also completed the acquisition of the assets and liabilities of MGE in Kansas City. Through fiscal 2015, Laclede Gas will be integrating MGE's data into its systems.

The Company recently completed the acquisition of the common stock of Alagasco. Alagasco utilizes a different ERP system which will remain in place pending review of the Company's long-term ERP needs during the integration process. The Company continues to evaluate Alagasco's security controls, both process and tool based.

Furthermore, the Company and its subsidiaries are subject to cyber-security risks primarily related to breaches of security pertaining to sensitive customer, employee, and vendor information maintained by the Company and its subsidiaries in the normal course of business, as well as breaches in the technology that manages natural gas distribution operations and other business processes. A loss of confidential or proprietary data or security breaches of other technology business tools could adversely affect the Company's and its subsidiaries' reputation, diminish customer confidence, disrupt operations, and subject the Company and its subsidiaries to possible financial liability, any of which could have a material effect on the Company's and its subsidiaries' financial condition and results of operations. The Company and its subsidiaries closely monitor both preventive and detective measures to manage these risks and maintains cyber risk insurance to mitigate a significant portion, but not all, of these risks and losses. To the extent that the occurrence of any of these cyber events is not fully covered by insurance, it could adversely affect the Company's and its subsidiaries' financial condition and results of operations.

Resources expended to pursue business acquisitions, investments or other business arrangements may adversely affect Laclede Group's financial position and results of operations and return on investments made may not meet expectations.

From time to time, Laclede Group may seek to grow through strategic acquisitions, investments or other business arrangements, including the recent MGE and Alagasco acquisitions, the opening of public compressed natural gas (CNG) stations or other future opportunities. Attractive acquisition candidates may be difficult to acquire on economically acceptable terms. It is possible for Laclede Group to expend considerable resources pursuing an acquisition candidate, but for a variety of reasons such as changes in economic conditions, changes in the acquisition candidate's business or concerns arising out of due diligence review, decide not to consummate a definitive transaction. To the extent that acquisitions are made, such acquisitions involve a number of risks, including but not limited to, the assumption of material liabilities, the diversion of management's attention from daily operations to the integration of the acquisition, difficulties in assimilation and retention of employees, securing adequate capital to support the transaction, and regulatory approval. Uncertainties exist in assessing the value, risks, profitability, and liabilities associated with certain businesses or assets and there is a possibility that anticipated operating and financial synergies expected to result from an acquisition do not develop. The failure to complete an acquisition successfully, or to integrate future acquisitions that it may choose to undertake could have an adverse effect on its financial condition, results of operations and the market's perception of the Company's execution of its strategy.

In order to manage and diversify the risks of certain development projects, Laclede Group may use partnerships or other investments. Such business arrangements may limit Laclede Group's ability to fully direct the management and

policies of the business relationship. These arrangements may cause additional risks such as operating agreements limiting Laclede Group's control or Laclede Group's ability to appropriately value the business drivers or assets of the business arrangement. While Laclede Group would pursue strategies to mitigate these risks and enforce its interests, these risks may adversely impact the projects and Laclede Group's financial condition, results of operations and cash flows.

In addition, to the extent Laclede Group engages in any of the above activities together with or through one or more of its subsidiaries, including the Utilities, such subsidiaries may face the same risks.

Table of Contents

Workforce risks may affect the Company's financial results.

The Company and its subsidiaries are subject to various workforce risks, including, but not limited to, the risk that it will be unable to attract and retain qualified personnel; that it will be unable to effectively transfer the knowledge and expertise of an aging workforce to new personnel as those workers retire; and that it will be unable to reach collective bargaining arrangements with the unions that represent certain of its workers, which could result in work stoppages. Changes in accounting standards may adversely impact the Utilities' financial condition and results of operations. Laclede Group and its subsidiaries are subject to changes in US Generally Accepted Accounting Principles (GAAP), SEC regulations and other interpretations of financial reporting requirements for public utilities. Neither the Company nor any of its subsidiaries have any control over the impact these changes may have on their financial condition or results of operations nor the timing of such changes. The potential issues associated with rate-regulated accounting, along with other potential changes to GAAP, that the US Financial Accounting Standards Board (FASB) continues to consider may be significant.

RISKS RELATED TO THE COMPANY'S AND ITS SUBSIDIARIES' ACQUISITION AND INTEGRATION ACTIVITIES

As a result of recent acquisitions, the Company and its subsidiaries are subject to risks related to a higher level of indebtedness.

In connection with the Alagasco and MGE acquisitions, Laclede Group and Laclede Gas incurred additional debt to pay a portion of the acquisition cost and transaction expenses. On August 19, 2014 Laclede Group issued unsecured debt in the aggregate principal amount of \$625.0 to finance the acquisition of Alagasco. On August 13, 2013, Laclede Gas issued debt in the aggregate principal amount of \$450.0 to finance the acquisition of MGE. Laclede Group's total consolidated indebtedness as of September 30, 2014 was \$2,138.1 (\$287.1 of short-term borrowings and \$1,851.0 of long-term debt) and Laclede Gas' total indebtedness as of September 30, 2014 was \$1,046.5 (\$238.6 of short-term borrowings and \$807.9 of long-term debt).

Laclede Group's and Laclede Gas' debt service obligations with respect to this increased indebtedness could have an adverse impact on their earnings and cash flows (which after the acquisitions include the earnings and cash flows of MGE and, in the case of Laclede Group, Alagasco) for as long as the indebtedness is outstanding. Among other risks, the increase in indebtedness may:

- make it more difficult for Laclede Group or Laclede Gas to pay or refinance their debts as they become due during adverse economic and industry conditions;
- limit the Company's or Laclede Gas' flexibility to pursue other strategic opportunities or react to changes in its business and the industry in which they operate and, consequently, place them at a competitive disadvantage to competitors with less debt;
- require an increased portion of the Company's or Laclede Gas' cash flows from operations of their respective subsidiaries to be used for debt service payments, thereby reducing the availability of their cash flows to fund working capital, capital expenditures, dividend payments and other general corporate purposes;
- result in a downgrade in the credit rating of Laclede Group's or the Utilities' indebtedness, which could limit the Utilities' ability to borrow additional funds or increase the interest rates applicable to Utilities' indebtedness;
- result in higher interest expense in the event of an increase in market interest rates for both long-term debt and short-term commercial paper or bank loans at variable rates;
- reduce the amount of credit available to support hedging activities; and
- require that additional terms, conditions or covenants be placed on the Company or Laclede Gas.

Based upon current levels of operations, Laclede Group or Laclede Gas expect to be able to generate sufficient cash through earnings on a consolidated basis or through refinancing to make all of the principal and interest payments when such payments are due under their existing credit agreements, indentures and other instruments governing outstanding indebtedness; but there can be no assurance that Laclede Group or Laclede Gas will be able to repay or refinance such borrowings and obligations in future periods.

In addition, in order to maintain investment-grade credit ratings, Laclede Group and Laclede Gas may consider it appropriate to reduce the amount of indebtedness outstanding following the acquisitions. This may be accomplished in several ways, including, in the case of Laclede Group, issuing additional shares of common stock or securities

convertible into shares of common stock, or in the case of Laclede Group or Laclede Gas, reducing discretionary uses of cash or a combination of these and other measures. Issuances of additional shares of common stock or securities convertible into shares of common stock would have the effect of diluting the ownership percentage that shareholders hold in the Company, increase the Company's dividend payment obligations and might reduce the reported earnings per share.

Table of Contents

The acquisition of MGE and/or Alagasco may not achieve its intended results, including anticipated efficiencies and cost savings.

Although the Company and its subsidiaries expect that the acquisition of MGE and Alagasco will result in various benefits, including a significant cost savings and other financial and operational benefits, there can be no assurance regarding when or the extent to which the Company and its subsidiaries will be able to realize these benefits. Achieving the anticipated benefits, including cost savings, is subject to a number of uncertainties, including whether the assets acquired can be operated in the manner the Company and its subsidiaries intended. Events outside of the control of the Company and its subsidiaries, including but not limited to regulatory changes or developments, could also adversely affect their ability to realize the anticipated benefits from the MGE and Alagasco acquisitions. Thus the integration of MGE and Alagasco may be unpredictable, subject to delays or changed circumstances, and the Company and its subsidiaries can give no assurance that the acquisitions will perform in accordance with their expectations or that their expectations with respect to integration or cost savings as a result of the MGE and Alagasco acquisitions will materialize. In addition, the anticipated costs to the Company and its subsidiaries to achieve the integration of MGE and Alagasco may differ significantly from their current estimates. The integration may place an additional burden on management and internal resources, and the diversion of management's attention during the integration process could have an adverse effect on the Company's and its subsidiaries' business, financial condition and expected operating results.

In connection with the MGE and the Alagasco acquisitions, Laclede Gas and Laclede Group, respectively, recorded goodwill and long-lived assets that could become impaired and adversely affect its financial condition and results of operations.

Laclede Group and Laclede Gas will assess goodwill for impairment annually or more frequently if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company and Laclede Gas will assess their long-lived assets for impairment whenever events or circumstances indicate that an asset's carrying amount may not be recoverable. To the extent the value of goodwill or long-lived assets becomes impaired, the Company and Laclede Gas may be required to incur impairment charges that could have a material impact on its results of operations. No impairment of long-lived assets was recorded during 2014 or 2013.

Since interest rates are a key component, among other assumptions, in the models used to estimate the fair values of the Company's reporting units, as interest rates rise, the calculated fair values decrease and future impairments may occur. Due to the subjectivity of the assumptions and estimates underlying the impairment analysis, Laclede Group and Laclede Gas cannot provide assurance that future analysis will not result in impairment. These assumptions and estimates include projected cash flows, current and future rates for contracted capacity, growth rates, weighted average cost of capital and market multiples. For additional information, see Item 7, "Critical Accounting Policies."

RISKS THAT RELATE TO THE GAS UTILITY SEGMENT

Regulation of the Utilities' businesses may impact rates they are able to charge, costs, and profitability.

The Utilities are subject to regulation by federal, state and local regulatory authorities. At the state level, the Utilities are regulated by regulatory authorities in Missouri by the MoPSC and in Alabama by the APSC. The state regulatory authorities regulate many aspects of the Utilities' distribution operations, including construction and maintenance of facilities, operations, safety, the rates that the Utilities may charge customers, the terms of service to their customers, transactions with their affiliates, and the rate of return that they are allowed to realize; as well as the accounting treatment for certain aspects of their operations. For further discussion of these accounting matters, see Critical Accounting Policies pertaining to the Utilities' operations.

The Utilities' ability to obtain and timely implement rate increases and rate supplements to maintain the current rate of return is subject to regulatory review and approval. There can be no assurance that they will be able to obtain rate increases or rate supplements or continue earning the current authorized rates of return. Furthermore, in accordance with a MoPSC's Unanimous Stipulation and Agreement, the Missouri Utility will not file a general rate case for non-gas costs prior to October 1, 2015 unless a significant, unusual event impacts any of its operations. The first Missouri Utility general rate case filed in Missouri after October 1, 2015, requires that it be for both the legacy Laclede Gas and the MGE operations. Alagasco's rate setting process, Rate Stabilization and Equalization (RSE), is subject to regulation by the APSC and is implemented pursuant to an APSC order that will continue beyond

September 30, 2018, unless the APSC enters an order to the contrary in a manner consistent with the law. Under the current RSE order, Alagasco is allowed to earn a return on average common equity between 10.5% and 10.95%. Quarterly reviews are conducted by the APSC and if it is determined that Alagasco will exceed the allowed range of return, rates are reduced to bring the projected return within the allowed range. Rates can only be increased once a year effective December 1. Alagasco's year-end equity under RSE is limited to 56.5% of total capitalization, subject to certain adjustments. The RSE order includes a Cost Control Mechanism (CCM) which requires Alagasco's operation and maintenance expenses to be within an allowed index range based on inflation-adjusted from 2007 actual operation and

Table of Contents

maintenance (O&M) expenses. If O&M expenses exceed the index range, 75% of the amount over the range is returned to customers through future rate adjustments.

The Utilities could incur additional costs if required to adjust to new laws or regulations, revisions to existing laws or regulations or changes in interpretations of existing laws or regulations such as the Dodd-Frank Act. In addition, as the regulatory environment for the natural gas industry increases in complexity, the risk of inadvertent noncompliance could also increase. If the Utilities fail to comply with applicable laws and regulations, whether existing or new, they could be subject to fines, penalties or other enforcement action by the authorities that regulate Utilities' operations. The Utilities are involved in legal or administrative proceedings before various courts and governmental bodies that could adversely affect their results of operations, cash flows and financial condition.

The Utilities are involved in legal or administrative proceedings before various courts and governmental bodies with respect to general claims, rates, environmental issues, gas cost prudence reviews and other matters. Adverse decisions regarding these matters, to the extent they require the Utilities to make payments in excess of amounts provided for in their financial statements, or to the extent they are not covered by insurance, could adversely affect the Utilities' results of operations, cash flows and financial condition.

The Utilities' liquidity may be adversely affected by delays in recovery of their costs, due to regulation.

In the normal course of business, there may be a lag between when the Utilities incur increases in certain of their costs and the time in which those costs are considered for recovery in the ratemaking process. Cash requirements for increased operating costs, increased funding levels of defined benefit pension and postretirement costs, capital expenditures, and other increases in the costs of doing business may require outlays of cash prior to the authorization of increases in rates charged to customers, as approved by the MoPSC and APSC. Accordingly, the Utilities' liquidity may be adversely impacted to the extent higher costs are not timely recovered from their customers. In accordance with a MoPSC Unanimous Stipulation and Agreement, the Missouri Utility will not file a general rate case for non-gas costs prior to October 1, 2015 unless a significant, unusual event impacts any of its operations. The first Missouri Utility general rate case filed in Missouri after October 1, 2015, is required to be for both the legacy Laclede Gas and the MGE operations.

The Utilities' ability to meet their customers' natural gas requirements may be impaired if contracted gas supplies, interstate pipeline and/or storage services are not available or delivered in a timely manner.

In order to meet their customers' annual and seasonal natural gas demands, the Utilities must obtain sufficient supplies, interstate pipeline capacity, and storage capacity. If they are unable to obtain these, either from their suppliers' inability to deliver the contracted commodity or the inability to secure replacement quantities, the Utilities' financial condition and results of operations may be adversely impacted. If a substantial disruption in interstate natural gas pipelines' transmission and storage capacity were to occur during periods of heavy demand, the Utilities' financial results could be adversely impacted.

The Utilities' liquidity and, in certain circumstances, Utilities' results of operations may be adversely affected by the cost of purchasing natural gas during periods in which natural gas prices are rising significantly.

The Missouri Utility's tariff rate schedules contain Purchased Gas Adjustment (PGA) clauses and the Alabama Utility's tariff rate schedule contains a Gas Supply Adjustment (GSA) rider that permit the Utilities to file for rate adjustments to recover the cost of purchased gas. Changes in the cost of purchased gas are flowed through to customers and may affect uncollectible amounts and cash flows and can therefore impact the amount of capital resources.

Currently, the Missouri Utility is allowed to adjust the gas cost component of its rates up to four times each year while the Alabama Utility may adjust its gas cost component of its rates on a monthly basis. The Missouri Utility must make a mandatory gas cost adjustment at the beginning of the winter, in November, and during the next twelve months it may make up to three additional discretionary gas cost adjustments, so long as each of these adjustments is separated by at least two months.

The MoPSC typically approves the Missouri Utility's PGA changes on an interim basis, subject to refund and the outcome of a subsequent audit and prudence review. Due to such review process, there is a risk of a disallowance of full recovery of these costs. Any material disallowance of purchased gas costs would adversely affect revenues. Increases in the prices the Missouri Utility charges for gas may also adversely affect revenues because they could lead customers to reduce usage and cause some customers to have trouble paying the resulting higher bills. These higher

prices may increase bad debt expenses and ultimately reduce earnings. The Missouri Utility has used short-term borrowings in the past to finance storage inventories and purchased gas costs, and expects to do so in the future. Rapid increases in the price of purchased gas may result in an increase in short-term debt.

Table of Contents

To lower financial exposure to commodity price fluctuations, the Missouri Utility enters into contracts to hedge the forward commodity price of its natural gas supplies. As part of this strategy, the Missouri Utility may use fixed-price, forward, physical purchase contracts, swaps, futures, and option contracts. However, the Missouri Utility does not hedge the entire exposure of energy assets or positions to market price volatility, and the coverage will vary over time. Any costs, gains, or losses experienced through hedging procedures, including carrying costs, generally flow through the PGA clause, thereby limiting the Missouri Utility's exposure to earnings volatility. However, variations in the timing of collections of such gas costs under the PGA clause and the effect of cash payments for margin deposits associated with the Missouri Utility's use of natural gas derivative instruments may cause short-term cash requirements to vary. These procedures remain subject to prudence review by the MoPSC.

The Utilities may be adversely affected by economic conditions.

Periods of slowed economic activity generally result in decreased energy consumption, particularly by industrial and large commercial companies, a loss of existing customers, fewer new customers especially in newly constructed buildings. As a consequence, national or regional recessions or other downturns in economic activity could adversely affect the Utilities' revenues and cash flows or restrict their future growth. Economic conditions in Utilities' service territory may also adversely impact the Utilities' ability to collect Utilities' accounts receivable resulting in an increase in bad debt expenses.

Environmental laws and regulations may require significant expenditures or increase operating costs.

The Utilities are subject to federal, state and local environmental laws and regulations affecting many aspects of their present and future operations. These laws and regulations require the Utilities to obtain and comply with a wide variety of environmental licenses, permits, inspections, and approvals. Failure to comply with these laws and regulations and failure to obtain any required permits and licenses may result in costs to the Utilities in the form of fines, penalties or business interruptions, which may be material. In addition, existing environmental laws and regulations could be revised or reinterpreted and/or new laws and regulations could be adopted or become applicable to the Utilities or their facilities, thereby impacting the Utilities' cost of compliance. The discovery of presently unknown environmental conditions, including former manufactured gas plant sites, and claims against the Utilities under environmental laws and regulations may result in expenditures and liabilities, which could be material. To the extent environmental compliance costs are not fully covered by insurance or recovered in rates from the Utilities' customers, those costs may have an adverse effect on the Utilities' financial condition and results of operations. The Utilities are subject to pipeline safety and system integrity laws and regulations that may require significant expenditures or significant increases in operating costs.

Such laws and regulations affect various aspects of the Utilities' present and future operations. These laws and regulations require the Utilities maintain pipeline safety and system integrity by identifying and reducing pipeline risks. Compliance with these laws and regulations, or future changes in these laws and regulations, may result in increased capital, operating and other costs which may not be recoverable in a timely manner from customers in rates. Failure to comply may result in fines, penalties, or injunctive measures that would not be recoverable from customers in rates and could result in a material effect on the Utilities' financial condition and results of operations.

Transporting, distributing, and storing natural gas and transporting and storing propane involves numerous risks that may result in accidents and other operating risks and costs.

There are inherent in gas distribution activities a variety of hazards and operations risks, such as leaks, accidental explosions, including third party damages, and mechanical problems, which could cause substantial financial losses. In addition, these risks could result in serious injury to employees and non-employees, loss of human life, significant damage to property, environmental pollution, impairment of operations, and substantial losses to the Utilities. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers, and industrial sites, could increase the level of damages resulting from these risks. Similar risks also exist for the Missouri Utility's propane storage and transmission operations. These activities may subject the Utilities to litigation or administrative proceedings from time to time. Such litigation or proceedings could result in substantial monetary judgments, fines, or penalties against the Utilities or be resolved on unfavorable terms. The Utilities are subject to Federal and State laws and regulations requiring the Utilities to maintain certain safety and system integrity measures by identifying and managing storage and pipeline risks. Compliance with these laws and regulations, or

future changes in these laws and regulations, may result in increased capital, operating and other costs which may not be recoverable in a timely manner from customers in rates. In accordance with customary industry practices, the Utilities maintain insurance against a significant portion, but not all, of these risks and losses. To the extent that the occurrence of any of these events is not fully covered by insurance, it could adversely affect the Utilities' financial condition and results of operations.

Table of Contents

Because of the highly competitive nature of its business, the Utilities may not be able to retain existing customers or acquire new customers, which would have an adverse impact on its businesses, operating results and financial conditions.

Both the Missouri Utility and the Alabama Utility face the risk that customers may bypass gas distribution services by gaining distribution directly from interstate pipelines. The Utilities cannot provide any assurance that increased competition or other changes in legislation, regulation or policies will not have a material adverse effect on their business, financial condition or results of operation.

The Utilities compete with distributors offering a broad range of services and prices, from full-service distributors to those offering delivery only. The Utilities also compete for retail customers with suppliers of alternative energy products, principally propane and electricity. If they are unable to compete effectively, the Utilities may lose existing customers and/or fail to acquire new customers, which would have a material adverse effect on their business, operating results and financial condition.

Changes in the wholesale costs of purchased natural gas supplies may adversely impact the Utilities' competitive position compared with alternative energy sources.

Changes in wholesale natural gas prices compared with prices for electricity, fuel oil, coal, propane, or other energy sources may affect the Utilities' retention of natural gas customers and may adversely impact their financial condition and results of operations.

Significantly warmer-than-normal weather conditions, the effects of global warming and climate change, and other factors that influence customer usage may affect the Utilities' sale of heating energy and adversely impact their financial position and results of operations.

The Utilities' earnings are primarily generated by the sale of heating energy. The Missouri Utility has weather mitigation rate designs and the Alabama Utility has customer use adjustments, each of which is approved by the respective state regulatory body, which provide better assurance of the recovery of each Utilities' fixed costs and margins during winter months despite variations in sales volumes due to the impacts of weather and other factors that affect customer usage.

However, significantly warmer-than-normal weather conditions in the Utilities' service areas and other factors, such as global warming, climate change and alternative energy sources, may result in reduced profitability and decreased cash flows attributable to lower gas sales. Furthermore, continuation of the weather mitigation rate design at Laclede Gas, the rate design where distribution costs are recovered predominantly through fixed monthly charges at MGE or the Rate Stabilization and Equalization (RSE) at Alagasco are subject to regulatory discretion. In addition, the promulgation of regulations by the EPA or the potential enactment of Congressional legislation addressing global warming and climate change may result in future additional compliance costs that could impact the Utilities' financial conditions and results of operations.

Regional supply/demand fluctuations and changes in national pipeline infrastructure, as well as regulatory discretion, may adversely affect the Missouri Utility's ability to profit from off-system sales and capacity release.

The Missouri Utility's income from off-system sales and capacity release is subject to fluctuations in market conditions and changing supply and demand conditions in areas the Missouri Utility holds pipeline capacity rights. Specific factors impacting the Missouri Utility's income from off-system sales and capacity release include the availability of attractively-priced natural gas supply, availability of pipeline capacity, and market demand. Income from off-system sales and capacity release is shared with customers. The Missouri Utility is allowed to retain 15% to 25% of the first \$6.0 in annual income earned (depending on the level of income earned) and 30% of income exceeding \$6.0 annually. In accordance with an agreement approved by the MoPSC, Laclede Gas deferred, until fiscal year 2017, its ability to retain 15% of the first \$2.0. MGE is allowed to retain 15% to 25% of the first \$3.6 in annual income earned (depending on the level of income earned) and 30% of income exceeding \$3.6 annually. The Missouri Utility's ability to retain such income in the future is subject to regulatory discretion in a base rate proceeding.

Catastrophic events may adversely affect the Utilities' facilities and operations.

Catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes, tropical storms, terrorist acts, pandemic illnesses or other similar occurrences could adversely affect the Utilities' facilities and operations. The Utilities have emergency planning and training programs in place to respond to events that could cause business

interruptions. However, unanticipated events or a combination of events, failure in resources needed to respond to events, or slow or inadequate response to events may have an adverse impact on the Utilities' operations, financial condition, and results of operations. The availability of insurance covering catastrophic events may be limited or may result in higher deductibles, higher premiums, and more restrictive policy terms.

Table of Contents

RISKS THAT RELATE TO THE GAS MARKETING SEGMENT

Increased competition, fluctuations in natural gas commodity prices, expiration of supply and transportation arrangements, and pipeline infrastructure projects may adversely impact LER's future profitability.

Competition in the marketplace and fluctuations in natural gas commodity prices have a direct impact on LER's business. Changing market conditions and prices, the narrowing of regional and seasonal price differentials, and limited future price volatility may adversely impact LER's sales margins or affect LER's ability to procure gas supplies and/or to serve certain customers, which may reduce sales profitability and/or increase certain credit requirements caused by reductions in netting capability. Also, LER's profitability may be impacted by the effects of the expiration, in the normal course of business, of certain of its natural gas supply contracts if those contracts cannot be replaced and/or renewed with arrangements with similar terms and pricing. Although the Federal Energy Regulatory Commission (FERC) regulates the interstate transportation of natural gas and establishes the general terms and conditions under which LER may use interstate gas pipeline capacity to purchase and transport natural gas, LER must occasionally renegotiate its transportation agreements with a concentrated group of pipeline companies. Renegotiated terms of new agreements, or increases in FERC-authorized rates of existing agreements, may impact LER's future profitability. Profitability may also be adversely impacted if pipeline capacity or future storage capacity secured by LER is not fully utilized and/or its costs are not fully recovered.

Reduced access to credit and/or capital markets may prevent LER from executing operating strategies.

LER relies on its cash flows, netting capability, parental guarantees, and access to Laclede Group's liquidity resources to satisfy its credit and working capital requirements. LER's ability to rely on parental guarantees is dependent upon Laclede Group's financial condition and credit ratings. If the rating agencies lowered Laclede Group's credit ratings, particularly below investment grade, counterparty acceptance of parental guarantees may diminish, resulting in decreased availability of credit. Additionally, under such circumstances, certain counterparties may require LER to provide prepayments or cash deposits, amounts of which would be dependent upon natural gas market conditions. Reduced access to credit or increased credit requirements, which may also be caused by factors such as higher overall natural gas prices, may limit LER's ability to enter into certain transactions. In addition, LER has concentrations of counterparty credit risk in that a significant portion of its transactions are with (or are associated with) energy producers, utility companies, and pipelines. These concentrations of counterparties have the potential to affect the Company's overall exposure to credit risk, either positively or negatively, in that each of these three groups may be affected similarly by changes in economic, industry, or other conditions. LER also has concentrations of credit risk in certain individually significant counterparties. LER closely monitors its credit exposure and, although uncollectible amounts have not been significant, increased counterparty defaults are possible and may result in financial losses and/or capital limitations.

Risk management policies, including the use of derivative instruments, may not fully protect LER's sales and results of operations from volatility and may result in financial losses.

In the course of its business, LER enters into contracts to purchase and sell natural gas at fixed prices and index-based prices. Commodity price risk associated with these contracts has the potential to impact earnings and cash flows. To minimize this risk, LER has a risk management policy that provides for daily monitoring of a number of business measures, including fixed price commitments.

LER currently manages the commodity price risk associated with fixed-price commitments for the purchase or sale of natural gas by either closely matching the offsetting physical purchase or sale of natural gas at fixed prices or through the use of natural gas futures, options, and swap contracts traded on or cleared through the NYMEX and ICE to lock in margins. These exchange-traded/cleared contracts may be designated as cash flow hedges of forecasted transactions. However, market conditions and regional price changes may cause ineffective portions of matched positions to result in financial losses. Additionally, to the extent that LER's natural gas contracts are classified as trading activities or do not otherwise qualify for the normal purchases or normal sales designation (or the designation is not elected), the contracts are recorded as derivatives at fair value each period. Accordingly, the associated gains and losses are reported directly in earnings and may cause volatility in results of operations. Gains or losses (realized and unrealized) on certain wholesale purchase and sale contracts, consisting of those classified as trading activities, are required to be presented on a net basis (instead of a gross basis) in the statements of consolidated income. Such

presentation could result in volatility in the Company's operating revenues.

LER's ability to meet its customers' natural gas requirements may be impaired if contracted gas supplies and interstate pipeline services are not available or delivered in a timely manner.

LER's ability to deliver natural gas to its customers is contingent upon the ability of natural gas producers, other gas marketers, and interstate pipelines to fulfill delivery obligations to LER under firm contracts. If these counterparties fail to perform, they have a contractual obligation to reimburse LER for adverse consequences. LER will attempt to use such reimbursements to

Table of Contents

obtain the necessary supplies so that LER may fulfill its customer obligations. To the extent that it is unable to obtain the necessary supplies, LER's financial position and results of operations may be adversely impacted.

Regulatory and legislative developments pertaining to the energy industry may adversely impact LER's results of operations, financial condition and cash flows.

LER's business is non-regulated in that the rates it charges its customers are not established by or subject to approval by any regulatory body. However, LER is subject to various laws and regulations affecting the energy industry. New regulatory and legislative actions may adversely impact LER's results of operations, financial condition, and cash flows by potentially reducing customer growth opportunities and/or increasing the costs of doing business.

LER could incur additional costs to comply with new laws and regulations, such as the Dodd-Frank Act. In addition, as the regulatory environment for the natural gas industry increases in complexity, the risk of inadvertent noncompliance could also increase. If LER fails to comply with applicable laws and regulations, whether existing or new ones, it could be subject to fines, penalties or other enforcement action by the authorities that regulate its operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Laclede Gas

The principal properties of Laclede Gas consist of more than 30,000 miles of gas main and related service pipes, meters, and regulators. Laclede Gas has an underground storage facility, 16 operating centers, and other related properties, some of which are leased. Substantially all of Laclede Gas' utility plant is subject to the liens of its mortgage. MGE has 13 operating centers, and other related properties some of which are leased.

All of the properties of Laclede Gas are held in fee, or by easement, or under lease agreements. The principal lease agreements include underground storage rights that are of indefinite duration, the downtown St. Louis office building and MGE's Kansas City, Missouri office building. The current lease on the downtown St. Louis office building extends through February 2015. The Company has chosen not to exercise the option to renew the current downtown St. Louis office space. Consistent with our growth strategy, Laclede Group has leased approximately 127,000 rentable square feet of office space in the 700 Market Street building in downtown St. Louis to serve as the Company's primary office space. The lease commences in early 2015, and has an initial term of 20 years, with up to four options to renew for additional five year terms. Additionally, Laclede Group has leased approximately 35,000 rentable square feet of office space at 800 Market Street. The lease commences in early 2015, and has an initial term of 10 years, with up to two options to renew for additional five year terms. The current lease on MGE's Kansas City office lease extends through November 30, 2015 with the option to renew for four additional terms of five years each. Laclede Gas entered into an agreement to sell the Forest Park property, which closed on May 14, 2014. As part of the agreement Laclede Gas leased back the property for a term that expires March 31, 2015.

Alagasco

The primary offices of Alagasco are located in leased office space in Birmingham, Alabama. The lease extends through February 28, 2018 and there is no option for renewal.

The properties of Alagasco consist primarily of its gas distribution system, which includes approximately 11,000 miles of main and approximately 12,000 miles of service lines, odorization and regulation facilities, and customer meters. Alagasco also has two LNG facilities, thirteen operation centers, two business centers, and other related property and equipment, some of which are leased by Alagasco.

For further information on the Utilities' leases see Note 16, Commitments and Contingencies, of the Notes to the Financial Statements.

Other properties of Laclede Group, including LER, do not constitute a significant portion of its properties.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

For a description of pending regulatory matters of Laclede Group, see Note 15, Regulatory Matters, of the Notes to the Financial Statements. For a description of environmental matters, see Note 16, Commitments and Contingencies, of the Notes to the Financial Statements.

Laclede Group and its subsidiaries are involved in litigation, claims, and investigations arising in the normal course of business. Management, after discussion with counsel, believes the final outcome will not have a material effect on the consolidated financial position or results of operations reflected in the consolidated financial statements presented herein.

Table of Contents

EXECUTIVE OFFICERS OF THE REGISTRANT – Listed below are executive officers as defined by the SEC for Laclede Group and Laclede Gas. Their ages, at September 30, 2014, and positions are listed below along with their business experience during the past five years.

Name, Age, and Position with Company *	Appointed (1)
S. Sitherwood, Age 54	
Laclede Group President and Chief Executive Officer President (2)	February 2012 September 2011
Laclede Gas Chairman of the Board and Chief Executive Officer (2) Chairman of the Board, Chief Executive Officer and President	October 2012 February 2012
S. L. Lindsey, Age 48	
Laclede Group Executive Vice President, Chief Operating Officer, Distribution Operations	October 2012
Laclede Gas President (3)	October 2012
S. P. Rasche, Age 54	
Laclede Group Executive Vice President, Chief Financial Officer Senior Vice President, Chief Financial Officer Senior Vice President, Finance and Accounting	November 2013 October 2013 May 2012
Laclede Gas Chief Financial Officer Vice President, Finance (4)	May 2012 November 2009
M. C. Darrell, Age 56	
Laclede Group Senior Vice President, General Counsel and Chief Compliance Officer General Counsel (5)	May 2012 May 2004

Table of Contents

M. C. Kullman, Age 54

Laclede Group	
Senior Vice President, Chief Administrative Officer and Corporate Secretary	May 2012
Chief Governance Officer and Corporate Secretary	February 2004

Laclede Gas	
Senior Vice President, Assistant Corporate Secretary	October 2013
Corporate Secretary	May 2012
Chief Governance Officer and Corporate Secretary	February 2004

L. C. Dowdy, Age 58

Laclede Group	
Senior Vice President, External Affairs, Corporate Communications and Marketing (6)	January 2014

Laclede Gas	
Senior Vice President	January 2014

M. R. Spotanski, Age 54

Laclede Group	
Senior Vice President, Chief Integration and Innovation Officer (7)	May 2012

* The information provided relates to the Company and its principal subsidiaries. Many of the executive officers have served or currently serve as officers or directors for other subsidiaries of the Company.

(1) Officers of Laclede Group [and Laclede Gas] are normally reappointed at the Board of Directors in November of each year.

Ms. Sitherwood served as President of Atlanta Gas Light Company, Chattanooga Gas Company, and Florida City Gas, all of which are subsidiaries of AGL Resources, Inc., from November 2004 to September 2011. During that time, she also served as Senior Vice President of Southern Operations for AGL Resources, Inc. From September 2011 to February 2012, Ms. Sitherwood served as President of The Laclede Group, Inc. and became its President and Chief Executive Officer effective February 1, 2012.

Mr. Lindsey served as Senior Vice President, Southern Operations of AGL Resources, Inc. and President of its Atlanta Gas Light, Chattanooga Gas and Florida City Gas subsidiaries from December 2011 to October 2012. He also served as Vice President and General Manager of Atlanta Gas Light and Chattanooga Gas from 2005 to 2011.

(4) Mr. Rasche served as the Chief Financial Officer for TLC Vision Corporation from 2004 to May 2009.

(5) Mr. Darrell served as Senior Vice President and General Counsel of Laclede Gas Company from October 2007 to July 2012.

(6) Mr. Dowdy served as Partner at the law firm McKenna Long & Aldridge LLP until December 2013.

Mr. Spotanski served as Senior Vice President – Operations and Marketing of Laclede Gas Company from October 2007 to July 2012. On September 30, 2014, Mr. Spotanski announced his retirement from the Company effective January 1, 2015.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Laclede Group

Laclede Group's common stock trades on The New York Stock Exchange under the symbol "LG." The high and the low sales price for the common stock for each quarter in the two most recent fiscal years are:

	2014		2013	
	High	Low	High	Low
1st Quarter	\$47.82	\$43.96	\$44.04	\$37.35
2nd Quarter	47.48	43.95	42.89	37.43
3rd Quarter	48.75	44.75	48.50	41.83
4th Quarter	49.95	45.36	47.84	42.84

The number of holders of record as of September 30, 2014 was 3,809.

Dividends declared on the common stock for the two most recent fiscal years were:

	2014	2013
1st Quarter	\$0.440	\$0.425
2nd Quarter	0.440	0.425
3rd Quarter	0.440	0.425
4th Quarter	0.440	0.425

For disclosures related to securities authorized for issuance under equity compensation plans, see Item 12, page 94.

During the three months ended September 30, 2014, the only repurchases of our common stock were pursuant to elections by employees to have shares of stock withheld to cover employee tax withholding obligations upon the vesting of performance-based and time-vested restricted stock and stock units. The following table provides information on those repurchases:

Period	Total Number of Shares Purchases	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet be Purchased Under the Plans
July 1, 2014 – July 31, 2014	—	\$—	—	—
August 1, 2014 – August 31, 2014	—	\$—	—	—
September 1, 2014 – September 30, 2014	793	\$49.49	—	—
Total	793	\$49.49	—	—

Laclede Gas

Laclede Gas common stock is owned by its parent, The Laclede Group, Inc., and is not traded on any stock exchange.

Dividends declared on the common stock for the two most recent fiscal years were:

	2014	2013
1st Quarter	\$586.08	\$747.77
2nd Quarter	587.16	748.56
3rd Quarter	587.14	1,080.54
4th Quarter	773.05	592.87

Laclede Gas' mortgage contains several restrictions on its ability to pay cash dividends on its common stock, as described in further detail in Note 5, Stockholder's Equity, of the Notes to the Financial Statements.

Table of Contents

Laclede Group periodically purchases common stock of Laclede Gas with the price set at the book value of Laclede Gas common stock as of the most recently completed fiscal quarter. The details on sales of common stock of Laclede Gas to Laclede Group during the past three fiscal years are set forth below:

Date of Sale	Aggregate Purchase Price (millions)	Number of Shares
2012		
December 13, 2011	\$0.4	11
February 8, 2012	0.7	18
May 14, 2012	0.9	22
August 14, 2012	0.7	18
September 12, 2012	40.0	1,018
2013		
December 13, 2012	\$0.8	21
March 13, 2013	0.9	22
May 10, 2013	0.2	5
August 8, 2013	0.4	9
August 30, 2013	430.0	10,581
September 30, 2013	45.0	1,107
2014		
December 10, 2013	\$0.3	9
February 6, 2014	0.4	9
May 12, 2014	0.4	10

Exemption from registration for the sale of stock was claimed under section 4(a)(2) of the Securities Act of 1933.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The Laclede Group, Inc.

(\$ Millions, Except Per Share Amounts)	Fiscal Years Ended September 30				
	2014 ⁽¹⁾	2013 ⁽²⁾	2012	2011	2010
Statements of Income data					
Total operating revenues	\$1,627.2	\$1,017.0	\$1,125.5	\$1,603.3	\$1,735.0
Net Income	84.6	52.8	62.6	63.8	54.0
Common Stock data					
Diluted Earnings Per Share of Common Stock	\$2.35	\$2.02	\$2.79	\$2.86	\$2.43
Dividends Declared Per Share of Common Stock	1.76	1.70	1.66	1.62	1.58
Statements of Financial Position data					
Total Assets	\$5,074.0	\$3,125.4	\$1,880.3	\$1,783.1	\$1,840.2
Long-Term Debt (less current portion)	1,851.0	912.7	339.4	364.4	364.3
Consolidated Net Economic Earnings Data (3)					
Net Income (GAAP)	\$84.6	\$52.8	\$62.6	\$63.8	\$54.0
Unrealized (gain) loss on energy-related derivatives	(0.9)	0.5	(0.3)	(1.4)	2.2
Lower of cost or market inventory adjustments	(0.7)	0.9	—	—	—
Realized (gain) loss on economic hedges prior to the sale of the physical commodity	(0.2)	—	0.2	—	—
Acquisition, divestiture and restructuring activities	17.3	10.8	0.1	—	—
Net Economic Earnings (Non-GAAP)	\$100.1	\$65.0	\$62.6	\$62.4	\$56.2
Diluted Earnings per Share of Common Stock:					
Net Income (GAAP)	\$2.35	\$2.02	\$2.79	\$2.86	\$2.43
Unrealized loss (gain) on energy-related derivatives	(0.02)	0.02	(0.02)	(0.07)	0.09
Lower of cost or market inventory adjustments	(0.02)	0.03	—	—	—
Realized (gain) loss on economic hedges prior to the sale of the physical commodity	(0.01)	—	0.01	—	—
Acquisition, divestiture and restructuring activities	0.48	0.42	0.01	—	—
Weighted Average Shares Adjustment	0.27	0.38	—	—	—
Net Economic Earnings (Non-GAAP)	\$3.05	\$2.87	\$2.79	\$2.79	\$2.52

(1) Effective August 31, 2014, the Company completed the purchase from Energen of 100% of the outstanding common stock of Alagasco for approximately \$1,600.0. Laclede Group funded the purchase price with a combination of the issuance of approximately 10.4 million shares of common stock and approximately 2.8 million equity units completed on June 11, 2014, the issuance by Laclede Group of \$625.0 aggregate principal amount of senior notes on August 19, 2014, and cash from operations. The purchase price for the Alagasco acquisition remains subject to certain customary post-closing adjustments, which at this time are not expected to be material.

(2) Effective September 1, 2013, Laclede Gas completed the purchase from Southern Union Company, an affiliate of Energy Transfer Equity, L.P. and Energy Transfer Partners, L.P., of substantially all of the assets and liabilities of MGE, a utility engaged in the distribution of natural gas on a regulated basis in western Missouri for \$940.2. The acquisition was supported by a combination of the issuance of approximately 10 million shares of common stock completed on May 29, 2013 and the issuance by Laclede Gas of \$450.0 of first mortgage bonds on August 13, 2013.

(3) This section contains the non-GAAP financial measures of net economic earnings and net economic earnings per share. Net economic earnings per share are calculated by replacing consolidated net income with consolidated net economic earnings in the GAAP diluted earnings per share calculation.

2014 net economic earnings per share excludes the impact of the June 2014 equity offerings to fund the acquisition of Alagasco, but includes the May 2013 equity offering to fund the MGE acquisition. The weighted-average diluted shares used in the net economic earnings per share calculation for the fiscal year ended September 30, 2014 was 32.7 compared to 35.9 in the GAAP EPS calculation.

2013 net economic earnings per share excludes the impact of the May 2013 equity offering to fund the acquisition of MGE. The weighted-average diluted shares used in the net economic earnings per share calculation for the fiscal year ended September 30, 2013 was 22.5 compared to 26.0 in the GAAP EPS calculation.

For more information on economics earnings data, refer to the Earnings section of Management's Discussion and Analysis of Financial Condition and Results of Operations on [page 28](#).

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(\$ in millions, except for per share amounts)

THE LACLEDE GROUP, INC.

INTRODUCTION

This section analyzes the financial condition and results of operations of Laclede Group and Laclede Gas, a 100% owned subsidiary of the Company. It includes management's view of factors that affect its business, explanations of past financial results including changes in earnings and costs from the prior year periods, and their effects on the Company's and Laclede Gas' overall financial condition and liquidity. Reference is made to "Part I. Item 1A. Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements," which describe important factors that could cause actual results to differ from expectations and non-historical information contained herein. In addition, the following discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto of Laclede Group and Laclede Gas included in "Item 8. Financial Statements and Supplementary Data."

The Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements, Laclede Gas financial statements and the notes thereto.

RESULTS OF OPERATIONS

Overview

The Company has two key business segments: Gas Utility and Gas Marketing. Laclede Group's earnings are primarily derived from its Gas Utility segment, which reflects the regulated activities of the Utilities. The Gas Utility segment consists of the regulated businesses of Laclede Gas and Alagasco.

Gas Utility - Laclede Gas

Laclede Gas is Missouri's largest natural gas distribution company. Laclede Gas is regulated by the Missouri Public Service Commission and serves St. Louis and eastern Missouri through its legacy Laclede Gas assets and serves Kansas City and western Missouri through its MGE assets, which were acquired on September 1, 2013. Laclede Gas delivers natural gas to retail customers at rates and in accordance with tariffs authorized by the MoPSC. The earnings of Laclede Gas are primarily generated by the sale of heating energy. Laclede Gas' weather mitigation rate design and MGE's straight fixed variable rate design lessen the impact of weather volatility on its customers during cold winters and stabilizes Laclede Gas' earnings. Due to the seasonal nature of the business of Laclede Gas, Laclede Group's earnings are typically concentrated during the heating season of November through April each fiscal year, although earnings for MGE are less seasonal than earnings from Laclede Gas due to MGE's rate design, which recovers fixed costs more evenly throughout the year.

On December 14, 2012, Laclede Group, through two 100% owned subsidiaries, Plaza Missouri Acquisition, Inc. (Plaza Missouri) and Plaza Massachusetts Acquisition, Inc. (Plaza Mass), entered into acquisition agreements to acquire from Southern Union Company (SUG) substantially all of the assets and liabilities of MGE and New England Gas Company (NEG). Subsequently, on January 11, 2013, the Company and Plaza Missouri, with consent of SUG, entered into an agreement with Laclede Gas to assign the MGE agreement to Laclede Gas. On February 11, 2013, the Company entered into an agreement with Algonquin Power & Utilities Corp. (APUC) that will allow an APUC subsidiary, through its acquisition of the stock of Plaza Mass, to acquire the Company's rights to purchase the assets of NEG, subject to certain approvals and conditions. On December 20, 2013, the Company closed the sale of Plaza Mass to an APUC subsidiary and received \$11.0 from APUC. On December 24, 2013, the Massachusetts Attorney General filed a Motion for Clarification/Reconsideration with the MDPU claiming, among other things, that legislative approval was required for a transfer of utility assets. On March 26, 2014, the MDPU issued an order denying the Attorney General's motion. The Attorney General did not appeal, thus the MDPU's order approving the sale of NEG is final.

On July 2, 2013, Laclede Gas and other parties to the case filed a Unanimous Stipulation and Agreement with the MoPSC that authorized Laclede Gas to complete the acquisition of MGE, subject to certain conditions, including restrictions relative to the timing of filing for general rate increases and reporting requirements. This Unanimous

Stipulation and Agreement was approved by the MoPSC on July 17, 2013. Effective September 1, 2013, Laclede Gas closed on the purchase of MGE assets and liabilities.

Gas Utility - Algasco

On August 31, 2014, the Company purchased from Energen 100% of the outstanding common stock of Algasco, with the purchase price for the Algasco acquisition remaining subject to certain customary post-closing adjustments, which at this time are not expected to be material. Algasco is the largest natural gas distribution utility in the state of Alabama.

Table of Contents

Alagasco purchases natural gas through interstate and intrastate suppliers and distributes the purchased gas through its distribution facilities for sale to residential, commercial, and industrial customers and other end-users of natural gas. Alagasco also provides transportation services to large industrial and commercial customers located on its distribution system. These transportation customers, using Alagasco as their agent or acting on their own, purchase gas directly from marketers or suppliers and arrange for delivery of the gas into the Alagasco distribution system. Alagasco charges a fee to transport such customer-owned gas through its distribution system to the customers' facilities. Alagasco's service territory is located in central and north Alabama and includes 186 cities and communities in 32 counties. The aggregate population of the counties served by Alagasco is estimated to be 3.0 million. Among the cities served by Alagasco are Birmingham, the center of the largest metropolitan area in Alabama, and Montgomery, the state capital. During 2014, Alagasco served an average of 391,840 residential customers and 31,236 commercial, industrial and transportation customers. The Alagasco distribution system includes approximately 23,000 miles of main, service lines, odorization regulation facilities, and customer meters.

Gas Marketing

Laclede Energy Resources, Inc. is engaged in the marketing of natural gas and related activities on a non-regulated basis and is reported in the Gas Marketing segment. LER markets natural gas to both on-system utility transportation customers and customers outside of Laclede Gas' traditional service territory, including large retail and wholesale customers. LER's operations and customer base are more subject to fluctuations in market conditions than the Utilities. LER entered into a new 10 year contract for 1 Bcf of natural gas storage effective August 1, 2013 and has an additional 1 Bcf storage contracted through January 2016.

Business Evaluation Factors

Based on the nature of the business of the Company and its subsidiaries, as well as current economic conditions, management focuses on the following key variables in evaluating the financial condition and results of operations and managing the business:

Gas Utility Segment:

- the Utilities' ability to recover the costs of purchasing and distributing natural gas from their customers;
- the impact of weather and other factors, such as customer conservation, on revenues and expenses;
- changes in the regulatory environment at the federal, state, and local levels, as well as decisions by regulators, that impact the Utilities' ability to earn its authorized rate of return in all service territories they serve;
- the Utilities' ability to access credit markets and maintain working capital sufficient to meet operating requirements;
- the effect of natural gas price volatility on the business; and
- the ability to integrate the operations of all acquisitions.

Gas Marketing Segment:

- the risks of competition;
- fluctuations in natural gas prices;
- new national pipeline infrastructure projects;
- the ability to procure firm transportation and storage services at reasonable rates;
- credit and/or capital market access;
- counterparty risks; and
- the effect of natural gas price volatility on the business.

Further information regarding how management seeks to manage these key variables is discussed below.

Gas Utility

The Utilities provide reliable natural gas services at a reasonable cost, while maintaining and building secure and dependable infrastructures. The Utilities' strategies focus on improving both performance and the ability to recover their authorized distribution costs and rates of return. The Utilities' distribution costs are the essential, primarily fixed, expenditures it must incur to operate and maintain more than 53,000 miles of mains and services comprising the natural gas distribution systems and related storage facilities for Laclede Gas and Alagasco.

Table of Contents

The Utilities' distribution costs include wages and employee benefit costs, depreciation and maintenance expenses, and other regulated utility operating expenses, excluding natural and propane gas expense. Distribution costs are considered in the rate-making process, and recovery of these types of costs is included in revenues generated through the Utilities' tariff rates. Laclede Gas' tariff rates are approved by the MoPSC, whereas Alagasco's tariff rates are approved by the APSC. Laclede Gas also has an off-system sales and capacity release income stream that is regulated by tariff.

Laclede Gas' income from off-system sales and capacity release remains subject to fluctuations in market conditions. Laclede Gas is allowed to retain the following annual income (shown by legacy business):

Laclede Gas

Pre-tax Income	Customer Share	Company Share
First \$2 million	100%	—%
Next \$2 million	80%	20%
Next \$2 million	75%	25%
Amounts exceeding \$6 million	70%	30%

MGE

Pre-tax Income	Customer Share	Company Share
First \$1.2 million	85%	15%
Next \$1.2 million	80%	20%
Next \$1.2 million	75%	25%
Amounts exceeding \$3.6 million	70%	30%

Some of the factors impacting the level of off-system sales include the availability and cost of Laclede Gas' natural gas supply, the weather in its service area, and the weather in other markets. When Laclede Gas' service area experiences warmer-than-normal weather, while other markets experience colder weather or supply constraints, some of the utility's natural gas supply is available for off-system sales. See the Regulatory and Other Matters section on page 42 of this report for additional information on Laclede Gas' off-system sales.

Laclede Gas and Alagasco work actively to reduce the impact of wholesale natural gas price volatility on their costs by strategically structuring their natural gas supply portfolios to increase their gas supply availability and pricing alternatives and through the use of derivative instruments to protect their customers from significant changes in the commodity price of natural gas. Nevertheless, the overall cost of purchased gas remains subject to fluctuations in market conditions. Laclede Gas' Purchased Gas Adjustment (PGA) clause and Alagasco's GSA rider allows the Utilities to flow through to customers, subject to prudence review by the MoPSC and APSC, the cost of purchased gas supplies, including costs, cost reductions, and related carrying costs associated with the use of derivative instruments to hedge the purchase price of natural gas, as well as gas inventory carrying costs. As of September 30, 2014, Laclede Gas had active derivative positions, but Alagasco has had no derivative instrument activity since 2010. The Utilities believe they will continue to be able to obtain sufficient gas supply. The price of natural gas supplies and other economic conditions may affect sales volumes, due to the conservation efforts of customers, and cash flows associated with the timing of collection of gas costs and related accounts receivable from customers.

Both Laclede Gas and Alagasco rely on both short-term credit and long-term capital markets, as well as cash flows from operations, to satisfy their seasonal cash requirements and fund their capital expenditures. The Utilities' ability to issue commercial paper, access their lines of credit, issue long-term bonds, or to obtain new lines of credit is dependent on current conditions in the credit and capital markets. Management focuses on maintaining a strong balance sheet and believes it currently has adequate access to credit and capital markets and will have sufficient capital resources to meet their foreseeable obligations. See the Liquidity and Capital Resources section on page 44 for additional information.

Gas Marketing

LER provides both on-system Laclede Gas transportation customers and customers outside of Laclede Gas' traditional service area with another choice in non-regulated natural gas suppliers. LER utilizes its natural gas supply agreements, transportation agreements, park and loan agreements, storage agreements, and other executory contracts to support a

variety of services to its customers at competitive prices. It closely monitors and manages the natural gas commodity price and volatility risks associated with providing such services to its customers through the use of a variety of risk management activities, including the use of exchange-traded/cleared derivative instruments and other contractual arrangements. LER is committed to managing commodity price risk, while it seeks to expand the services that it now provides. Nevertheless, income from LER's operations is more subject to fluctuations in market conditions than Laclede Gas' operations.

Table of Contents

LER's business is directly impacted by the effects of competition in the marketplace, the impacts of new pipeline infrastructure and surplus natural gas supplies on natural gas commodity prices. Management expects that LER's net economic earnings (a non-GAAP measure, as discussed below) will continue to be negatively impacted by the expiration of favorable long-term natural gas supply contracts, the last of which expired on October 31, 2013. For fiscal 2014, this impact was more than offset by higher margins achieved due to higher price volatility and basis differentials (pricing differences between supply regions) that stemmed from the unusually cold winter.

In addition to its operating cash flows, LER relies on Laclede Group's parental guarantees to secure its purchase and sales obligations of natural gas. LER also has access to Laclede Group's liquidity resources. A large portion of LER's receivables are from customers in the energy industry. LER also enters into netting arrangements with many of its energy counterparties to reduce overall credit and collateral exposure. Although LER's uncollectible amounts are closely monitored and have not been significant, increases in uncollectible amounts from customers are possible and could adversely affect LER's liquidity and results.

LER carefully monitors the creditworthiness of counterparties to its transactions. LER performs in-house credit reviews of potential customers and may require credit assurances such as prepayments, letters of credit, or parental guarantees when appropriate. Credit limits for customers are established and monitored.

As a result of pipeline infrastructure, optimization activities and increased gas supply, and an abundance of natural gas supply, LER cannot be certain that all of its wholesale purchase and sale transactions will settle physically. As such, certain transactions entered into in fiscal year 2014 are designated as trading activities for financial reporting purposes, due to their settlement characteristics, rather than elected for normal purchases or normal sales designations under generally accepted accounting principles (GAAP). Results of operations from trading activities are reported on a net basis in Gas Marketing Operating Revenues, which may cause volatility in the Company's operating revenues, but has no effect on operating income or net income.

In the course of its business, LER enters into commitments associated with the purchase or sale of natural gas. In accordance with GAAP, some of LER's purchase and sale transactions are not recognized in earnings until the natural gas is physically delivered, while other energy-related transactions, including those designated as trading activities, are required to be accounted for as derivatives, with the changes in their fair value (representing unrealized gains or losses) recorded in earnings in periods prior to settlement. Because related transactions of a purchase and sale strategy may be accounted for differently, there may be timing differences in the recognition of earnings under GAAP and economic earnings realized upon settlement. The Company reports both GAAP and net economic earnings (non-GAAP), as discussed below.

Table of Contents

EARNINGS

Net income reported by the Laclede Group and Laclede Gas are determined in accordance with accounting principles generally accepted in the United States of America (GAAP). Management also uses the non-GAAP measures of net economic earnings, net economic earnings per share - diluted and operating margin when internally evaluating results of operations. These internal non-GAAP operating metrics should not be considered as an alternative to, or more meaningful than, GAAP measures such as net income.

Non-GAAP Measures - Net Economic Earnings and Net Economic Earnings Per Share

Net Economic Earnings and Net Economic Earnings Per Share are non-GAAP measures that exclude from net income the after-tax impacts of fair value accounting and timing adjustments associated with energy-related transactions as well as acquisition, divestiture, and restructuring activities. These fair value and timing adjustments are made in instances where the accounting treatment differs from the economic substance of the underlying transaction, including the following:

- Net unrealized gains and losses on energy-related derivatives that are required by GAAP fair value accounting associated with current changes in the fair value of financial and physical transactions prior to their completion and settlement. These unrealized gains and losses result primarily from two sources:
 - 1) changes in the fair values of physical and/or financial derivatives prior to the period of settlement; and,
 - 2) ineffective portions of accounting hedges, required to be recorded in earnings prior to settlement, due to differences in commodity price changes between the locations of the forecasted physical purchase or sale transactions and the locations of the underlying hedge instruments;

• Lower of cost or market adjustments to the carrying value of commodity inventories resulting when the market price of the commodity falls below its original cost, to the extent that those commodities are economically hedged; and

• Realized gains and losses resulting from the settlement of economic hedges prior to the sale of the physical commodity.

Additionally, management excludes acquisition, divestiture, and restructuring activities when evaluating on-going performance.

These adjustments eliminate the impact of timing differences and the impact of current changes in the fair value of financial and physical transactions prior to their completion and settlement. Unrealized gains or losses are recorded in each period until being replaced with the actual gains or losses realized when the associated physical transaction(s) occur. While management uses these non-GAAP measures to evaluate both the Utilities and LER, the net effect of adjustments on the Utilities' earnings are minimal. This is due to gains or losses on Laclede Gas' natural gas derivative instruments being deferred pursuant to its PGA clause, as authorized by the MoPSC; and gains or losses on any Alagasco natural gas derivative instruments being deferred pursuant to its GSA rider, as authorized by the APSC. Management believes that excluding the earnings volatility caused by recognizing changes in fair value prior to settlement and other timing differences associated with related purchase and sale transactions provides a useful representation of the economic effects of only the actual settled transactions and their effects on results of operations. In addition, management excludes the impact related to unique acquisition, divestiture, and restructuring activities when evaluating on-going performance, and therefore excludes these impacts from net economic earnings. Net economic earnings per share also excludes the impact of the May 2013 and June 2014 equity offerings to fund the acquisitions of MGE and Alagasco. Management believes that this presentation provides a useful representation of operating performance by facilitating comparisons of year-over-year results. The definition and measurement of net economic earnings provided above is consistent with that used by management and the Board of Directors in assessing the Company's and Laclede Gas' performance as well as determining performance under the Company's and Laclede Gas' incentive compensation plans. Further, the Company believes this better enables an investor to view the Company's and Laclede Gas' performance in that period on a basis that would be comparable to prior periods. Reconciliations of net economic earnings and net economic earnings per share to the Company's most directly comparable GAAP measures are provided on the following pages.

Non-GAAP Measure - Operating Margin

In addition to operating revenues and operating expenses, management also uses the non-GAAP measure of operating margin when evaluating result of operations, as shown in the table below. The Utilities pass on to their customers

(subject to prudence review by the MoPSC and APSC) increases and decreases in the wholesale cost of natural gas in accordance with their PGA clauses (Missouri Utility) and GSA rider (Alabama Utility). The volatility of the wholesale natural gas market results in fluctuations from period to period in the recorded levels of, among other items, revenues and natural gas cost expense. Nevertheless, increases and decreases in the cost of gas associated with system gas sales volumes and gross receipts tax expense, which are calculated as a percentage of revenues, with the same amount, excluding immaterial timing differences,

Table of Contents

included in revenues, has no direct effect on operating income. As these costs are included in revenue and operating expenses and management does not have any control over these amounts for the Utilities, management believes that beginning with operating margins is a more useful measure. In addition, it is management's belief that operating margins and the remaining operating expenses that calculate operating income is a more useful measure in assessing the Company's and the Utilities' performance as management has more ability to influence control over these revenues and expenses.

32

Table of Contents

Overview – Net Income (Loss)

(\$ Millions, except per share amounts)	Gas Utility	Gas Marketing	Other	Consolidated	Per Share Amounts
Year Ended September 30, 2014					
Net Income (Loss) (GAAP)	\$87.1	\$12.2	\$(14.7)	\$84.6	\$2.35
Unrealized loss (gain) on energy-related derivatives*	0.2	(1.1)	) —	(0.9)	(0.02)
Lower of cost or market inventory adjustments*	—	(0.7)	) —	(0.7)	(0.02)
Realized (gain) loss on economic hedges prior to the sale of the physical commodity*	—	(0.2)	) —	(0.2)	(0.01)
Acquisition, divestiture and restructuring activities*	5.5	—	11.8	17.3	0.48
Weighted Average Shares Adjustment **					0.27
Net Economic Earnings (Losses) (Non-GAAP)	\$92.8	\$10.2	\$(2.9)	\$100.1	\$3.05
Year Ended September 30, 2013					
Net Income (Loss) (GAAP)	\$56.3	\$7.6	\$(11.1)	\$52.8	\$2.02
Unrealized loss on energy-related derivatives*	0.1	0.4	—	0.5	0.02
Lower of cost or market inventory adjustments*	—	0.9	—	0.9	0.03
Acquisition, divestiture and restructuring activities*	0.3	—	10.5	10.8	0.42
Weighted Average Shares Adjustment ***					0.38
Net Economic Earnings (Losses) (Non-GAAP)	\$56.7	\$8.9	\$(0.6)	\$65.0	\$2.87
Year Ended September 30, 2012					
Net Income (GAAP)	\$48.2	\$12.3	\$2.1	\$62.6	\$2.79
Unrealized (gain) loss on energy-related derivatives*	(0.1)	) (0.2)	) —	(0.3)	(0.02)
Realized loss on economic hedges prior to the sale of the physical commodity*	—	0.2	—	0.2	0.01
Less: Acquisition, divestiture and restructuring activities*	—	—	0.1	0.1	0.01
Net Economic Earnings (Non-GAAP)	\$48.1	\$12.3	\$2.2	\$62.6	\$2.79

* Amounts presented net of income taxes. Income taxes are calculated by applying federal, state, and local income tax rates applicable to ordinary income to the amounts of the pre-tax reconciling items.

2014 net economic earnings per share exclude the impact of the June 2014 equity offerings to fund the acquisition of Alagasco, but includes the May 2013 equity offering to fund the MGE acquisition. The weighted-average diluted shares used in the net economic earnings per share calculation for the fiscal year ended September 30, 2014 was 32.7 compared to 35.9 in the GAAP EPS calculation.

2013 net economic earnings per share excludes the impact of the May 2013 equity offering to fund the acquisition of MGE. The weighted-average diluted shares used in the net economic earnings per share calculation for the fiscal year ended September 30, 2013 was 22.5 compared to 26.0 in the GAAP EPS calculation.

2014 vs. 2013

Consolidated

Laclede Group's net income was \$84.6 in fiscal year 2014, including a net loss of \$2.9 relating to Alagasco's operations for the month ended September 30, 2014, compared with \$52.8 in fiscal year 2013. Basic and diluted earnings per share were \$2.36 and \$2.35 respectively for fiscal year 2014 compared with basic and diluted earnings per share of \$2.03 and \$2.02 respectively for fiscal year 2013. Net economic earnings were \$100.1 in fiscal year 2014, compared with \$65.0 in fiscal year 2013. Net economic earnings per share were \$3.05 in fiscal year 2014, compared with \$2.87 for fiscal year 2013. GAAP earnings increased in fiscal year 2014 compared to fiscal year 2013 primarily due to improved results in Laclede Group's Gas Utility segment, which reflects the inclusion of a full year of MGE operations, improved earnings from the Gas Marketing Segment and the impact of colder weather in fiscal 2014, partially offset by Alagasco acquisition costs and MGE integration costs incurred during the year.

Table of Contents

Gas Utility

Gas Utility net income and net economic earnings increased by \$30.8 and \$36.1, respectively, in 2014, compared to 2013. The increases to net income and net economic earnings were primarily due to higher operating margin (a non-GAAP measure, as discussed below) of \$222.3, which reflects the inclusion of MGE operating margin of \$186.5 and Alagasco operating margin of \$14.8. These increases were partially offset by an increase in other operating expenses of \$124.9, including MGE other operating expenses of \$103.5, Alagasco other operating expenses of \$14.2, an increase in depreciation and amortization expenses totaling \$34.1, including MGE depreciation and amortization expenses totaling \$26.0 and Alagasco depreciation and amortization of \$3.9, higher interest expense totaling \$12.6, and increased income tax expenses of \$14.5.

Gas Marketing

Gas Marketing reported GAAP earnings totaling \$12.2, an increase of \$4.6 compared with the same period last year. Net economic earnings for fiscal year 2014 increased \$1.3 from fiscal year 2013. The increases in net income and net economic earnings were primarily attributable to increases in operating margin, as discussed in the Gas Marketing section below.

Other

Other net income and other net economic earnings decreased \$3.6 and \$2.3, respectively, compared with the same period last year. The decrease in net income is primarily due to expenses attributable to the Alagasco acquisition in fiscal year 2014 being higher than the expenses attributable to the MGE and NEG transactions in 2013.

Operating Revenues and Operating Expenses

Reconciliations of operating margin to the most directly comparable GAAP measure are shown below.

(\$ Millions)	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Year Ended September 30, 2014					
Operating Revenues	\$1,467.8	\$246.6	\$3.8	\$(91.0)	)\$1,627.2
Natural and propane gas expense	821.8	220.4	—	(90.2)	)952.0
Gross receipts tax expense	75.2	0.2	—	—	75.4
Operating margin (non-GAAP)	570.8	26.0	3.8	(0.8)	)599.8
Depreciation and amortization	82.4	0.4	0.5	—	83.3
Other operating expenses	325.5	5.4	20.0	(0.8)	)350.1
Operating income (Loss) (GAAP)	\$162.9	\$20.2	\$(16.7)	)\$—	\$166.4
Year Ended September 30, 2013					
Operating revenues	\$857.8	\$189.4	\$6.2	\$(36.4)	)\$1,017.0
Natural and propane gas expense	469.1	171.6	1.3	(35.7)	)606.3
Gross receipts tax expense	40.2	0.1	—	—	40.3
Operating margin (non-GAAP)	348.5	17.7	4.9	(0.7)	)370.4
Depreciation and amortization	48.3	0.3	0.7	—	49.3
Other operating expenses	200.6	4.6	20.1	(0.7)	)224.6
Operating income (Loss) (GAAP)	\$99.6	\$12.8	\$(15.9)	)\$—	\$96.5
Year Ended September 30, 2012					
Operating revenues	\$764.7	\$373.5	\$4.9	\$(17.6)	)\$1,125.5
Natural and propane gas expense	414.8	348.4	—	(17.6)	)745.6
Gross receipts tax expense	35.5	0.1	—	—	35.6
Operating margin (non-GAAP)	314.4	25.0	4.9	—	344.3
Depreciation and amortization	40.7	0.3	0.3	—	41.3
Other operating expenses	185.6	4.5	2.3	—	192.4
Operating income (GAAP)	\$88.1	\$20.2	\$2.3	\$—	\$110.6

Table of Contents

Consolidated

Laclede Group reported operating revenues of \$1,627.2 for the fiscal year ended September 30, 2014 compared with \$1,017.0 for the same period last year. Laclede Group's operating margin increased \$229.4 for the twelve months ended September 30, 2014, compared to the same period last year primarily due to higher Gas Utility operating margin, and growth in the operating margin reported by Gas Marketing as discussed below. Other operating expenses and depreciation and amortization increased \$125.5 and \$34.0, respectively, for the twelve months ended September 30, 2014 as compared to the same period last year. These increases were primarily due to the incremental impact of eleven additional months of MGE other operating expenses and depreciation and amortization expenses in fiscal 2014 totaling \$103.5 and \$26.0, respectively, as well as the inclusion of one month of Alagasco operating expenses and depreciation and amortization of \$14.2 and \$3.9, respectively. The remaining increase in other operating expenses was due to the impact of colder weather reflected in the higher provision for uncollectible accounts, and higher maintenance and employee-related expenses. The remaining increase in depreciation and amortization was associated with capital spending in fiscal 2014.

Gas Utility

Operating Revenues - Gas Utility Operating Revenues for fiscal year 2014 increased \$610.0, compared to fiscal year 2013, was primarily attributable to the following factors:

(\$ Millions)

Higher system sales volumes and other variations	\$66.3	
Lower wholesale gas costs passed on to Utility customers	(9.4)
Lower off-system sales volumes	(11.7)
Propane Utility	9.2	
Gross receipts tax	3.7	
New customer revenue from MGE acquisition	532.2	
New customer revenue from Alagasco acquisition	19.7	
Total Variation	\$610.0	

Temperatures experienced in Laclede Gas' service area during 2014 were 13.3% colder than the same period last year, and 11.4% colder than normal. Total system therms sold and transported were 1,876.6 million for fiscal year 2014 compared with 889.7 million for fiscal year 2013. Total off-system therms sold and transported outside of Laclede Gas' service area were 125.8 million for fiscal year 2014 compared with 229.4 million for fiscal year 2013. This decrease was due to colder temperatures and increased heating demand in our services areas, reducing the gas supply resources available for off-system sales or capacity release.

Operating Margin - Gas Utility operating margin was \$570.8 for fiscal year 2014, a \$222.3 increase over the same period last year. The increase was attributable to the following factors:

(\$ Millions)

Operating margin from MGE	\$186.5
Operating margin from Alagasco	14.8
Cold weather impact - higher therms sold and transported	11.9
Propane utility sales	6.1
Gross receipts tax	3.0
Total Variation	\$222.3

The increase was primarily attributable to the acquisitions of MGE and Alagasco totaling \$186.5 and \$14.8 respectively. The higher system sales volume driven by the 13.3% colder weather in the Laclede Gas service area contributed to \$11.9 of the increase. \$6.1 of the increase was the result of propane utility sales, with the remaining \$3.0 the result of all other minor variations.

Operating Expenses - Gas Utility other operating expenses in fiscal year 2014 increased \$124.9 from fiscal year 2013. Of the \$124.9 increase, \$103.5 is attributable to the MGE acquisition and \$14.2 is the result of the Alagasco acquisition. The remaining increase in other operating expenses was due to the impact of colder weather reflected in the higher provision for uncollectible accounts, higher maintenance costs and employee-related expenses. Excluding the acquisition impact of \$29.9, depreciation and amortization expense increased \$4.2 primarily due to additional

depreciable property.

35

Table of Contents

Gas Marketing

Operating Revenues - Gas Marketing operating revenue for the twelve months ended September 30, 2014 increased \$57.2 from the same period last year due to higher volumes sold and higher per unit gas sales prices. Higher gas sales prices were driven by the colder weather that resulted in a constrained pipeline infrastructure creating higher market volatility between differing regions.

Operating Margin - Gas Marketing operating margin was \$26.0 for fiscal year 2014, an \$8.3 increase compared to the same period last year. The increase in operating margin was primarily attributable to higher price volatility and basis differentials (pricing differences between supply regions) that stemmed from unusually cold winter. These higher weather-related margins offset lower run-rate margins versus the prior year, reflecting the expiration of two favorable gas supply contracts during 2013 and early 2014.

Other

Operating Revenue and Operating Expenses - Other operating revenue decreased \$2.4 primarily due to the prior year having a one-time sale of propane inventory by Laclede Pipeline totaling \$1.7. Other operating expenses decreased \$0.1 primarily due to the Alagasco acquisition-related expenses discussed above being lower than the MGE acquisition related expenses incurred in the comparative prior year period.

Interest Charges

Interest charges during fiscal year 2014 increased \$17.6 from fiscal year 2013. The increase was primarily due to the December 2012, March 2013, August 2013 and August 2014 issuances of additional long-term debt of \$25.0, \$100.0, \$450.0 and \$625.0, respectively, the June 2014 issuance of equity units totaling \$143.8, offset by the early bond redemption of \$80.0, 6.35% first mortgage bonds on January 6, 2014, and the October 2012 maturity of \$25.0, 6.5% first mortgage bonds. The assumption of Alagasco debt contributed \$1.3 to the increase in interest expense.

Average short-term interest rates were 0.5% and 0.3% for fiscal years 2014 and 2013, respectively. Average short-term borrowings were \$82.3 and \$34.2 for fiscal years 2014 and 2013, respectively.

Income Taxes

Income tax expense increased \$14.7 in fiscal year 2014 from fiscal year 2013 primarily due to higher taxable income, slightly higher effective tax rates, and other minor variations.

2013 vs. 2012

Consolidated

Laclede Group's net income was \$52.8 in fiscal year 2013, including net income of \$1.8 related to MGE, compared with \$62.6 in fiscal year 2012. Basic and diluted earnings per share were \$2.03 and \$2.02 respectively for fiscal year 2013 compared with basic and diluted earnings per share of \$2.80 and \$2.79 respectively for fiscal year 2012. Net economic earnings were \$65.0 in fiscal year 2013, compared with \$62.6 in fiscal year 2012. Net economic earnings per share were \$2.87 in fiscal year 2013, compared with \$2.79 for fiscal year 2012. Earnings decreased in fiscal year 2013 compared to fiscal year 2012 primarily due to acquisition costs incurred during the period recorded in Other partially offset by higher income reported by Gas Utility. Additionally, earnings were impacted by decreased income from the Gas Marketing Segment. The increase is primarily attributed to acquisition related items that are excluded from net economic earnings.

Gas Utility

Gas Utility net income and net economic earnings increased by \$8.1 and \$8.6, respectively, in 2013, compared with 2012. Of the \$8.1 increase in net income, \$1.8 is attributed to the acquisition of MGE. The remaining increase was primarily due to (on a pre-tax basis) higher operating margin (a non-GAAP measure, as discussed below) of \$18.9. These benefits were partially offset by higher depreciation and amortization expenses totaling \$5.0, higher operation and maintenance expenses totaling \$4.0, and higher interest expense totaling \$1.0.

Table of Contents

Gas Marketing

Gas Marketing reported GAAP earnings totaling \$7.6, a decrease of \$4.7 compared with the same period in 2012. Net economic earnings for fiscal year 2013 decreased \$3.4 from fiscal year 2012. The decreases in net income and net economic earnings were primarily attributable to decreases in operating margin, as discussed below. On a GAAP basis, LER's results were further impacted by the effect of higher net unrealized losses from certain of LER's energy-related derivative contracts and the impact of lower of cost or market inventory adjustments.

Other

Other net income and other net economic earnings decreased \$13.2 and \$2.8, respectively, compared with fiscal 2012. The decrease in net income is primarily due to incremental expenses in fiscal year 2013 as compared to fiscal year 2012 attributable to the acquisition of MGE and pending acquisition of NEG from SUG totaling \$10.5, net of tax, and other minor variations.

Operating Revenues and Operating Expenses

Reconciliations of the Company's operating margin to the most directly comparable GAAP measure are shown below. Consolidated

Laclede Group reported operating revenues of \$1,017.0 for the fiscal year ended September 30, 2013 compared with \$1,125.5 for the same period in 2012. Laclede Group's operating margin increased \$26.1 for the twelve months ended September 30, 2013, compared to the same period in 2012 primarily due to higher Gas Utility operating margin, partially offset by lower operating margin reported by Gas Marketing as discussed below. Remaining operating expenses were \$273.9 for the twelve months end September 30, 2013 compared with \$233.7 in the prior year. The increase was primarily due to additional expenses related to MGE, as well as, higher depreciation and amortization expenses totaling \$5.0 and higher operation and maintenance expenses totaling \$4.0.

Gas Utility

Operating Revenues - Gas Utility Operating Revenues for fiscal year 2013 increased \$93.1, compared to fiscal year 2012, was primarily attributable to the following factors:

(\$ Millions)

Higher system sales volumes and other variations	\$101.3	
Lower wholesale gas costs passed on to Utility customers	(30.6)
Lower off-system sales volumes	(24.0)
Higher prices charged for off-system sales	19.9	
New customer revenue from MGE acquisition	22.0	
Higher ISRS revenues	4.5	
Total Variation	\$93.1	

Temperatures experienced in Laclede Gas' service area during 2013 were 35.8% colder than in 2012, which were the warmest on record. Total system therms sold and transported to Laclede customers within its service territory were 889.7 million for fiscal year 2013 compared with 718.0 million for fiscal year 2012. Total off-system therms sold and transported outside of Laclede Gas' service area were 229.4 million for fiscal year 2013 compared with 314.5 million for fiscal year 2012.

Operating Margin - Gas Utility operating margin was \$348.5 for fiscal year 2013, a \$34.1 increase over the same period in the prior year. Of the \$34.1 increase, \$15.2 is attributed to the acquisition of MGE. The remaining increase is primarily due to increased sales margins reflecting colder weather this year totaling \$13.3, higher Infrastructure System Replacement Surcharge (ISRS) revenues totaling \$4.5, and other minor variations of \$1.1.

Operating Expenses - Remaining operating expenses in fiscal year 2013 increased \$22.6 from fiscal year 2012. Other operation and maintenance expenses increased \$4.0 primarily due to increased compensation and benefits, maintenance, IT and professional fees, partially offset by a lower provision for uncollectible accounts and a decrease in customer accounts expenses. Depreciation and amortization expense increased \$5.0 primarily due to additional depreciable property. Taxes, other than income and gross receipts tax, increased \$1.0 primarily due to higher payroll taxes related to aforementioned employee expenses. The remaining increase is attributed to the acquisition of MGE.

Table of Contents

Gas Marketing

Operating Revenues - Gas Marketing operating revenues decreased \$184.1 primarily due to the effect of recording certain transactions on a net basis, instead of a gross basis, partially offset by higher per unit gas prices and increases in volumes purchased and sold.

Operating Margin - Gas Marketing operating margin was \$17.7 for fiscal year 2013, a \$7.3 decrease compared to the same period in the prior year. The decrease in operating margin was primarily attributable to low price volatility and basis differentials in the current natural gas market, the expiration of a favorable supply contract, and lower of cost or market inventory adjustments. These factors were partially offset by the effect of higher volumes purchased and sold.

Other

Operating Revenue and Operating Expenses - Other operating revenue increased \$1.3 primarily due to the sale of propane inventory by Laclede Pipeline totaling \$1.7 in fiscal year 2013. Other operating expenses increased \$19.5 primarily due to the acquisition-related expenses discussed above and expenses associated with the propane sale.

Interest Charges

Interest charges during fiscal year 2013 increased \$3.7 from fiscal year 2012 primarily due to expenses associated with the Company's bridge loan facility and higher interest from the issuance of long-term debt, partially offset by a reduction in interest charges related to the recognition of previously unrecognized tax benefits. The higher interest on long-term debt reflects the net effect of the December 2012, March 2013, and August 2013 issuances of additional long-term debt of \$25.0, \$100.0, and \$450.0, respectively, and the October 2012 maturity of \$25.0 of 6 1/2% first mortgage bonds. Average short-term interest rates were 0.3% for both fiscal years 2013 and 2012. Average short-term borrowings were \$34.2 and \$43.8 for fiscal years 2013 and 2012, respectively.

Income Taxes

Income tax expense decreased \$8.7 in fiscal year 2013 from fiscal year 2012 primarily due to lower pre-tax income, various property-related deductions and other minor variations.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition, results of operations, liquidity, and capital resources are based upon our consolidated financial statements, which have been prepared in accordance with GAAP, which requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We believe the following represent the more significant items requiring the use of judgment and estimates in preparing our consolidated financial statements:

Regulatory Accounting – The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, “Regulated Operations.” This Topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. Also, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process. Management believes the following represent the more significant items recorded through the application of this accounting guidance:

PGA Clause - Laclede Gas' PGA clauses allows Laclede Gas and MGE to flow through to customers, subject to prudence review by the MoPSC, the cost of purchased gas supplies, including the costs, cost reductions, and related carrying costs associated with the utility's use of natural gas derivative instruments to hedge the purchase price of

natural gas. The difference between actual costs incurred and costs recovered through the application of the PGA clauses are recorded as regulatory assets and regulatory liabilities that are recovered

Table of Contents

or refunded in a subsequent period. The PGA clauses also permit the application of carrying costs to all over- or under-recoveries of gas costs, including costs and cost reductions associated with the use of derivative instruments, and also provide for a portion of income from off-system sales and capacity release revenues to be flowed through to customers. Laclede Gas' PGA clause also authorizes the utility to recover costs it incurs to finance its investment in gas supplies that are purchased during the storage injection season for sale during the heating season.

GSA Rider - Alagasco's rate schedules for natural gas distribution charges contain a GSA rider, established in 1993, which permits the pass-through to customers of changes in the cost of gas supply. Alagasco's tariff provides a temperature adjustment mechanism, also included in the GSA, that is designed to moderate the impact of departures from normal temperatures on Alagasco's earnings. The temperature adjustment applies primarily to residential, small commercial and small industrial customers. Other non-temperature weather related conditions that may affect customer usage are not included in the temperature adjustment. In prior years, Alagasco entered into cash flow derivative commodity instruments to hedge its exposure to price fluctuations on its gas supply. Alagasco recognizes all derivatives at fair value as either assets or liabilities on the balance sheet. Any realized gains or losses are passed through to customers using the mechanisms of the GSA rider in accordance with Alagasco's APSC approved tariff and are recognized as a regulatory asset or regulatory liability. All derivative commodity instruments in a gain position are valued on a discounted basis incorporating an estimate of performance risk specific to each related counterparty. Derivative commodity instruments in a loss position are valued on a discounted basis incorporating an estimate of performance risk specific to Alagasco. Alagasco currently has no active derivative positions.

Goodwill – Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. As part of the MGE acquisition Laclede Group recorded \$247.1 of goodwill on the September 1, 2013 acquisition date. During fiscal 2014 final reconciliations of purchase price were completed (refer to Note 2, Acquisitions, of the Notes to the Financial Statements), which effectively reduced Laclede Gas' purchase price of MGE to \$940.2 and reduced goodwill related to the transaction from \$247.1 to \$210.2. As part of the Alagasco acquisition, the Company recorded \$727.6 of goodwill on August 31, 2014. Goodwill is tested for impairment on an annual basis, or more frequently if circumstances surrounding the goodwill valuation change. The goodwill impairment test compares the fair value of a reporting unit, or operating segment, to its carrying amount, including goodwill. Goodwill associated with the MGE transaction was evaluated for impairment in July 2014. Goodwill impairment testing on Alagasco will commence in 2015.

Employee Benefits and Postretirement Obligations – Pension and postretirement obligations are calculated by actuarial consultants that utilize several statistical factors and other assumptions provided by management related to future events, such as discount rates, returns on plan assets, compensation increases, and mortality rates. For the Utilities, the amount of expense recognized and the amounts reflected in other comprehensive income are dependent upon the regulatory treatment provided for such costs, as discussed further below. Certain liabilities related to group medical benefits and workers' compensation claims, portions of which are self-insured and/or contain "stop-loss" coverage with third-party insurers to limit exposure, are established based on historical trends.

The amount of net periodic pension and other postretirement benefit cost recognized in the financial statements related to the Utilities' qualified pension plans and other postretirement benefit plans is based upon allowances, as approved by the MoPSC (for Laclede Gas) and as approved by the APSC (for Alagasco). The allowances have been established in the rate-making process for the recovery of these costs from customers. The differences between these amounts and actual pension and other postretirement benefit costs incurred for financial reporting purposes are deferred as regulatory assets or regulatory liabilities. GAAP also requires that changes that affect the funded status of pension and other postretirement benefit plans, but that are not yet required to be recognized as components of pension and other postretirement benefit cost, be reflected in other comprehensive income. For the Utilities' qualified pension plans and other postretirement benefit plans, amounts that would otherwise be reflected in other comprehensive income are deferred with entries to regulatory assets or regulatory liabilities.

Table of Contents

The table below reflects the sensitivity of Laclede Group's plans to potential changes in key assumptions:

Pension Plan Benefits:

Actuarial Assumptions	Increase/(Decrease)		Estimated Increase/(Decrease) to Projected Benefit Obligation (Millions)		Estimated Increase/(Decrease) to Annual Net Pension Cost* (Millions)
Discount Rate	0.25	%	\$(18.0	)	\$0.3
	(0.25	)%	18.6		(0.3
Rate of Future Compensation Increase	0.25	%	12.2		0.4
	(0.25	)%	(12.2	)	(0.4
Expected Return on Plan Assets	0.25	%	—		(0.9
	(0.25	)%	—		0.9

Postretirement Benefits:

Actuarial Assumptions	Increase/(Decrease)		Estimated Increase/(Decrease) to Projected Postretirement Benefit Obligation (Millions)		Estimated Increase/(Decrease) to Annual Net Postretirement Benefit Cost* (Millions)
Discount Rate	0.25	%	\$(6.8	)	\$(0.2
	(0.25	)%	7.2		0.2
Expected Return on Plan Assets	0.25	%	—		(0.3
	(0.25	)%	—		0.3
Annual Medical Cost Trend	1.00	%	7.1		1.4
	(1.00	)%	(6.7	)	(1.3

* Excludes the impact of regulatory deferral mechanism. See Note 13, Pension Plans and Other Postretirement Benefits, of the Notes to the Financial Statements for information regarding the regulatory treatment of these costs. Asset Retirement Obligations – Asset retirement obligations are recorded in accordance with GAAP using various assumptions related to the timing, method of settlement, inflation, and profit margins that third parties would demand to settle the future obligations. These assumptions require the use of judgment and estimates and may change in future periods as circumstances dictate. As authorized by the MoPSC, Laclede Gas accrues future removal costs associated with its property, plant and equipment through its depreciation rates, even if a legal obligation does not exist as defined by GAAP.

The difference between removal costs recognized in depreciation rates and the accretion expense and depreciation expense recognizable pursuant to GAAP is a timing difference between the recovery of these costs in rates and their recognition for financial reporting purposes. Alagasco accrues removal costs on certain gas distribution assets over the useful lives of its property, plant and equipment through depreciation expense in accordance with rates approved by the APSC. The costs associated with asset retirement obligations are either currently being recovered in rates or are probable of recovery in future rates. As part of the MGE and Alagasco acquisitions, Laclede Gas and Laclede Group have estimated the asset retirement obligation of their long-lived assets as of their respective acquisition dates. The valuation has been finalized for the MGE acquisition and the valuation of Alagasco asset retirement obligations is preliminary and will be finalized upon completion of a detailed fair value analysis that is being performed by the Company.

For further discussion of significant accounting policies, see Note 1, Summary of Significant Accounting Policies, of the Notes to the Financial Statements.

REGULATORY AND OTHER MATTERS

Laclede Gas

On September 16, 2013, MGE filed tariff sheets in a new general rate case proceeding designed to increase its total revenues by \$23.4, less the current annualized Infrastructure System Replacement Surcharge (ISRS) revenues of \$6.3 that were already being recovered from customers. Consistent with its normal practice, the MoPSC suspended implementation of the MGE proposed rates on September 17, 2013 and set the case for hearing in April 2014. On April 11, 2014, MGE and other parties to the rate case filed a Stipulation and Agreement resolving all issues in the case. On April 23, 2014, the MoPSC approved the

Table of Contents

Stipulation and Agreement effective May 1, 2014 for a base rate increase of \$7.8. This result is essentially equivalent to incorporating MGE's ISRS revenues into base rates. In addition, effective October 1, 2014, MGE lowered its fixed monthly charge for residential and small commercial customers and incorporate a volumetric charge in its place. After this adjustment, MGE will recover about 83% of its distribution costs from these customers through the fixed monthly charge. On December 6, 2013, MGE filed for a \$1.6 increase in ISRS revenues to recover the costs of gas safety replacement investments and public improvement projects over the nine months from January to September 2013. Effective March 21, 2014, the MoPSC approved an increase in MGE's ISRS in the amount of \$1.7 annually. However, pursuant to the settlement of the MGE rate case, the ISRS rates were reset to zero effective May 1, 2014. On July 25, 2014, MGE filed for a \$2.8 increase in ISRS revenues to recover the costs of gas safety replacement investments and public improvement projects over eight months from January to August 2014. On October 8, 2014, the MoPSC approved an incremental ISRS increase of \$2.0 million, effective on October 18, 2015.

On January 17, 2014, Laclede Gas filed to re-establish an ISRS charge to recover investments made in gas safety replacement projects and public improvement projects in Laclede Gas' eastern Missouri service territory between February 1, 2013 and December 31, 2013. Effective April 12, 2014, the MoPSC approved an ISRS charge designed to collect approximately \$7.0 in annual revenues. On July 25, 2014, Laclede Gas filed for a \$3.1 increase in ISRS revenues to recover the costs of gas safety replacement investments and public improvement projects over six months from March to August 2014. On October 15, 2014, the MoPSC approved an incremental ISRS increase of \$2.8 million, effective on October 18, 2015, bringing the total ISRS charge to \$9.8 million on an annualized basis.

Algasco

On April 14, 2014, Laclede Group, along with Energen and Algasco, filed a joint application with the APSC for approval to acquire from Energen 100% of the common stock of Algasco. On July 22, 2014 the APSC unanimously voted to approve the Algasco Transaction and subsequently issued a written order reflecting their decision effective July 24, 2014. This sale closed August 31, 2014.

Algasco is subject to regulation by the APSC which established the Rate Stabilization and Equalization (RSE) rate-setting process in 1983. Algasco's current RSE order has a term extending beyond September 30, 2018, unless the APSC enters an order to the contrary in a manner consistent with law. In the event of unforeseen circumstances, whether physical or economic, of the nature of force majeure and including a change in control, the APSC and Algasco will consult in good faith with respect to modifications, if any. Effective January 1, 2014, Algasco's allowed range of return on average common equity is 10.5% to 10.95% with an adjusting point of 10.8%. The previous allowed range of return on average common equity was 13.15% to 13.65% through December 31, 2013. Algasco is eligible to receive a performance-based adjustment of 5 basis points to the return on equity adjusting point, based on meeting certain customer satisfaction criteria. Under RSE, the APSC conducts quarterly reviews to determine whether Algasco's return on average common equity at the end of the rate year will be within the allowed range of return. Reductions in rates can be made quarterly to bring the projected return within the allowed range; increases, however, are allowed only once each rate year, effective December 1, and cannot exceed 4% of prior-year revenues.

The inflation-based Cost Control Mechanism (CCM), established by the APSC, allows for annual increases to operations and maintenance (O&M) expense. The CCM range is Algasco's 2007 actual rate year O&M expense (Base Year) inflation-adjusted using the June Consumer Price Index For All Urban Consumers each rate year plus or minus 1.75% (Index Range). If rate year O&M expense falls within the Index Range, no adjustment is required. If rate year O&M expense exceeds the Index Range, three-quarters of the difference is returned to customers through future rate adjustments. To the extent that rate year O&M is less than the Index Range, Algasco benefits by one-half of the difference through future rate adjustments. Certain items that fluctuate based on situations demonstrated to be beyond Algasco's control may be excluded from the CCM calculation.

Algasco's rate schedules for natural gas distribution charges contain a Gas Supply Adjustment (GSA) rider, established in 1993, which permits the pass-through to customers of changes in the cost of gas supply. Algasco's tariff provides a temperature adjustment mechanism, also included in the GSA, which is designed to moderate the impact of departures from normal temperatures on Algasco's earnings. The temperature adjustment applies primarily to residential, small commercial and small industrial customers. Other non-temperature weather related conditions that may affect customer usage are not included in the temperature adjustment.

The APSC approved an Enhanced Stability Reserve (ESR) in 1998, which was subsequently modified and expanded in 2010. As currently approved, the ESR provides deferred treatment and recovery for the following: (1) extraordinary O&M expenses related to environmental response costs; (2) extraordinary O&M expenses related to self-insurance costs that exceed \$1 million per occurrence; (3) extraordinary O&M expenses, other than environmental response costs and self-insurance costs, resulting from a single force majeure event or multiple force majeure events greater than \$0.3 and \$0.4, respectively, during a rate year; and (4) negative individual large commercial and industrial customer budget revenue variances that exceed \$0.4 during a rate year. Charges to the ESR are subject to certain limitations which may disallow deferred treatment and which prescribe the timing of recovery. Funding to the ESR is provided as a reduction to the refundable negative salvage balance

Table of Contents

over its nine year term beginning December 1, 2010. Subsequent to the nine year period and subject to APSC authorization, Alagasco expects to be able to recover underfunded ESR balances over a five year amortization period with an annual limitation of \$0.7. Amounts in excess of this limitation are deferred for recovery in future years.

ACCOUNTING PRONOUNCEMENTS

The Company has evaluated or is in the process of evaluating the impact that recently issued accounting standards will have on the Company's financial position or results of operations upon adoption. For disclosures related to the adoption of new accounting standards, see the New Accounting Standards section of Note 1 of the Notes to the Financial Statements.

INFLATION

The accompanying consolidated financial statements reflect the historical costs of events and transactions, regardless of the purchasing power of the dollar at the time. Due to the capital-intensive nature of the business of the Company, the most significant impact of inflation is on the depreciation of utility plant. Rate regulation, to which the Utilities are subject, allows recovery through its rates of only the historical cost of utility plant as depreciation. The Utilities expect to incur significant capital expenditures in future years, primarily related to the planned increased replacements of distribution plant. The Company believes that any higher costs experienced upon replacement of existing facilities will be recovered through the normal regulatory process.

FINANCIAL CONDITION

CASH FLOWS

Laclede Group

The Company's short-term borrowing requirements typically peak during colder months when the Utilities borrow money to cover the lag between when it purchases its natural gas and when its customers pay for that gas. Changes in the wholesale cost of natural gas, including cash payments for margin deposits associated with Laclede Gas' use of natural gas derivative instruments, variations in the timing of collections of gas cost under Laclede Gas' PGA clause and Alagasco's GSA rider, the seasonality of accounts receivable balances, and the utilization of storage gas inventories cause short-term cash requirements to vary during the year and from year to year, and may cause significant variations in the Company's cash provided by or used in operating activities.

Net cash provided by operating activities for fiscal years 2014, 2013 and 2012 was \$122.6, \$163.9 and 128.1, respectively. The decrease in net cash provided by operating activities in fiscal year 2014 as compared to fiscal year 2013 is primarily attributable to delayed customer billings increases reflecting the inclusion of MGE's operations and the timing of collections of gas cost under Laclede Gas' PGA clauses, accelerated build of natural gas stored underground, the cash paid on interest rate swaps and other working capital changes. These uses of cash were only partly offset by higher net income, and higher depreciation, amortization and accretion reflecting the inclusion of MGE and colder weather. The increase in net cash provided by operating activities in fiscal year 2013 as compared to fiscal year 2012 is primarily attributable to variations associated with the timing of collections of gas cost under Laclede Gas' PGA clause, including the net effect of increased cash payments for margin deposits associated with Laclede Gas' use of natural gas derivative instruments. The variation also reflects decreased cash payments for the funding of pension plans and for the payment of income taxes. These benefits were partially offset by changes in delayed and advanced customer billings.

Net cash used in investing activities for fiscal years 2014, 2013 and 2012 was \$1,437.6, \$1,108.3 and \$105.4, respectively. Net cash used in 2014 includes \$1,305.2 for the acquisition of Alagasco, offset partially by receipt of \$23.9 from ETE for the final reconciliation amount for the MGE acquisition and the receipt of \$11.0 associated with the sale of NEG to APUC. Net cash used in 2013 includes \$975.0 for the acquisition of MGE. The remaining net cash used in investing activities primarily reflected capital expenditures in all periods. The variations primarily reflect additional capital expenditures for distribution plant and information technology investments.

Net cash provided in financing activities for fiscal years 2014 and 2013 was \$1,278.1 and \$969.9, respectively. The net cash used in financing activities for 2012 was \$38.5. The increase in net cash provided in financing activities in fiscal year 2014 from fiscal year 2013 primarily reflects the common stock issuance of 10.350 million shares and issuance of 2.875 Equity Units in June 2014, and issuance of long-term debt of \$625.0 for the acquisition of Alagasco.

The increase in net cash provided in fiscal 2013 from fiscal year 2012 primarily reflects the May 2013 common stock issuance of 10.0 shares and issuance of long-term debt of \$450.0 for the acquisition of MGE.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

Laclede Group had no temporary cash investments as of September 30, 2014. During fiscal year 2014, short-term investments were diversified among highly-rated money market funds, interest-bearing deposits, commercial paper issues and US government or agency securities. The money market funds were accessible by the Company on demand. These investments were used to support the working capital needs of the Company's subsidiaries and as a store of liquidity in advance of the Alagasco acquisition. The balance of short-term investments ranged between \$0.0 and \$983.5 during fiscal year 2014 and ranged between \$0.0 and \$969.4 during fiscal year 2013. Due to lower yields available to Laclede Group on its short-term investments, Laclede Group elected to provide a portion of Laclede Gas' short-term funding through intercompany lending during fiscal years 2014 and 2013.

Short-term Debt

The Company's and the Utilities' short-term borrowing requirements typically peak during the colder months. These short-term cash requirements can be met through the sale of commercial paper supported by lines of credit with banks or through direct use of the lines of credit. At September 30, 2014, Laclede Gas had a syndicated line of credit in place of \$450.0 from nine banks. The largest portion provided by a single bank under the line is 15.6%. Laclede Gas line of credit includes a covenant limiting total debt, including short-term debt, to no more than 70% of total capitalization. As defined in the line of credit, total debt was 51% of total capitalization on September 30, 2014.

As defined in the line of credit, total debt was 51% of total capitalization on September 30, 2014.

On September 2, 2014, Alagasco entered into a new \$150.0 syndicated line of credit with twelve banks and extinguished the line that was in place prior to its acquisition by Laclede Group. The largest portion provided by a single bank is 10%. The line of credit, which matures on September 2, 2019, has a covenant limiting total debt to 70% of Alagasco's total capitalization. As defined in the line of credit, this ratio stood at 24% on September 30, 2014.

Short-term cash requirements outside of the Utilities have generally been met with internally-generated funds. At September 30, 2014, Laclede Group had a \$150.0 syndicated line of credit from nine banks, with the largest portion provided by a single bank being 15.6%. The line of credit has a covenant limiting the total debt of the consolidated Laclede Group to no more than 70% of the Company's total capitalization. As defined in the line of credit, this ratio stood at 59% on September 30, 2014. Laclede Group's line may be used to provide for the funding needs of various subsidiaries. Borrowings under Laclede Group's line during fiscal years 2014 ranged from \$0.0 to \$40.0, with the balance at September 30, 2014 at \$32.5. There were no borrowings under this line of credit during fiscal year 2013. On September 3, 2014, Laclede Group and Laclede Gas entered into extension agreements to extend the maturity dates on their loan agreements for a period of one year from September 3, 2018 to September 3, 2019.

Table of Contents

Laclede Group

Information about Laclede Group's consolidated short-term borrowings during the twelve months ended September 30, 2014 and 2013 and as of September 30, 2014 and 2013, is presented below:

(\$ Millions)	Laclede Gas Commercial Paper Borrowings	Laclede Group Bank Line Borrowings	Alagasco Bank Line Borrowings	Total Short Term *Borrowings **
Year Ended September 30, 2014				
Weighted average borrowings outstanding	\$77.6	\$3.6	\$13.2	\$82.3
Weighted average interest rate	0.3%	1.4%	1.2%	0.5%
Range of borrowings outstanding	\$0 – \$244.5	\$0 – \$40.0	\$9.0 – \$16.0	\$0 – \$300.5
As of September 30, 2014				
Borrowings outstanding at end of period	\$238.6	\$32.5	\$16.0	\$287.1
Weighted average interest rate	0.3%	1.4%	1.2%	0.5%
Year Ended September 30, 2013				
Weighted average borrowings outstanding	\$34.2	\$—	NA	\$34.2
Weighted average interest rate	0.3%	—%	NA	0.3%
Range of borrowings outstanding	\$0 – \$99.4	\$0 – \$0	NA	\$0 – \$99.4
As of September 30, 2013				
Borrowings outstanding at end of period	\$74.0	\$—	NA	\$74.0
Weighted average interest rate	0.3%	—%	NA	0.3%

* Weighted average borrowings for Alagasco represents Laclede Group's ownership period of one month. The one month average approximates the Alagasco daily outstanding balance for the fiscal year ended September 30, 2014.

** Represents twelve month weighted average for Laclede Group, Laclede Gas, and Alagasco.

Based on average short-term borrowings for the year ended September 30, 2014, an increase in the average interest rate of 100 basis points would decrease Laclede Group's pre-tax earnings and cash flows by approximately \$0.8 on an annual basis, portions of which may be offset through the application of PGA carrying costs.

Laclede Gas

Information about Laclede Gas' short term borrowings during the years ended September 30, 2014 and 2013 and as of September 30, 2014 and 2013, is presented below:

(\$ Millions)	Commercial Paper Borrowings	Borrowings from Laclede Group	Total Short Term Borrowings
Year Ended September 30, 2014			
Weighted average borrowings outstanding	\$77.6	\$63.4	\$141.0
Weighted average interest rate	0.3%	0.3%	0.3%
Range of borrowings outstanding	\$0 – \$244.5	\$0 – \$189.0	\$45.5 – \$272.1
As of September 30, 2014			
Borrowings outstanding at end of period	\$238.6	\$—	\$238.6
Weighted average interest rate	0.3%	—%	0.3%
Year Ended September 30, 2013			
Weighted average borrowings outstanding	\$34.2	\$29.2	\$63.4
Weighted average interest rate	0.3%	0.3%	0.3%
Range of borrowings outstanding	\$0 – \$99.4	\$0 – \$91.7	\$0 – \$160.5
As of September 30, 2013			
Borrowings outstanding at end of period	\$74.0	\$46.7	\$120.7
Weighted average interest rate	0.3%	0.3%	0.3%

Table of Contents

Based on average short-term borrowings for the year ended September 30, 2014, an increase in the average interest rate of 100 basis points would decrease Laclede Gas' pre-tax earnings and cash flows by approximately \$1.4 on an annual basis, portions of which may be offset through the application of PGA carrying costs.

Long-term Debt and Equity

Laclede Group

On April 7, 2014, Laclede Group announced that it had entered into an agreement with Energen to acquire 100% of the equity of Alagasco for \$1,600, less assumed debt. On June 11, 2014, Laclede Group issued 10.4 million shares of common stock and 2.875 million equity units, for total proceeds of approximately \$600.0, net of issuance costs, in preparation for the purchase of Alagasco. These funds were invested in high-quality, short-term instruments until the acquisition closed on August 31, 2014. The purchase price for the Alagasco acquisition remains subject to certain customary post-closing adjustments, which at this time are not expected to be material.

On August 15, 2014, Laclede Group issued \$625.0 aggregate principal amount of long-term debt. Of this, \$250.0 were floating rate senior notes with an interest rate of 3 month LIBOR + 0.75% per annum maturing in August 2017, \$125.0 were senior notes with an interest rate of 2.55% maturing in August 2019, and \$250.0 were senior notes with an interest rate of 4.70% maturing in August 2044. The net proceeds of approximately \$619 were used together with the proceeds from the earlier equity offerings and other available funds to fund the cash portion of purchase price for the Alagasco acquisition.

At September 30, 2014, Laclede Group had fixed-rate long-term debt totaling \$1,603.6 and floating rate debt of \$250.0, of which \$810.0 was issued by Laclede Gas and \$249.8 was issued by Alagasco. With the exception of the \$250.0 floating rate senior notes issued by Laclede Group in August 2014, the long-term debt issues are fixed-rate and are subject to changes in their fair value as market interest rates change. However, increases or decreases in fair value would impact earnings and cash flows only if the Company were to reacquire any of these issues in the open market prior to maturity. Under GAAP applicable to the Utilities' regulated operations, losses or gains on early redemptions of long-term debt would typically be deferred as regulatory assets or regulatory liabilities and amortized over a future period. Of the Company's \$1,853.6 senior long-term debt, \$25.0 has no call options, \$675.0 has make-whole call options, \$725.0 are callable at par one to six months prior to maturity, \$250.0 are callable at par one year prior to maturity and \$34.8 are callable at par with 30 days' notice. The same \$34.8 in notes also have a par put option limited to \$0.8 per year. The remainder of the Company's long-term debt is \$143.8 of junior subordinated notes associated with the equity units. Of Laclede Gas' \$810.0 in long-term debt, \$25.0 have no call option, \$435.0 have make-whole call options, and \$350.0 are callable at par three to six months prior to maturity. Of Alagasco's \$249.8 debt, \$215.0 have a make-whole call option, and \$34.8 are callable at par with 30 days' notice. The same \$34.8 in notes also have a put option limited to \$0.8 per year. None of the remaining other debt has any put options.

Alagasco has no standing authority to issue long-term debt, but must petition the APSC for each planned issuance. On November 3, 2014, Alagasco received authorization and approval from the APSC to borrow \$35.0 for the purposes of redeeming, without penalty, \$34.8 in existing long-term, callable debt financed at 5.7%

Laclede Group has a shelf registration statement on Form S-3 on file with the SEC for the issuance and sale of up to 168,698

shares of its common stock under its Dividend Reinvestment and Direct Stock Purchase Plan. There were 160,579 and 152,810

shares at September 30, 2014 and November 26, 2014, respectively, remaining available for issuance under its Form S-3. Laclede Group also has a shelf registration statement on Form S-3 on file with the SEC for the issuance of equity and debt securities. As described above, on June 11, 2014, Laclede Group completed public offerings under this shelf registration statement of 10.4 million shares of common stock and 2.875 million equity units, for total proceeds of approximately \$600.0, net of issuance costs. On August 15, 2014, as described above, Laclede Group completed the issuance of \$625.0 of senior unsecured notes. The amount, timing, and type of financing to be issued in the future under this shelf registration will depend on cash requirements and market conditions.

Gas Utility, Gas Marketing, Other

Laclede Gas has authority from the MoPSC to issue debt securities and preferred stock, including on a private placement basis, as well as to issue common stock, receive paid-in capital, and enter into capital lease agreements, all

for a total of up to \$518.0. This authorization is effective through June 30, 2015. During the year ended September 30, 2014, pursuant to this authority, Laclede Gas sold 28 shares of its common stock to Laclede Group for \$1.1. As of November 25, 2014, \$369.7 remains available under this authorization. Laclede Gas has a shelf registration on Form S-3 on file with the SEC for issuance of first mortgage bonds, unsecured debt, and preferred stock, which expires August 6, 2016. First mortgage bonds in the amount of \$450.0 were issued under this registration during fiscal year 2013. The amount, timing, and type of additional financing to be issued under this shelf registration will depend on cash requirements and market conditions, as well as future MoPSC authorizations.

Table of Contents

On December 6, 2013, Laclede Gas provided a notice of redemption to holders for the entire \$80.0 aggregate principal amount outstanding of its previously issued 6.35% Series first mortgage bonds due in 2038. The redemption, which was for cash and included accrued interest, was completed on January 6, 2014.

Laclede Gas capital expenditures were \$163.0 for fiscal 2014, compared with \$128.5 and \$106.7 for fiscal years 2013 and 2012, respectively. The increases in capital expenditures, compared with prior periods, are primarily attributable to additional expenditures for distribution plant investments as well as the addition of MGE capital expenditures.

Non-utility capital expenditures for fiscal year 2014 were \$2.4 compared with \$2.3 in fiscal year 2013 and \$2.1 in fiscal year 2012, and are estimated to be approximately \$10.0 for fiscal year 2015. Laclede Gas capital expenditures are expected to be approximately \$205.0 in fiscal year 2015. Alagasco capital expenditures are estimated to be \$85.0 in fiscal 2015.

Consolidated capitalization at September 30, 2014 consisted of 44.9% of Laclede Group common stock equity and 55.1% of long-term debt, compared to 53.4% of Laclede Group common stock equity and 46.6% of long-term debt at September 30, 2013.

Laclede Gas capitalization at September 30, 2014 consisted of 55.5% of common stock equity and 44.5% of long-term debt compared to 52.3% of common stock equity and 47.7% of long-term debt at September 30, 2013.

Laclede Group's ratio of earnings to fixed charges was 3.4 for fiscal year 2014, 3.3 for fiscal year 2013, and 4.4 for fiscal year 2012.

Laclede Gas' ratio of earnings to fixed charges was 4.2 for fiscal year 2014, 3.3 for fiscal year 2013, and 3.6 for fiscal year 2012.

The Company's, Laclede Gas' and Alagasco's access to capital markets, including the commercial paper market, and their respective financing costs, may depend on the credit rating of the entity that is accessing the capital markets. The credit ratings of the Company, Laclede Gas and Alagasco remain at investment grade, but are subject to review and change by the rating agencies.

It is management's view that the Company, Laclede Gas, and Alagasco have adequate access to capital markets and will have sufficient capital resources, both internal and external, to meet anticipated capital requirements, which primarily include capital expenditures, interest payments of long-term debt, scheduled maturities of long-term debt, short-term seasonal needs, and dividends.

CONTRACTUAL OBLIGATIONS**Laclede Group**

As of September 30, 2014, Laclede Group had contractual obligations with payments due as summarized below (in millions):

(\$ Millions)	Total	Payments due by period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations					
Principal Payments on Long-Term Debt	\$1,853.6	\$—	\$330.0	\$275.0	\$1,248.6
Interest Payments on Long-Term Debt (a)	1,080.4	75.9	141.0	121.7	741.8
Capital Leases (a)	0.1	0.1	—	—	—
Operating Leases (b)	104.0	12.0	18.9	12.5	60.6
Purchase Obligations – Natural Gas (c)	1,479.1	634.6	523.7	246.3	74.5
Purchase Obligations – Other (d)	92.9	44.3	25.5	18.8	4.3
Other Long-Term Liabilities	298.7	29.9	61.3	62.9	144.6
Total (e)	\$4,908.8	\$796.8	\$1,100.4	\$737.2	\$2,274.4

(a) Includes interest payments over the terms of the debt and payments on related stock purchase contracts. Interest is calculated using the applicable interest rate or forward interest rate curve at September 30, 2014 and outstanding principal for each instrument with the terms ending at each instrument's stated maturity. See Note 6, Long Term Debt, of the Notes to the Financial Statements. Does not reflect Laclede Group's ability to defer interest and stock purchase contract payments on junior subordinated notes or RSNs and equity units, initially in the form of

Corporate Units.

(b) Lease obligations are primarily for office space, vehicles, and power operated equipment. Additional payments will be incurred if renewal options are exercised under the provisions of certain agreements.

(c) These purchase obligations represent the minimum payments required under existing natural gas transportation and storage contracts and natural gas supply agreements in the Gas Utility and Gas Marketing segments. These amounts

Table of Contents

reflect fixed obligations as well as obligations to purchase natural gas at future market prices, calculated using September 30, 2014 forward market prices. Laclede Gas recovers the costs related to its purchases, transportation, and storage of natural gas through the operation of its PGA clause, subject to prudence review by the MoPSC; however, variations in the timing of collections of gas costs from customers affect short-term cash requirements. Additional contractual commitments are generally entered into prior to or during the heating season.

(d) These purchase obligations primarily reflect miscellaneous agreements for the purchase of materials and the procurement of services necessary for normal operations.

Long-term liabilities associated with unrecognized tax benefits, totaling \$4.8, have been excluded from the table above because the timing of future cash outflows, if any, cannot be reasonably estimated. Also, commitments related to pension and postretirement benefit plans have been excluded from the table above. The Company expects to contribute \$26.4 to its qualified, trustee pension plans and \$0.5 to its non-qualified pension plans during fiscal

(e) year 2015. With regard to the postretirement benefits, the Company anticipates it will contribute \$17.8 to the qualified trusts and \$0.3 directly to participants from Laclede Gas funds during fiscal year 2015. For further discussion of the Company's pension and postretirement benefit plans, refer to Note 13, Pension Plans and Other Postretirement Benefits, of the Notes to the Financial Statements.

Laclede Gas

As of September 30, 2014, Laclede Gas had contractual obligations with payments due as summarized below:

Contractual Obligations	Total	Payments due by period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Principal Payments on Long-Term Debt	\$810.0	\$—	\$—	\$150.0	\$660.0
Interest Payments on Long-Term Debt	525.7	34.6	69.1	67.1	354.9
Capital Leases (a)	0.1	0.1	—	—	—
Operating Leases (a)	77.6	7.6	11.0	7.5	51.5
Purchase Obligations – Natural Gas (b)	979.7	427.2	314.2	172.7	65.6
Purchase Obligations – Other (c)	78.2	34.1	21.0	18.8	4.3
Other Long-Term Liabilities	149.9	16.2	32.9	33.5	67.3
Total (d)	\$2,621.2	\$519.8	\$448.2	\$449.6	\$1,203.6

(a) Lease obligations are primarily for office space, vehicles, and power operated equipment. Additional payments will be incurred if renewal options are exercised under the provisions of certain agreements.

These purchase obligations represent the minimum payments required under existing natural gas transportation and storage contracts and natural gas supply agreements. These amounts reflect fixed obligations as well as obligations to purchase natural gas at future market prices, calculated using September 30, 2014 NYMEX futures prices.

(b) Laclede Gas recovers the costs related to its purchases, transportation, and storage of natural gas through the operation of its PGA clause, subject to prudence review by the MoPSC; however, variations in the timing of collections of gas costs from customers affect short-term cash requirements. Additional contractual commitments are generally entered into prior to or during the heating season.

(c) These purchase obligations primarily reflect miscellaneous agreements for the purchase of materials and the procurement of services necessary for normal operations.

Long-term liabilities associated with unrecognized tax benefits, totaling \$4.3, have been excluded from the table above because the timing of future cash outflows, if any, cannot be reasonably estimated. Also, commitments related to pension and postretirement benefit plans have been excluded from the table above. Laclede Gas expects to contribute \$26.4 to its qualified, trustee pension plans and \$0.5 to its non-qualified pension plans during fiscal

(d) year 2015. With regard to the postretirement benefits, Laclede Gas anticipates to contribute \$17.8 to the qualified trusts and \$0.3 directly to participants from Laclede Gas funds during fiscal year 2015. For further discussion of the Company's pension and postretirement benefit plans, refer to Note 13, Pension Plans and Other Postretirement Benefits, of the Notes to the Financial Statements.

Table of Contents

MARKET RISK

Commodity Price Risk

Gas Utility

The Utilities' commodity price risk, which arises from market fluctuations in the price of natural gas, is primarily managed through the operation of Laclede Gas' and MGE's PGA clauses and Alagasco's GSA rider. The PGA clauses allow Laclede Gas to flow through to customers, subject to prudence review by the MoPSC, the cost of purchased gas supplies. Laclede Gas is allowed the flexibility to make up to three discretionary PGA changes during each year, in addition to its mandatory November PGA change, so long as such changes are separated by at least two months. Laclede Gas is able to mitigate, to some extent, changes in commodity prices through the use of physical storage supplies and regional supply diversity. Laclede Gas and MGE also have risk management policies that allow for the purchase of natural gas derivative instruments with the goal of managing its price risk associated with purchasing natural gas on behalf of its customers. These policies prohibit speculation. Costs and cost reductions, including carrying costs, associated with Laclede Gas' use of natural gas derivative instruments are allowed to be passed on to the utility's customers through the operation of its PGA clauses. Alagasco did not have any open derivative positions as of September 30, 2014. Accordingly, the Utilities do not expect any adverse earnings impact as a result of the use of these derivative instruments. However, the timing of recovery for cash payments related to margin requirements may cause short-term cash requirements to vary. Nevertheless, carrying costs associated with such requirements, as well as other variations in the timing of collections of gas costs, are recovered through the PGA clauses or the GSA rider. For more information about the Utilities' natural gas derivative instruments, see Note 10, Derivative Instruments and Hedging Activities, of the Notes to the Financial Statements.

Gas Marketing

In the course of its business, Laclede Group's non-regulated gas marketing subsidiary, LER, enters into contracts to purchase and sell natural gas at fixed prices and natural gas index-based prices. Commodity price risk associated with these contracts has the potential to impact earnings and cash flows. To minimize this risk, LER has a risk management policy that provides for daily monitoring of a number of business measures, including fixed price commitments. In accordance with the risk management policy, LER manages the price risk associated with its fixed-price commitments. This risk is currently managed either by closely matching the offsetting physical purchase or sale of natural gas at fixed-prices or through the use of natural gas futures, options, and swap contracts traded on or cleared through the NYMEX and ICE to lock in margins. At September 30, 2014 and 2013, LER's unmatched fixed-price positions were not material to Laclede Group's financial position or results of operations.

As mentioned above, LER uses natural gas futures, options, and swap contracts traded on or cleared through the NYMEX and ICE to manage the commodity price risk associated with its fixed-price natural gas purchase and sale commitments. These derivative instruments may be designated as cash flow hedges of forecasted purchases or sales. Such accounting treatment, if elected, generally permits a substantial portion of the gain or loss to be deferred from recognition in earnings until the period that the associated forecasted purchase or sale is recognized in earnings. To the extent a hedge is effective, gains or losses on the derivatives will be offset by changes in the value of the hedged forecasted transactions. Information about the fair values of LER's exchange-traded/cleared natural gas derivative instruments is presented below:

(\$ Millions)	Derivative Fair Values	Cash Margin	Derivatives and Cash Margin
Net balance of derivative assets at September 30, 2013	\$2.6	\$0.3	\$2.9
Changes in fair value	(7.6	) —	(7.6)
Settlements/purchases - net	5.4	—	5.4
Changes in cash margin	—	1.8	1.8
Net balance of derivative assets at September 30, 2014	\$0.4	\$2.1	\$2.5

Table of Contents

(\$ Millions)	As of September 30, 2014				
	Total	2015	2016	2017	2018
Maturity by Fiscal Year					
Fair values of exchange-traded/cleared natural gas derivatives - net	\$(0.2)	\$(0.1)	\$(0.1)	\$—	\$—
Fair values of basis swaps - net	0.6	0.1	0.4	0.1	—
Position volumes					
MMBtu – net (short) long futures/swap/option positions	3.4	10.5	(7.3)	0.2	—
MMBtu - net (Short) long basis swap positions	(6.2)	(0.6)	(1.6)	(3.5)	(0.5)

Certain of LER's physical natural gas derivative contracts are designated as normal purchases or normal sales, as permitted by GAAP. This election permits the Company to account for the contract in the period the natural gas is delivered. Contracts not designated as normal purchases or normal sales, including those designated as trading activities, are accounted for as derivatives with changes in fair value recognized in earnings in the periods prior to settlement.

Below is a reconciliation of the beginning and ending balances for physical natural gas contracts accounted for as derivatives, none of which will settle beyond fiscal year 2016:

(\$ Millions)	
Net balance of derivative assets at September 30, 2013	\$0.1
Changes in fair value	(8.7)
Settlements	10.7
Net balance of derivative assets at September 30, 2014	\$2.1

For further details related to LER's derivatives and hedging activities, see Note 10, Derivative Instruments and Hedging Activities, of the Notes to Financial Statements.

Counterparty Credit Risk

LER has concentrations of counterparty credit risk in that a significant portion of its transactions are with energy producers, utility companies, and pipelines. These concentrations of counterparties have the potential to affect the Company's overall exposure to credit risk, either positively or negatively, in that each of these three groups may be affected similarly by changes in economic, industry, or other conditions. LER also has concentrations of credit risk with certain individually significant counterparties. To the extent possible, LER enters into netting arrangements with its counterparties to mitigate exposure to credit risk. LER is also exposed to credit risk associated with its derivative contracts designated as normal purchases and normal sales. LER closely monitors its credit exposure and, although uncollectible amounts have not been significant, increased counterparty defaults are possible and may result in financial losses and/or capital limitations. For more information on these concentrations of credit risk, including how LER manages these risks, see Note 11, Concentrations of Credit Risk, of the Notes to the Financial Statements.

Interest Rate Risk

The Company is subject to interest rate risk associated with its long-term and short-term debt issuances. Based on average short-term borrowings during fiscal year 2014, an increase of 100 basis points in the underlying average interest rate for short-term debt would have caused an increase in interest expense of approximately \$0.8 on an annual basis. Portions of such increases may be offset through the application of PGA carrying costs. At September 30, 2014, Laclede Group had \$250.0 of variable rate long-term debt, an increase of 100 basis points in the underlying average interest rate for the variable long term note would have caused an increase in interest expense of approximately \$2.5 on an annual basis. At September 30, 2014, Laclede Group had fixed-rate long-term debt totaling \$1,603.6.

Additionally, Laclede Gas had fixed-rate long-term debt totaling \$810.0 and Alagasco has fixed rate long-term debt of \$249.8, which are both included with Laclede Group total long-term debt. While these long-term debt issues are fixed-rate, they are subject to changes in fair value as market interest rates change. However, increases or decreases in fair value would impact earnings and cash flows only if the Company were to reacquire any of these issues in the open market prior to maturity. Under GAAP applicable to the Utilities' regulated operations, losses or gains on early redemptions of long-term debt would typically be deferred as regulatory assets or regulatory liabilities and amortized over a future period.

The Company entered into and settled certain interest rate swap transactions to protect itself against adverse movements in interest rates associated with the issuance of long-term debt to fund the acquisition of Alagasco. Refer to Note 10, Derivative Instruments and Hedging Activities, of the Notes to the Financial Statements for additional details on these interest rate swap transactions.

Table of Contents

ENVIRONMENTAL MATTERS

The Utilities own and operate natural gas distribution, transmission, and storage facilities, the operations of which are subject to various environmental laws, regulations, and interpretations. While environmental issues resulting from such operations arise in the ordinary course of business, such issues have not materially affected the Company's or the Utilities' financial position and results of operations. As environmental laws, regulations, and their interpretations change, however, the Utilities may be required to incur additional costs. For information relative to environmental matters, see Note 16, Commitments and Contingencies, of the Notes to the Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2014, none of Laclede Group or its subsidiaries Companies had off-balance-sheet financing arrangements, other than operating leases entered into in the ordinary course of business. None of Laclede Group or its subsidiaries expect to engage in any significant off-balance-sheet financing arrangements in the near future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For this discussion, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk, on page 49 of this report.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

	Page
Management Report on Internal Control Over Financial Reporting	<u>52</u>
<u>Reports of Independent Registered Public Accounting Firm</u>	<u>53</u>
Financial Statements:	
For Years Ended September 30, 2014, 2013, and 2012:	
The Laclede Group, Inc.	
<u>Statements of Consolidated Income</u>	<u>56</u>
<u>Statements of Consolidated Comprehensive Income</u>	<u>57</u>
<u>Consolidated Statements of Common Shareholders' Equity</u>	<u>61</u>
<u>Statements of Consolidated Cash Flows</u>	<u>62</u>
Laclede Gas Company	
Statements of Income	<u>63</u>
Statements of Comprehensive Income	<u>64</u>
<u>Statements of Common Shareholders' Equity</u>	<u>68</u>
<u>Statements of Cash Flows</u>	<u>69</u>
As of September 30, 2014 and 2013:	
The Laclede Group, Inc.	
<u>Consolidated Balance Sheets</u>	<u>58</u>
<u>Statements of Consolidated Capitalization</u>	<u>60</u>
Laclede Gas Company	
Balance Sheets	<u>65</u>
Statements of Capitalization	<u>67</u>
Notes to the Financial Statements:	
<u>Note 1 Summary of Significant Accounting Policies</u>	<u>70</u>
Note 2 Acquisitions	<u>76</u>
Note 3 <u>Stock-Based Compensation</u>	<u>79</u>
Note 4 <u>Earnings Per Common Share</u>	<u>83</u>
Note 5 <u>Stockholders' Equity</u>	<u>83</u>
Note 6 <u>Long-Term Debt</u>	<u>85</u>
Note 7 <u>Notes Payable and Credit Agreements</u>	<u>86</u>
Note 8 <u>Fair Value of Financial Instruments</u>	<u>89</u>
Note 9 <u>Fair Value Measurements</u>	<u>90</u>
Note 10 <u>Derivative Instruments and Hedging Activities</u>	<u>92</u>
Note 11 <u>Concentrations of Credit Risk</u>	<u>100</u>
Note 12 <u>Income Taxes</u>	<u>101</u>
Note 13 <u>Pension Plans and Other Postretirement Benefits</u>	<u>104</u>
Note 14 Information By Operating Segment	<u>117</u>
Note 15 Regulatory Matters	<u>120</u>
<u>Note 16 Commitments and Contingencies</u>	<u>123</u>
<u>Note 17 Interim Financial Information (Unaudited)</u>	<u>126</u>

Table of Contents

The Laclede Group, Inc.

Management Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Laclede Group, Inc.'s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Laclede Group Inc.'s management, including our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of the Laclede Group Inc.'s internal control over financial reporting as of September 30, 2014. In making this assessment, management used the criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). As permitted, that assessment excluded the business operations of Alabama Gas Corporation (Alagasco), which was completed on September 2, 2014, and whose financial statements constitute 32.7% and 28.0% of net and total assets, respectively, and 1.2% of revenues of the consolidated financial statement amounts as of and for the year ended September 30, 2014. Alagasco also reduced Laclede Group net income by 3.3% of net income for the year ended September 30, 2014. Refer to Note 2, Acquisitions, in the Notes to Financial Statements for further discussion of the acquisition. Based on that assessment, management concluded that the Laclede Group Inc.'s internal control over financial reporting was effective as of September 30, 2014. Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on the Laclede Group Inc.'s internal control over financial reporting, which is included herein.

Laclede Gas Company

Management Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting.

Laclede Gas Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Laclede Gas Company's management, including our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of Laclede Gas Company's internal control over financial reporting as of September 30, 2014. In making this assessment, management used the criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). Based on that assessment, management concluded that Laclede Gas Company's internal control over financial reporting was effective as of September 30, 2014.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Laclede Group, Inc.
St. Louis, Missouri

We have audited the internal control over financial reporting of The Laclede Group, Inc. and subsidiaries (the "Company") as of September 30, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal controls over financial reporting at Alabama Gas Corporation ("Alagasco"), which was acquired on September 2, 2014 and whose financial statements constitute 33 percent and 28 percent of net and total assets, respectively, and one percent of total revenues of the consolidated financial statements as of and for the year ended September 30, 2014. Alagasco reduced net income by three percent for the year ended September 30, 2014. Accordingly, our audit did not include the internal control over financial reporting at Alagasco. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended September 30, 2014 of the Company and

our report dated November 25, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP
St. Louis, Missouri
November 25, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Laclede Group, Inc.
St. Louis, Missouri

We have audited the accompanying consolidated balance sheets and statements of consolidated capitalization of The Laclede Group, Inc. and subsidiaries (the "Company") as of September 30, 2014 and 2013, and the related consolidated statements of income, comprehensive income, common shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Laclede Group, Inc. and subsidiaries as of September 30, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2014, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 25, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
St. Louis, Missouri
November 25, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Laclede Gas Company
St. Louis, Missouri

We have audited the accompanying balance sheets and statements of capitalization of Laclede Gas Company (a wholly owned subsidiary of The Laclede Group, Inc.) (the "Company") as of September 30, 2014 and 2013, and the related statements of income, comprehensive income, common shareholder's equity, and cash flows for each of the three years in the period ended September 30, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Laclede Gas Company as of September 30, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
St. Louis, Missouri
November 25, 2014

Table of Contents

THE LACLEDE GROUP, INC.

STATEMENTS OF CONSOLIDATED INCOME

(\$ Millions, Except Per Share Amounts)

Years Ended September 30	2014	2013	2012
Operating Revenues:			
Gas Utility	\$1,462.6	\$847.2	\$763.5
Gas Marketing and other	164.6	169.8	362.0
Total Operating Revenues	1,627.2	1,017.0	1,125.5
Operating Expenses:			
Gas Utility			
Natural and propane gas	731.7	433.4	397.3
Other operation and maintenance expenses	287.8	180.3	167.4
Depreciation and amortization	82.4	48.3	40.7
Taxes, other than income taxes	112.0	60.1	53.7
Total Gas Utility Operating Expenses	1,213.9	722.1	659.1
Gas Marketing and other	246.9	198.4	355.8
Total Operating Expenses	1,460.8	920.5	1,014.9
Operating Income	166.4	96.5	110.6
Other Income and (Income Deductions) – Net	(3.3	) 2.5	3.2
Interest Charges:			
Interest on long-term debt	39.3	25.5	23.0
Other interest charges	6.9	3.1	1.9
Total Interest Charges	46.2	28.6	24.9
Income Before Income Taxes	116.9	70.4	88.9
Income Tax Expense	32.3	17.6	26.3
Net Income	\$84.6	\$52.8	\$62.6
Weighted Average Number of Common Shares Outstanding:			
Basic	35.8	25.9	22.3
Diluted	35.9	26.0	22.3
Basic Earnings Per Share of Common Stock	\$2.36	\$2.03	\$2.80
Diluted Earnings Per Share of Common Stock	\$2.35	\$2.02	\$2.79

See the accompanying Notes to the Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(Millions)

Years Ended September 30

	2014	2013	2012
Net Income	\$84.6	\$52.8	\$62.6
Other Comprehensive Income (Loss), Before Tax:			
Cash flow hedges:			
Net derivatives (losses) gains arising during the period	(4.5	) 5.0	4.8
Reclassification adjustment for derivative losses (gains) included in net income	2.5	0.3	(8.4
Net (losses) gains on cash flow hedging derivative instruments	(2.0	) 5.3	(3.6
Defined benefit pension and other postretirement benefit plans:			
Net actuarial loss arising during the period	—	(0.1	) (3.4
Amortization of actuarial loss included in net periodic pension and postretirement benefit cost	0.5	0.2	3.7
Net defined benefit pension and other postretirement benefit plans	0.5	0.1	0.3
Other Comprehensive (Loss) Income, Before Tax	(1.5	) 5.4	(3.3
Income Tax (Benefit) Expense Related to Items of Other Comprehensive (Loss) Income	(0.6	) 2.1	(1.3
Other Comprehensive (Loss) Income, Net of Tax	(0.9	) 3.3	(2.0
Comprehensive Income	\$83.7	\$56.1	\$60.6

See the accompanying Notes to the Financial Statements.

Table of ContentsTHE LACLEDE GROUP, INC.
CONSOLIDATED BALANCE SHEETS

(\$ Millions)

September 30	2014	2013
ASSETS		
Utility Plant	\$3,928.3	\$2,271.2
Less – Accumulated depreciation and amortization	1,168.6	494.6
Net Utility Plant	2,759.7	1,776.6
Non-utility property (net of accumulated depreciation and amortization, 2014, \$6.7; 2013, \$5.9)	9.2	7.7
Goodwill	937.8	247.1
Other investments	60.0	58.3
Other Property and Investments	1,007.0	313.1
Current Assets:		
Cash and cash equivalents	16.1	53.0
Accounts receivable:		
Utilities	148.2	101.1
Other	84.5	78.2
Allowance for doubtful accounts	(15.9	) (8.0
Delayed customer billings	10.8	—
Inventories:		
Natural gas	245.5	182.0
Propane gas	11.7	9.0
Materials and supplies	13.0	8.1
Natural gas receivable	7.3	18.8
Derivative instrument assets	2.4	3.3
Unamortized purchased gas adjustments	54.0	17.5
Prepayments and other	27.3	12.9
Total Current Assets	604.9	475.9
Deferred Charges:		
Regulatory assets	637.4	545.9
Other	65.0	13.9
Total Deferred Charges	702.4	559.8
Total Assets	\$5,074.0	\$3,125.4

See the accompanying Notes to the Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

(\$ Millions)

September 30	2014	2013
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity	\$1,508.4	\$1,046.3
Long-term debt	1,851.0	912.7
Total Capitalization	3,359.4	1,959.0
Current Liabilities:		
Notes payable	287.1	74.0
Accounts payable	176.7	140.2
Advance customer billings	32.2	23.7
Wages and compensation accrued	36.0	20.8
Dividends payable	19.9	14.6
Customer deposits	34.0	15.1
Interest accrued	15.1	8.3
Unamortized purchased gas adjustment	22.4	—
Taxes accrued	63.4	32.9
Deferred income taxes	9.9	1.0
Other	86.1	22.6
Total Current Liabilities	782.8	353.2
Deferred Credits and Other Liabilities:		
Deferred income taxes	383.8	379.1
Unamortized investment tax credits	2.7	2.9
Pension and postretirement benefit costs	244.9	228.6
Asset retirement obligations	99.2	74.6
Regulatory liabilities	126.1	82.6
Other	75.1	45.4
Total Deferred Credits and Other Liabilities	931.8	813.2
Commitments and Contingencies <u>(Note 16)</u>		
Total Capitalization and Liabilities	\$5,074.0	\$3,125.4

See the accompanying Notes to Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.

STATEMENTS OF CONSOLIDATED CAPITALIZATION

(\$ Millions, Except for Shares and Per Share Amounts)

September 30	2014	2013
Common Stock Equity:		
Common stock, par value \$1 per share:		
Authorized – 2014 and 2013, 70,000,000 shares		
Issued – 2014, 43,183,818 shares; and 2013, 32,696,836 shares	\$43.2	\$32.7
Paid-in capital	1,029.4	594.3
Retained earnings	437.5	420.1
Accumulated other comprehensive loss	(1.7	) (0.8
Total Common Stock Equity	1,508.4	1,046.3
Long-Term Debt - Laclede Group:		
Floating Rate Senior Notes, due August 15, 2017	250.0	—
Senior Notes 2.55%, due August 15, 2019	125.0	—
3.31% Notes Payable, due December 15, 2022	25.0	25.0
2.0% Series A Remarketable Subordinated Notes, due April 1, 2022	143.8	—
Senior Notes 4.70%, due August 15, 2044	250.0	—
Long-Term Debt - Laclede Gas:		
First Mortgage Bonds:		
5 1/2% Series, due May 1, 2019	50.0	50.0
7% Series, due June 1, 2029	25.0	25.0
7.90% Series, due September 15, 2030	30.0	30.0
6% Series, due May 1, 2034	100.0	100.0
6.15% Series, due June 1, 2036	55.0	55.0
6.35% Series, due October 15, 2038	—	80.0
3% Series, due March 15, 2023	55.0	55.0
3.40% Series, due March 15, 2028	45.0	45.0
2% Series, due August 15, 2018	100.0	100.0
3.40% Series, due August 15, 2023	250.0	250.0
4.625% Series, due August 15, 2043	100.0	100.0
Long-Term Debt - Alagasco:		
5.20% Notes, due January 15, 2020	40.0	—
5.70% Notes, due January 15, 2035	34.8	—
5.368% Notes, due December 1, 2015	80.0	—
5.90% Notes, due January 15, 2037	45.0	—
3.86% Notes, due December 21, 2021	50.0	—
Total	1,853.6	915.0
Unamortized discount, net of premium, on long-term debt	(2.6	) (2.3
Total Long-Term Debt	1,851.0	912.7
Total Capitalization	\$3,359.4	\$1,959.0

Long-term debt dollar amounts are exclusive of current portion.

See the accompanying Notes to the Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS'
EQUITY

(\$ Millions, Except for Shares and Per Share Amounts)	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Total Income/(Loss)	
	Shares	Amount				
BALANCE OCTOBER 1, 2011	22,430,734	\$22.4	\$163.7	\$389.3	\$ (2.1)	\$573.3
Net income	—	—	—	62.6	—	62.6
Dividend reinvestment plan	46,107	0.1	1.8	—	—	1.9
Stock-based compensation costs	—	—	2.7	—	—	2.7
Equity Incentive Plan	62,590	0.1	2.4	—	—	2.5
Employees' taxes paid associated with restricted shares withheld upon vesting	—	—	(1.2)	—	—	(1.2)
Non-employee directors' restricted stock awards	—	—	(0.6)	—	—	(0.6)
Tax benefit – stock compensation	—	—	(0.2)	—	—	(0.2)
Dividends declared:						
Common stock (\$1.66 per share)	—	—	—	(37.4)	—	(37.4)
Other comprehensive loss, net of tax	—	—	—	—	(2.0)	(2.0)
BALANCE SEPTEMBER 30, 2012	22,539,431	\$22.6	\$168.6	\$414.5	\$ (4.1)	\$601.6
Net income	—	—	—	52.8	—	52.8
Common stock offering	10,005,000	10.0	417.2	—	—	427.2
Dividend reinvestment plan	44,074	—	1.8	—	—	1.8
Stock-based compensation costs	—	—	4.4	—	—	4.4
Equity Incentive Plan	108,331	0.1	2.6	—	—	2.7
Employees' taxes paid associated with restricted shares withheld upon vesting	—	—	(0.9)	—	—	(0.9)
Tax benefit – stock compensation	—	—	0.6	—	—	0.6
Dividends declared:						
Common stock (\$1.70 per share)	—	—	—	(47.2)	—	(47.2)
Other comprehensive income, net of tax	—	—	—	—	3.3	3.3
BALANCE SEPTEMBER 30, 2013	32,696,836	\$32.7	\$594.3	\$420.1	\$ (0.8)	\$1,046.3
Net income	—	—	—	84.6	—	84.6
Common stock offering	10,350,000	10.4	446.4	—	—	456.8
Equity units offering	—	—	(19.7)	—	—	(19.7)
Dividend reinvestment plan	33,667	—	1.5	—	—	1.5
Stock-based compensation costs	—	—	5.8	—	—	5.8
Equity Incentive Plan	97,902	0.1	1.6	—	—	1.7
Employees' taxes paid associated with restricted shares withheld upon vesting	—	—	(1.1)	—	—	(1.1)
Tax benefit – stock compensation	—	—	0.6	—	—	0.6
Dividends declared:						
Common stock (\$1.76 per share)	—	—	—	(67.2)	—	(67.2)
Other comprehensive loss, net of tax	—	—	—	—	(0.9)	(0.9)

BALANCE SEPTEMBER 30, 2014 43,178,405 \$43.2 \$1,029.4 \$437.5 \$ (1.7) \$1,508.4

See the accompanying Notes to the Financial Statements.

61

Table of Contents

THE LACLEDE GROUP, INC.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(\$ Millions)

Years Ended September 30	2014	2013	2012	
Operating Activities:				
Net Income	\$84.6	\$52.8	\$62.6	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation, amortization and accretion	83.3	49.3	41.3	
Deferred income taxes and investment tax credits	31.4	22.0	30.6	
Other - net	5.4	1.0	0.1	
Changes in assets and liabilities:				
Accounts receivable – net	(5.3	) (0.7	) (9.3)
Unamortized purchased gas adjustments	(36.4	) 23.1	(15.0)
Deferred purchased gas costs	13.9	13.3	11.1	
Accounts payable	8.6	35.4	(8.8)
Delayed customer billings – net	(19.1	) (8.2	) 9.9)
Taxes accrued	(0.8	) 3.7	(1.1)
Natural gas stored underground	(15.5	) (30.6	) 22.4)
Other assets and liabilities	(27.5	) 2.8	(15.7)
Net cash provided by operating activities	122.6	163.9	128.1	
Investing Activities:				
Capital expenditures	(171.0	) (130.8	) (108.8)
Acquisition of Alagasco (net of \$12.1 cash acquired)	(1,305.2) —	—)
Other investments	3.7	(2.5	) 3.4)
Acquisition of MGE	23.9	(975.0) —)
Proceeds from sale of right to acquire New England Gas Company	11.0	—	—	
Net cash used in investing activities	(1,437.6	) (1,108.3	) (105.4)
Financing Activities:				
Issuance of first mortgage bonds	768.8	550.0	—	
Maturity of first mortgage bonds	—	(25.0) —)
Issuance (Repayment) of short-term debt - net	198.1	33.9	(5.9)
Repayment of long-term debt	(80.0) —	—)
Notes Payable Issued	—	25.0	—	
Issuance of common stock	460.0	431.7	4.3	
Dividends paid	(61.9	) (42.5	) (36.9)
Other	(6.9	) (3.2) —)
Net cash provided by (used in) financing activities	1,278.1	969.9	(38.5)
Net (Decrease) Increase in Cash and Cash Equivalents	(36.9	) 25.5	(15.8)
Cash and Cash Equivalents at Beginning of Year	53.0	27.5	43.3	
Cash and Cash Equivalents at End of Year	\$16.1	\$53.0	\$27.5	
Supplemental Disclosure of Cash Paid (Refunded) During the Year for:				
Interest	\$40.6	\$26.3	\$24.6	
Income taxes paid (refunded)	3.4	(9.4	) 1.5)

See the accompanying Notes to the Financial Statements.

Table of ContentsLACLEDE GAS COMPANY
STATEMENTS OF INCOME

(\$ Millions)

Years Ended September 30	2014	2013	2012
Operating Revenues:			
Utility	\$1,448.1	\$857.8	\$764.7
Other	0.1	1.6	2.9
Total Operating Revenues	1,448.2	859.4	767.6
Operating Expenses:			
Utility			
Natural and propane gas	816.9	469.1	414.8
Other operation and maintenance expenses	276.4	180.7	167.4
Depreciation and amortization	78.5	48.3	40.7
Taxes, other than income taxes	110.1	60.1	53.7
Total Utility Operating Expenses	1,281.9	758.2	676.6
Other	(0.1	) 13.7	0.2
Total Operating Expenses	1,281.8	771.9	676.8
Operating Income	166.4	87.5	90.8
Other Income and (Income Deductions) - Net	(3.4	) 2.0	2.7
Interest Charges:			
Interest on long-term debt	34.4	24.9	23.0
Other interest charges	3.0	1.2	2.2
Total Interest Charges	37.4	26.1	25.2
Income Before Income Taxes	125.6	63.4	68.3
Income Tax Expense	35.5	14.6	18.4
Net Income	\$90.1	\$48.8	\$49.9

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY

STATEMENTS OF COMPREHENSIVE INCOME

(\$ Millions)

Years Ended September 30	2014	2013	2012
Net Income	\$90.1	\$48.8	\$49.9
Other Comprehensive Income (Loss) Before Tax:			
Cash flow hedges:			
Net derivative gains arising during the period	0.1	0.1	0.3
Reclassification adjustment for derivative gains included in net income	(0.2	) (0.2) —
Net unrealized (losses) gains on cash flow hedging derivative instruments	(0.1	) (0.1	) 0.3
Defined benefit pension and other postretirement benefit plans:			
Net actuarial (loss) gain arising during the period	—	(0.1	) (3.4
Amortization of actuarial loss included in net periodic pension and other postretirement benefit cost	0.4	0.2	3.7
Net defined benefit pension and other postretirement benefit plans	0.4	0.1	0.3
Other Comprehensive Income, Before Tax	0.3	—	0.6
Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income (Loss)	0.1	—	0.2
Other Comprehensive Income, Net of Tax	0.2	—	0.4
Comprehensive Income	\$90.3	\$48.8	\$50.3

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY

BALANCE SHEETS

(\$ Millions)

September 30	2014	2013
ASSETS		
Utility Plant	\$2,403.3	\$2,271.2
Less – Accumulated depreciation and amortization	542.3	494.6
Net Utility Plant	1,861.0	1,776.6
Goodwill	210.2	247.1
Other Property and Investments	55.7	54.0
Other Property and Investments	265.9	301.1
Current Assets:		
Cash and cash equivalents	3.7	23.9
Accounts receivable:		
Utility	111.1	101.1
Other	19.2	15.1
Allowance for doubtful accounts	(10.7	) (7.9
Delayed customer billings	10.8	—
Receivables from associated companies	11.4	1.1
Inventories:		
Natural gas	191.1	164.7
Propane gas	11.7	9.0
Materials and supplies	7.8	8.0
Unamortized purchased gas adjustments	54.0	17.5
Prepayments and other	15.5	11.3
Total Current Assets	425.6	343.8
Deferred Charges:		
Regulatory assets	541.7	545.9
Other	10.8	13.6
Total Deferred Charges	552.5	559.5
Total Assets	\$3,105.0	\$2,981.0

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY

BALANCE SHEETS (continued)

(Millions)

September 30	2014	2013
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity	\$1,007.8	\$973.9
Long-term debt	807.9	887.7
Total Capitalization	1,815.7	1,861.6
Current Liabilities:		
Notes payable	238.6	74.0
Notes payable – associated companies	—	46.7
Accounts payable	70.1	66.6
Accounts payable – associated companies	6.0	6.1
Advance customer billings	15.5	23.7
Wages and compensation accrued	30.3	20.8
Dividends payable	19.0	13.9
Customer deposits	14.8	15.1
Interest accrued	8.1	8.1
Taxes accrued	43.9	32.6
Deferred income taxes	11.3	1.7
Other	30.0	17.6
Total Current Liabilities	487.6	326.9
Deferred Credits and Other Liabilities:		
Deferred income taxes	399.8	380.1
Unamortized investment tax credits	2.7	2.9
Pension and postretirement benefit costs	215.3	228.7
Asset retirement obligations	71.2	74.3
Regulatory liabilities	70.0	61.9
Other	42.7	44.6
Total Deferred Credits and Other Liabilities	801.7	792.5
Commitments and Contingencies <u>(Note 16)</u>		
Total Capitalization and Liabilities	\$3,105.0	\$2,981.0

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY

STATEMENTS OF CAPITALIZATION

(\$ Millions, Except for Shares and Per Share Amounts)

September 30	2014	2013	
Common Stock Equity:			
Common stock, par value \$1 per share and Paid-in Capital:			
Authorized – 2014 and 2013, 50,000,000 shares			
Issued – 2014, 24,577 shares; and 2013, 24,549 shares	0.1	0.1	
Paid-in capital	744.0	738.1	
Retained earnings	265.6	237.8	
Accumulated other comprehensive loss	(1.9) (2.1)
Total Common Stock Equity	1,007.8	973.9	
Long-Term Debt:			
First Mortgage Bonds:			
5-1/2% Series, due May 1, 2019	50.0	50.0	
7% Series, due June 1, 2029	25.0	25.0	
7.90% Series, due September 15, 2030	30.0	30.0	
6% Series, due May 1, 2034	100.0	100.0	
6.15% Series, due June 1, 2036	55.0	55.0	
6.35% Series, due October 15, 2038	—	80.0	
3% Series, due March 15, 2023	55.0	55.0	
3.40% Series, due March 15, 2028	45.0	45.0	
2% Series, due August 15, 2018	100.0	100.0	
3.40% Series, due August 15, 2023	250.0	250.0	
4.625% Series, due August 15, 2043	100.0	100.0	
Total	810.0	890.0	
Unamortized discount, net of premium, on long-term debt	(2.1) (2.3)
Total Long-Term Debt	807.9	887.7	
Total Capitalization	\$1,815.7	\$1,861.6	

See the accompanying Notes to Financial Statements.

Table of ContentsLACLEDE GAS COMPANY
STATEMENTS OF COMMON
SHAREHOLDER'S EQUITY

(\$ Millions, Except for Shares)	Common Stock Issued		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Total Income/(Loss)	
	Shares	Amount				
BALANCE OCTOBER 1, 2011	11,717	\$0.1	\$212.9	\$223.5	\$ (2.5)	\$434.0
Net income	—	—	—	49.9	—	49.9
Dividends declared:						
Common stock	—	—	—	(37.4)	—	(37.4)
Stock-based compensation costs	—	—	1.9	—	—	1.9
Tax benefit – stock compensation	—	—	(0.2)	—	—	(0.2)
Other comprehensive loss, net of tax	—	—	—	—	0.4	0.4
Issuance of common stock to Laclede Group	1,087	—	42.7	—	—	42.7
BALANCE SEPTEMBER 30, 2012	12,804	\$0.1	\$257.3	\$236.0	\$ (2.1)	\$491.3
Net income	—	—	—	48.8	—	48.8
Dividends declared:						
Common stock	—	—	—	(47.0)	—	(47.0)
Stock-based compensation costs	—	—	3.1	—	—	3.1
Tax benefit – stock compensation	—	—	0.5	—	—	0.5
Other comprehensive income, net of tax	—	—	—	—	—	—
Issuance of common stock to Laclede Group	11,745	—	477.2	—	—	477.2
BALANCE SEPTEMBER 30, 2013	24,549	\$0.1	\$738.1	\$237.8	\$ (2.1)	\$973.9
Net income	—	—	—	90.1	—	90.1
Dividends declared:						
Common stock	—	—	—	(62.3)	—	(62.3)
Stock-based compensation costs	—	—	4.2	—	—	4.2
Tax benefit – stock compensation	—	—	0.6	—	—	0.6
Other comprehensive income, net of tax	—	—	—	—	0.2	0.2
Issuance of common stock to Laclede Group	28	—	1.1	—	—	1.1
BALANCE SEPTEMBER 30, 2014	24,577	\$0.1	\$744.0	\$265.6	\$ (1.9)	\$1,007.8

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY

STATEMENTS OF CASH FLOWS

(\$ Millions)

Years Ended September 30	2014	2013	2012
Operating Activities:			
Net Income	\$90.1	\$48.8	\$49.9
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation, amortization, and accretion	78.5	48.3	40.8
Deferred income taxes and investment tax credits	35.6	22.2	31.6
Other – net	2.8	(0.4)	(0.6)
Changes in assets and liabilities:			
Accounts receivable – net	(21.5)	) 6.7	(9.4)
Unamortized purchased gas adjustments	(36.4)	) 23.1	(15.0)
Deferred purchased gas costs	13.9	13.3	11.1
Accounts payable	6.8	16.4	(8.1)
Delayed customer billings – net	(19.1)	) (8.3)	) 9.9
Taxes accrued	10.0	1.0	3.3
Natural gas stored underground	(26.4)	) (16.2)	) 25.3
Other assets and liabilities	(3.3)	) (29.4)	) (19.8)
Net cash provided by operating activities	131.0	125.5	119.0
Investing Activities:			
Capital expenditures	(163.0)	) (128.5)	) (106.7)
Other investments	4.1	(1.3)	) 3.6
Acquisition of MGE	23.9	(975.0)) —
Net cash used in investing activities	(135.0)	) (1,104.8)	) (103.1)
Financing Activities:			
Issuance of first mortgage bonds	—	550.0	—
Maturity of first mortgage bonds	—	(25.0)) —
Repayment of long-term debt	(80.0))	
Issuance (Repayment) of short-term debt - net	164.6	33.9	(5.9)
Borrowings from Laclede Group	276.1	172.0	203.9
Repayment of borrowings from Laclede Group	(322.7)	) (162.4)	) (219.7)
Dividends paid	(57.2)	) (42.4)	) (37.1)
Issuance of common stock to Laclede Group	1.2	477.2	42.7
Other	1.8	(2.5)	) 1.7
Net cash (used in) provided by financing activities	(16.2)	) 1,000.8	(14.4)
Net (Decrease) Increase in Cash and Cash Equivalents	(20.2)	) 21.5	1.5
Cash and Cash Equivalents at Beginning of Year	23.9	2.4	0.9
Cash and Cash Equivalents at End of Year	\$3.7	\$23.9	\$2.4
Supplemental Disclosure of Cash Paid (Refunded) During the Year for:			
Interest	\$36.4	\$25.7	\$24.8
Income taxes	0.2	(7.6)	) (6.6)

See the accompanying Notes to Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC. AND LACLEDE GAS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

(\$ in millions, except per share and per gallon amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - These notes are an integral part of the accompanying audited financial statements of The Laclede Group, Inc. (Laclede Group or the Company) and Laclede Gas Company (Laclede Gas), a 100% owned subsidiary of the Company. The accompanying audited financial statements have been prepared in accordance with GAAP.

The consolidated financial position, results of operations, and cash flows of Laclede Group are primarily derived from the financial position, results of operations, and cash flows of Laclede Gas. All intercompany balances have been eliminated from the consolidated financial statements of Laclede Group. In compliance with GAAP, transactions between Laclede Gas and its affiliates as well as intercompany balances on Laclede Gas' Balance Sheets have not been eliminated from Laclede Gas' financial statements. Laclede Gas' September 1, 2013 acquisition of MGE and Laclede Group's September 2, 2014 acquisition of Alagasco are included in the results of operations for the year ended September 30, 2014, and impact the comparability of the current year financial statements to prior years. For a further discussion of the acquisitions, see Note 2, Acquisitions. Due to the seasonal nature of the Utilities, Laclede Group's earnings are typically concentrated during the heating season of November through April each fiscal year, although earnings for MGE are less seasonal than Laclede Gas and Alagasco due to MGE's rate design, which recovers fixed costs more evenly throughout the year.

NATURE OF OPERATIONS - The Laclede Group, Inc. (NYSE: LG), headquartered in St. Louis, Missouri, is a public utility holding company. The Company has three operating segments: Gas Utility, Gas Marketing and Other. The Gas Utility segment serves St. Louis and eastern Missouri through its legacy Laclede Gas assets, serves Kansas City and western Missouri through its MGE (collectively, the Missouri Utility) assets and serves central and northern Alabama through its Alagasco (the Alabama Utility) assets, which provide residential, commercial and industrial customers with safe and reliable natural gas service. (Collectively, the Missouri Utility and Alabama Utility are referred to as the Utilities.) Laclede Group's primary non-utility business, Laclede Energy Resources, Inc. (LER), included in the Gas Marketing segment, provides non-regulated natural gas services. The activities of other subsidiaries and the non-regulated activities of Laclede Gas are described in Note 14, Information by Operating Segment, and are included in the Other column. The Laclede Group's earnings are primarily derived from its Gas Utility Segment.

USE OF ESTIMATES - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

SYSTEM OF ACCOUNTS - The accounts of the Missouri Utility are maintained in accordance with the Uniform System of Accounts prescribed by the MoPSC, which system substantially conforms to that prescribed by the FERC. The accounts of Alagasco are maintained in accordance with the Uniform System of Accounts prescribed by the APSC, which system substantially conforms to that prescribed by the FERC.

UTILITY PLANT, DEPRECIATION AND AMORTIZATION - Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads, and an allowance for funds used during construction. The costs of units of property retired, replaced, or renewed are removed from utility plant and are charged to accumulated depreciation. Maintenance and repairs of property and replacement and renewal of items determined to be less than units of property are charged to maintenance expenses.

For Laclede Gas, utility plant is depreciated on a straight-line basis at rates based on estimated service lives of the various classes of property. In fiscal year 2014, annual depreciation and amortization expense averaged 3.0% of the original cost of depreciable and amortizable property, compared to 3.2% and 3.1% in both fiscal years 2013 and 2012, respectively.

Laclede Gas' capital expenditures were \$163.0, \$128.5 and \$106.7 for fiscal years 2014, 2013, and 2012, respectively. Additionally, Laclede Gas had recorded accruals for capital expenditures totaling \$3.0 at September 30, 2014, \$4.7 at September 30, 2013, and \$9.7 at September 30, 2012.

For Alagasco, depreciation is provided using the composite method of depreciation on a straight-line basis over the estimated useful lives of utility property at rates approved by the APSC. On June 28, 2010, the APSC approved a reduction in depreciation rates, effective June 1, 2010, for Alagasco with the revised prospective composite depreciation rate approximating 3.1%. Alagasco anticipates refunding approximately \$13.4 of refundable negative salvage costs through lower tariff rates over the next twelve months.

Table of Contents

Related to the lower depreciation rates, an estimated \$26.8 of refundable negative salvage costs will be refunded to eligible customers on a declining basis through lower tariff rates over a five year period beginning January 1, 2015. Alagasco's capital expenditures were \$7.7 for the month of September 2014. Additionally, Alagasco recorded accruals for capital expenditures totaling \$5.0 at September 30, 2014.

Accrued capital expenditures are excluded from the Consolidated Statements of Cash Flows of the Company and the Statements of Cash Flows of Laclede Gas.

ASSET RETIREMENT OBLIGATIONS - Laclede Group, Laclede Gas, and Alagasco record legal obligations associated with the retirement of long-lived assets in the period in which the obligations are incurred, if sufficient information exists to reasonably estimate the fair value of the obligations. Obligations are recorded as both a cost of the related long-lived asset and as a corresponding liability. Subsequently, the asset retirement costs are depreciated over the life of the asset and the asset retirement obligations are accreted to the expected settlement amounts. The Company, Laclede Gas and Alagasco record asset retirement obligations associated with certain safety requirements to purge and seal gas distribution mains upon retirement, the plugging and abandonment of storage wells and other storage facilities, specific service line obligations, and certain removal and disposal obligations related to components of Alagasco and Laclede Gas' distribution system and general plant. Asset retirement obligations recorded by Laclede Group's other subsidiaries are not material. As authorized by the MoPSC and APSC, Laclede Gas and Alagasco accrue future asset removal costs associated with its property, plant and equipment even if a legal obligation does not exist. Such accruals are provided for through depreciation expense and are recorded with corresponding credits to regulatory liabilities. When Laclede Gas retires depreciable utility plant and equipment, it charges the associated original costs to accumulated depreciation and amortization, and any related removal costs incurred are charged to regulatory liabilities. The difference between removal costs recognized in depreciation rates and the accretion expense and depreciation expense recognized for financial reporting purposes is a timing difference between recovery of these costs in rates and their recognition for financial reporting purposes. Accordingly, these differences are deferred as regulatory liabilities. In the rate setting process, the regulatory liability is deducted from the rate base upon which Laclede Gas has the opportunity to earn its allowed rate of return. The costs associated with asset retirement obligations are either currently being recovered in rates or are probable of recovery in future rates.

As part of the MGE and Alagasco acquisitions, Laclede Gas and Laclede Group have estimated the asset retirement obligation of their long-lived assets as of their respective acquisition dates. The valuation has been finalized for the MGE acquisition and the valuation of Alagasco asset retirement obligations is preliminary and will be finalized upon completion of a detailed fair value analysis that is being performed by the Company.

The following table presents a reconciliation of the beginning and ending balances of asset retirement obligations at September 30 as reported in the Balance Sheets:

(\$ millions)	Laclede Group		Laclede Gas	
	2014	2013	2014	2013
Asset retirement obligations, beginning of year	\$74.6	\$40.4	\$74.3	\$40.1
Liabilities incurred during the period	0.5	0.8	0.5	0.8
Liabilities settled during the period	(1.5)	(1.1)	(1.5)	(1.1)
Accretion	3.7	2.3	3.7	2.3
Revisions in estimated cash flows	(5.8)	—	(5.8)	—
Addition of MGE asset retirement obligation	—	32.2	—	32.2
Addition of Alagasco asset retirement obligation	27.7	—	—	—
Asset retirement obligations, end of year	\$99.2	\$74.6	\$71.2	\$74.3

REGULATED OPERATIONS - The Utilities account for their regulated operations in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, "Regulated Operations." This Topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as

expenses when those amounts are reflected in rates. Also, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities).

71

Table of Contents

Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process. See additional discussion on regulated operations in Note 15 - Regulatory Matters.

NATURAL GAS AND PROPANE GAS – For Laclede Gas, inventory of natural gas in storage is priced on a LIFO basis and inventory of propane gas in storage is priced on a FIFO basis. For MGE and Alagasco, inventory of natural gas in storage is priced on the weighted average cost basis. The replacement cost of Laclede Gas' natural gas for current use at September 30, 2014 and September 30, 2013 was less than the LIFO cost by \$11.4 and \$13.3, respectively. The carrying value of Laclede Gas' inventory is not adjusted to the lower of cost or market prices because, pursuant to both Laclede Gas' and MGE's Purchased Gas Adjustment (PGA) clauses, actual gas costs are recovered in customer rates. Natural gas and propane gas storage inventory in Laclede Group's other operating segments is recorded at the lower of average cost or market.

BUSINESS COMBINATIONS - The Company's acquisitions of MGE and Alagasco were accounted for by the Company using business combination accounting. Under this method, the purchase price paid by the acquirer is allocated to the assets acquired and liabilities assumed as of the acquisition date based on their fair value. For additional information on the Company's acquisitions of MGE and Alagasco, refer to Note 2, Acquisitions.

GOODWILL - Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. As part of the MGE acquisition, Laclede Group initially recorded \$247.1 of goodwill on the September 1, 2013 acquisition date. During fiscal 2014, final reconciliations of purchase price were completed (refer to Note 2, Acquisitions), which effectively reduced Laclede Gas' purchase price of MGE to \$940.2 and reduced goodwill related to the transaction from \$247.1 to \$210.2. In accordance with ASC 805 ("Topic 805"), "Business Combinations," Laclede Gas has recorded adjustments during the measurement period to finalize the allocation of purchase price as of September 30, 2014. As part of the Alagasco acquisition, the Company recorded \$727.6 of goodwill. The following table represents total goodwill of Laclede Group and Laclede Gas:

(\$ Millions)	Laclede Group		Laclede Gas	
	2014	2013	2014	2013
Acquisition				
MGE	\$210.2	\$247.1	\$210.2	\$247.1
Alagasco	727.6	—	—	—
Total	\$937.8	\$247.1	\$210.2	\$247.1

We evaluate goodwill for impairment as of July 1st of each year, or more frequently if events and circumstances indicate that the asset might be impaired. The goodwill impairment test compares the fair value of the determined reporting unit to its carrying amount, including goodwill. Based on the authoritative literature, the Utility segment was used as the reporting unit for the goodwill testing. Prior to the Closing Date of the Alagasco acquisition, Laclede identified one reporting unit in our Utility segment. However, subsequent to the acquisition, Laclede identified multiple reporting units under the Utility segment. These reporting units were aggregated into one reporting unit based on their similar economic characteristics. For fiscal 2014, we applied a quantitative goodwill evaluation model for the annual goodwill impairment test conducted for the Utility segment. Based on the results of our quantitative assessment, we believe it was more likely than not that the fair value of the Utility segment reporting unit exceeded its carrying value as of July 1, 2014, indicating no impairment of goodwill recorded for MGE. During fiscal 2015 we will commence annual impairment testing on the goodwill that arose from the Alagasco acquisition.

IMPAIRMENT OF LONG-LIVED ASSETS - We evaluate long-lived assets classified as held and used for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Whether impairment has occurred is determined by comparing the estimated undiscounted cash flows attributable to the assets with the carrying value of the assets. If the carrying value exceeds the undiscounted cash flows, we recognize an impairment charge equal to the amount of the carrying value that exceeds the estimated fair value of the assets. In the period in which we determine an asset meets held for sale criteria, we record an impairment charge to the extent the book value exceeds its fair value less cost to sell.

REVENUE RECOGNITION - Laclede Gas reads meters and bills its customers on monthly cycles. Laclede Gas records its gas utility revenues from gas sales and transportation services on an accrual basis that includes estimated

amounts for gas delivered, but not yet billed. The accruals for unbilled revenues are reversed in the subsequent accounting period when meters are actually read and customers are billed. The amounts of accrued unbilled revenues at September 30, 2014 and 2013, for the Utilities, were \$29.4 and \$26.7, respectively.

Table of Contents

Alagasco records natural gas distribution revenues in accordance with tariff established by the APSC. The margin and gas costs on service delivered to cycle customers but not yet billed are recorded in current assets as accounts receivable with a corresponding regulatory liability. Gas imbalances are settled on a monthly basis. Alagasco had no material imbalances at September 30, 2014.

Laclede Group's other subsidiaries, including LER, record revenues when earned, either when the product is delivered or when services are performed.

In the course of its business, LER enters into commitments associated with the purchase or sale of natural gas. Certain of LER's derivative natural gas contracts are designated as normal purchases or normal sales and, as such, are excluded from the scope of ASC Topic 815, "Derivatives and Hedging." Those contracts are accounted for as executory contracts and recorded on an accrual basis. Revenues and expenses from such contracts are recorded using a gross presentation. Contracts not designated as normal purchases or normal sales are recorded as derivatives with changes in fair value recognized in earnings in the periods prior to physical delivery. For additional information on derivative instruments, refer to Note 10, Derivative Instruments and Hedging Activities. Certain of LER's wholesale purchase and sale transactions entered on or after January 1, 2012 are classified as trading activities for financial reporting purposes. Under GAAP, revenues and expenses associated with trading activities are presented on a net basis in Gas Marketing Operating Revenues in the Statements of Consolidated Income. This net presentation has no effect on operating income or net income.

PURCHASED GAS ADJUSTMENTS AND DEFERRED ACCOUNT**Laclede Gas**

As authorized by the MoPSC, the PGA clause allows Laclede Gas to flow through to customers, subject to prudence review by the MoPSC, the cost of purchased gas supplies. To better match customer billings with market natural gas prices, Laclede Gas is allowed to file to modify, on a periodic basis, the level of gas costs in its PGA. Certain provisions of the PGA clause are included below:

Laclede Gas has a risk management policy that allows for the purchase of natural gas derivative instruments with the goal of managing price risk associated with purchasing natural gas on behalf of its customers. The MoPSC clarified that costs, cost reductions, and carrying costs associated with the Utility's use of natural gas derivative instruments are gas costs recoverable through the PGA mechanism.

The tariffs allow Laclede Gas flexibility to make up to three discretionary PGA changes during each year, in addition to its mandatory November PGA change, so long as such changes are separated by at least two months.

Laclede Gas is authorized to recover gas inventory carrying costs through its PGA rates to recover costs it incurs to finance its investment in gas supplies that are purchased during the storage injection season for sale during the heating season. Laclede Gas is also authorized to apply carrying costs to all over- or under-recoveries of gas costs, including costs and cost reductions associated with the use of derivative instruments, including cash payments for margin deposits.

The MoPSC approved a plan applicable to Laclede Gas' gas supply commodity costs under which it retains a portion of cost savings associated with the acquisition of natural gas below an established benchmark level. This gas supply cost management program allows Laclede Gas to retain 10% of cost savings, up to a maximum of \$3.0 annually.

Laclede Gas did not record any income under the plan during the three fiscal years reported. Income recorded under the plan, if any, is included in Gas Utility Operating Revenues on the Statements of Consolidated Income and under Operating Revenues under Laclede Gas' Statements of Income.

Pursuant to the provisions of the PGA clause, the difference between actual costs incurred and costs recovered through the application of the PGA are reflected as a deferred charge or credit at the end of the fiscal year. These costs include costs and cost reductions associated with the use of derivative instruments and gas inventory carrying costs, amounts due to or from customers related to operation of the gas supply cost management program, refunds received from the Company's suppliers in connection with gas supply, transportation, and storage services, and carrying costs on such over- or under-recoveries. At that time, the balance is classified as a current asset or current liability and recovered from, or credited to, customers over an annual period commencing in November. The balance in the current account is amortized as amounts are reflected in customer billings. The PGA clause also provides for the treatment of income from off-system sales and capacity release revenues. Pre-tax income from off-system sales and capacity release

revenues is shared with customers, with an estimated amount assumed in PGA rates. The difference between the actual amount allocated to customers for each fiscal year and the estimated amount assumed in PGA rates is recovered from, or credited to, customers over an annual period commencing in the subsequent November.

Table of Contents

The customer share of such income is determined in accordance with the tables below, which is shown for each legacy company (Laclede Gas and MGE) under which the PGA clauses were approved by the MoPSC.

Laclede Gas

Pre-tax Income	Customer Share	Company Share
First \$2 million	100%	—%
Next \$2 million	80%	20%
Next \$2 million	75%	25%
Amounts exceeding \$6 million	70%	30%

MGE

Pre-tax Income	Customer Share	Company Share
First \$1.2 million	85%	15%
Next \$1.2 million	80%	20%
Next \$1.2 million	75%	25%
Amounts exceeding \$3.6 million	70%	30%

See the Regulatory and Other Matters section on page 42 of this report for additional information on Laclede Gas' off-system sales.

Alagasco

Alagasco's rate schedules for natural gas distribution charges contain a GSA rider, established in 1993, which permits the pass-through to customers of changes in the cost of gas supply. Alagasco's tariff provides a temperature adjustment mechanism, also included in the GSA, that is designed to moderate the impact of departures from normal temperatures on Alagasco's earnings. The temperature adjustment applies primarily to residential, small commercial and small industrial customers. Other non-temperature weather-related conditions that may affect customer usage are not included in the temperature adjustment.

INCOME TAXES - Laclede Group and its subsidiaries have elected, for tax purposes only, various accelerated depreciation provisions of the Internal Revenue Code. In addition, certain other costs are expensed currently for tax purposes while being deferred for book purposes. GAAP permits the benefit from a tax position to be recognized only if, and to the extent that, it is more likely than not that the tax position will be sustained upon examination by the taxing authority, based on the technical merits of the position. Unrecognized tax benefits and related interest and penalties, if any, are recorded as liabilities or as a reduction to deferred tax assets. Laclede Group companies record deferred tax liabilities and assets measured by enacted tax rates for the net tax effect of all temporary differences between the tax basis and the related carrying amounts of assets and liabilities in the financial statements. Changes in enacted tax rates, if any, and certain property basis differences are reflected by entries to regulatory asset or regulatory liability accounts for regulated companies, and are reflected as income or loss for non-regulated companies.

Laclede Gas' investment tax credits utilized prior to 1986 have been deferred and are being amortized in accordance with regulatory treatment over the useful life of the related property.

For income tax purposes, Laclede Group has elected to treat the acquisition of Alagasco as an asset purchase under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended.

CASH AND CASH EQUIVALENTS - All highly liquid debt instruments purchased with original maturities of three months or less are considered to be cash equivalents. Such instruments are carried at cost, which approximates market value. Outstanding checks on the Company's and Utilities' controlled disbursement bank accounts in excess of funds on deposit create book overdrafts (which are funded at the time checks are presented for payment) and are classified as Other or Accounts Payable in the Current Liabilities section of the Company's Consolidated Balance Sheets and on the Utilities' Balance Sheets. Changes in book overdrafts between periods are reflected as Financing Activities in the Statements of Consolidated Cash Flows for the Company and are reflected as Financing Activities in the Statements of Cash Flows for the Utilities.

NATURAL GAS RECEIVABLE – LER enters into natural gas transactions with natural gas pipeline companies known as park and loan arrangements. Under the terms of the arrangements, LER purchases natural gas from a third party and delivers that natural gas to the pipeline company for the right to receive the same quantity of natural gas

from the pipeline company at the same location in a future period. These arrangements are accounted for as non-monetary transactions under GAAP and are recorded at the carrying amount. As such, natural gas receivables are reflected on the Consolidated Balance Sheets at cost, which includes related pipeline fees associated with the transactions. In the period that the natural gas is returned to LER,

74

Table of Contents

concurrent with the sale of the natural gas to a third party, the related natural gas receivable is expensed in the Statements of Consolidated Income. In conjunction with these transactions, LER usually enters into New York Mercantile Exchange (NYMEX) and ICE Clear Europe (ICE) natural gas futures, options, and swap contracts or fixed price sales agreements to protect against market changes in future sales prices.

EARNINGS PER COMMON SHARE - GAAP requires dual presentation of basic and diluted earnings per share (EPS). EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareholders. Certain of the Company's stock-based compensation awards pay non-forfeitable dividends to the participants during the vesting period and, as such, are deemed participating securities. Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding that are increased for additional shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares, pursuant to the treasury stock method. Shares attributable to equity units, non-participating stock options and time-vested restricted stock/units are excluded from the calculation of diluted earnings per share if the effect would be antidilutive. Shares attributable to non-participating performance-contingent restricted stock awards are only included in the calculation of diluted earnings per share to the extent the underlying performance and/or market conditions are satisfied (a) prior to the end of the reporting period or (b) would be satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive. The Company's EPS computations are presented in Note 4, Earnings Per Common Share.

GROSS RECEIPTS AND SALES TAXES - Gross receipts taxes associated with the Company's natural gas utility services are imposed on the Company, Laclede Gas, and Alagasco and billed to its customers. These amounts are recorded gross in the Company's Statements of Consolidated Income and the Utilities' Statements of Income. Amounts recorded in Laclede Group Operating Revenues were \$96.9, \$40.8, and \$35.9 for fiscal years 2014, 2013, and 2012, respectively. Amounts recorded in Laclede Gas' Operating Revenues were \$76.3, \$40.8, and \$35.9 for fiscal years 2014, 2013, and 2012. Amounts recorded in Alagasco's Operating Revenues were \$20.6 for fiscal year 2014. Gross receipts taxes are expensed by Laclede Gas and Alagasco and included in the Taxes, other than income taxes line. Sales taxes imposed on applicable Alagasco and Laclede Gas sales are billed to customers. These amounts are not recorded in the Statements of Income, but are recorded as tax collections payable and included in the Other line of the Current Liabilities section of the Balance Sheets.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS - Trade accounts receivable are recorded at the amounts due from customers, including unbilled amounts. Estimates of the collectability of trade accounts receivable are based on historical trends, age of receivables, economic conditions, credit risk of specific customers, and other factors. Accounts receivable are written off against the allowance for doubtful accounts when they are deemed to be uncollectible. Laclede Group's provision for uncollectible accounts includes the amortization of previously deferred uncollectible expenses, as approved by the MoPSC and the APSC.

FINANCE RECEIVABLES: Alagasco finances third party contractor sales of merchandise including gas furnaces and appliances. At September 30, 2014 and December 31, 2013, the Company's finance receivable totaled approximately \$10.9 and \$10.8, respectively. Financing is available only to qualified customers who meet creditworthiness thresholds for customer payment history and external agency credit reports. Alagasco relies upon ongoing payments as the primary indicator of credit quality during the term of each contract. The allowance for credit losses is recognized using an estimate of write-off percentages based on historical experience applied to an aging of the finance receivable balance. Delinquent accounts are evaluated on a case-by-case basis and, absent evidence of debt repayment after 90 days, are due in full and assigned to a third party collection agency. The remaining finance receivable is written off approximately 12 months after being assigned to the third party collection agency. Alagasco had finance receivables past due 90 days or more of \$0.3 and \$0.4 as of September 30, 2014 and December 31, 2013, respectively. Alagasco recorded an allowance for credit losses at September 30, 2014 and December 31, 2013 of \$0.3 and \$0.4, respectively.

GROUP MEDICAL AND WORKERS' COMPENSATION RESERVES - The Company self-insures its group medical and workers' compensation costs and carries stop-loss coverage in relation to medical claims and workers' compensation claims. Reserves for amounts incurred but not reported are established based on historical cost levels and lags between occurrences and reporting.

FAIR VALUE MEASUREMENTS – Certain assets and liabilities are recognized or disclosed at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

Table of Contents

participants at the measurement date (exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs used to measure fair value.

The levels of the hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Pricing inputs other than quoted prices included within Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date. These inputs are derived principally from, or corroborated by, observable market data.

Level 3 – Pricing that is based upon inputs that are generally unobservable that are based on the best information available and reflect management's assumptions about how market participants would price the asset or liability. Assessment of the significance of a particular input to the fair value measurements may require judgment and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. Additional information about fair value measurements is provided in Note 8, Fair Value of Financial Instruments, Note 9, Fair Value Measurements, and Note 13, Pension Plans and Other Postretirement Benefits.

STOCK-BASED COMPENSATION – The Company measures stock-based compensation awards at fair value at the date of grant and recognizes the compensation cost of the awards over the requisite service period. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if the actual forfeitures differ from those estimates. Refer to Note 3, Stock-Based Compensation, for further discussion of the accounting for the Company's stock-based compensation plans.

NEW ACCOUNTING STANDARDS – In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This standard is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principles-based approach to the recognition of revenue. The core principle of the standard is when an entity transfers goods or services to customers it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services. The standard outlines a five-step model and related application guidance, which replaces most existing revenue recognition guidance. ASU 2014-09 also requires disclosures that will enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption not permitted. The Company and the Utilities have not yet selected a transition method nor have they determined the impact, if any, of the standard on their ongoing financial conditions and results of operations.

2. ACQUISITIONS

The transactions are strategic, delivering on the Company's commitment to growth and long-term shareholder value. These utilities are ideal in terms of size and scope. By leveraging the Company's core gas utility expertise and further expanding its footprint, it will be able to support growth initiatives in new markets with new customers.

MGE

Effective September 1, 2013, Laclede Gas completed the purchase from SUG, an affiliate of ETE and Energy Transfer Partners, L.P., of substantially all of the assets and liabilities of MGE, a utility engaged in the distribution of natural gas on a regulated basis in western Missouri. The purchase was completed pursuant to the MGE PSA dated December 14, 2012. Under the terms of the MGE PSA, Laclede Gas acquired MGE for a purchase price of \$975.0, subject to reconciliation of certain amounts as discussed below.

In accordance with Section 3.2 of the MGE PSA, Laclede Gas provided to SUG a reconciliation of certain balance sheet accounts from the amounts at September 30, 2012 to August 31, 2013, indicating the difference due to changes in the actual net assets transferred to the Company at closing from the level at September 30, 2012. Laclede Gas and SUG agreed to the final reconciliation amount of \$23.9, which was paid by ETE to Laclede Gas on February 14, 2014. Also, on December 12, 2012, Plaza Mass agreed to purchase NEG from SUG. Subsequently, on February 11, 2013, the Company agreed to sell Plaza Mass to APUC. On December 13, 2013, the MDPU approved the transfer of NEG to an APUC subsidiary. Consistent with the February 11, 2013 agreements, on December 20, 2013, the Company closed the sale of Plaza Mass to an APUC subsidiary and received \$11.0 from APUC. On December 24, 2013, the Massachusetts Attorney General filed a Motion for Clarification/Reconsideration with the MDPU claiming, among other things, that legislative approval was required for a transfer of utility assets. On March 26, 2014, the MDPU

issued an order denying the Attorney General's motion. The Attorney General did not appeal, thus the MDPU's order approving the sale of NEG is final.

These receipts of funds and other working capital adjustments during the year effectively reduced Laclede Gas' purchase price of MGE to \$940.2 and reduced goodwill related to the transaction from \$247.1 to \$210.2. In accordance with ASC 805 ("Topic

Table of Contents

805”), “Business Combinations,” goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. As such, Laclede Gas has recorded adjustments during the measurement period to finalize the allocation of purchase price as of September 30, 2014.

The amount of revenue and earnings of MGE included in Laclede Gas' Statements of Income and the Company's Statements of Consolidated Income subsequent to the September 1, 2013 acquisition date are as follows:

(\$ Millions, except per share data)	Year ended September 30, 2014	September 1, 2013 - September 30, 2013
Total net revenues	\$554.2	\$22.0
Net Income	39.5	1.8
Earnings per share:		
Basic	\$ 1.10	\$0.07
Diluted	\$ 1.10	\$0.07

The following table summarizes the fair value of the MGE assets acquired and liabilities assumed at the date of the acquisition:

(\$ Millions)	September 1, 2013
Assets:	
Utility plant	\$671.1
Other property and investments	3.3
Goodwill	210.2
Other Property and Investments	884.6
Accounts receivable and other current assets	36.0
Inventories	62.7
Total Current Assets	983.3
Deferred Charges:	
Regulatory assets	81.4
Other	14.3
Total Deferred Charges	95.7
Total Assets Acquired	\$1,079.0
Liabilities:	
Accounts payable	\$19.8
Taxes accrued	17.2
Other	28.9
Total Current Liabilities	65.9
Pension and postretirement benefit costs	24.5
Asset retirement obligations	32.1
Other	16.3
Total Deferred Credits and Other Liabilities	72.9
Total Liabilities Assumed	138.8
Net Assets Acquired	\$940.2
Alagasco	

The Company completed the acquisition of 100% of the common shares of Alagasco (Alagasco Transaction), a public utility engaged in the distribution of natural gas in central and northern Alabama, from Energen for \$1,600.0, including assumed debt. The acquisition date (Closing Date) was September 2, 2014, with an effective time under the Stock Purchase Agreement (SPA) of 11:59 p.m. on August 31, 2014. The Alagasco Transaction is subject to certain post-closing adjustments for cash, indebtedness and working capital. Total consideration paid, net of cash acquired, at

closing was \$1,305.2.

77

Table of Contents

The Alagasco Transaction was accounted for under the acquisition method of accounting in accordance with ASC 805 (Topic 805), "Business Combinations." The Company determined that the Alagasco Transaction met the scope exceptions for pushdown accounting, and as such the excess consideration transferred over the fair value of assets acquired was recorded at Laclede Group. The Company and Energen made an election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, to treat the Alagasco Transaction as a deemed purchase and sale of assets for tax purposes. As a result the existing deferred tax assets and liabilities were remeasured as of the Closing Date.

The purchase of Alagasco is supportive of the strategic focus on growing the Company's regulated footprint. Alagasco also creates geographic and regulatory diversity by expanding the Company's focus into Alabama.

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed at the date of the Alagasco acquisition:

(\$ Millions)	August 31, 2014
Assets:	
Utility plant	\$892.7
Accounts receivable	37.3
Inventories	47.7
Prepayments and other	26.6
Total Current Assets	1,004.3
Deferred Charges:	
Regulatory assets	99.5
Deferred tax asset	278.4
Pension and other postretirement	25.7
Other	18.2
Total Deferred Charges	421.8
Total Assets Acquired	\$1,426.1
Liabilities:	
Accounts payable	\$32.9
Customer deposits	19.9
Taxes accrued	28.4
Regulatory liabilities	
Current portion of long-term debt	15.0
Other	92.2
Total Current Liabilities	188.4
Pension and postretirement benefit costs	27.9
Asset retirement obligations	30.6
Regulatory liabilities	56.1
Long-term debt	249.8
Other	15.8
Total Deferred Credits and Other Liabilities	380.2
Total Liabilities Assumed	\$568.6
Laclede Group	
Goodwill	\$727.6
Deferred Tax Elimination	(267.8)
Net Assets Acquired	\$1,317.3

Table of Contents

The amount of revenue and earnings of Alagasco included in our Statements of Consolidated Income subsequent to the Closing Date are as follows:

(\$ Millions, except per share data)	September 1, 2014 - September 30, 2014
Total net revenues	\$19.7
Net Loss	(2.9)
Earnings/(loss) per share:	
Basic	\$(0.08)
Diluted	\$(0.08)
Pro Forma	

The following unaudited pro forma financial information presents the combined results of operations as if the MGE acquisition had occurred on October 1, 2012 and the Alagasco acquisition has occurred on October 1, 2013, respectively. The pro forma financial information does not reflect the costs of any integration activities. The pro forma results include estimates and assumptions, which management believes are reasonable. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had Alagasco or MGE been part of the Company as of the beginning of fiscal years 2013 and 2012, respectively.

(\$ Millions, except per share data)	Twelve Months Ended September 30,		
	2014	2013	2012
Total net revenues	\$2,187.1	\$2,051.5	\$1,581.4
Net Income	133.5	102.0	81.7
Earnings per share:			
Basic	\$3.11	\$2.50	\$2.52
Diluted	\$3.10	\$2.49	\$2.51

Goodwill

The following table presents the total goodwill activity for the twelve months ended September 30, 2014:

(\$ Millions)	Laclede Group	Laclede Gas
September 30, 2013	\$247.1	\$247.1
MGE:		
Working capital and other adjustments to acquisition cost	(25.9)	(25.9)
Sale of NEG	(11.0)	(11.0)
Alagasco Acquisition	727.6	—
September 30, 2014	\$937.8	\$210.2

3. STOCK-BASED COMPENSATION

The Laclede Group 2006 Equity Incentive Plan (the 2006 Plan) was amended and approved at the annual meeting of shareholders of Laclede Group on January 26, 2012. The purpose of the 2006 Plan is to encourage directors, officers, and employees of the Company and its subsidiaries to contribute to the Company's success and align their interests with that of shareholders. To accomplish this purpose, the Compensation Committee (Committee) of the Board of Directors may grant awards under the 2006 Plan that may be earned by achieving performance objectives and/or other criteria as determined by the Committee. Under the terms of the 2006 Plan, officers and employees of the Company and its subsidiaries, as determined by the Committee, are eligible to be selected for awards. Effective February 1, 2012, members of the Company's Board of Directors are also eligible to participate in the 2006 Plan and no additional awards will be granted under the Restricted Stock Plan for Non-Employee Directors. The 2006 Plan provides for restricted stock, restricted stock units, qualified and non-qualified stock options, stock appreciation rights, and performance shares payable in stock, cash, or a combination of both. The 2006 Plan generally provides a minimum vesting period of at least three years for each type of award, with pro rata vesting permitted during the minimum three year vesting period. The maximum number of shares reserved for issuance

Table of Contents

under the 2006 Plan is 1,250,000. The 2006 Plan replaced the Laclede Group Equity Incentive Plan (the 2003 Plan). Shares reserved under the 2003 Plan, other than those needed for currently outstanding awards, were canceled upon shareholder approval of the 2006 Plan.

The Company issues new shares to satisfy employee restricted stock awards and stock option exercises. Prior to February 1, 2012, shares for non-employee directors were purchased on the open market.

Restricted Stock Awards

During fiscal year 2014, the Company granted 125,727 performance-contingent restricted share units to executive officers and key employees at a weighted average grant date fair value of \$37.21 per share. This number represents the maximum shares that can be earned pursuant to the terms of the awards. The share units have a performance period ending September 30, 2016. While the participants have no interim voting rights on these share units, dividends accrue during the performance period and are paid to the participants upon vesting, but are subject to forfeiture if the underlying share units do not vest.

The number of share units that will ultimately vest is dependent upon the attainment of certain levels of earnings and other strategic goals, as well as the Company's level of total shareholder return (TSR) during the performance period relative to a comparator group of companies. This TSR provision is considered a market condition under GAAP and is discussed further below.

The weighted average grant date fair value of performance-contingent restricted shares and share units granted during fiscal years 2013 and 2012 was \$34.49 and \$36.55 per share, respectively.

Fiscal year 2014 activity of restricted stock and restricted stock units subject to performance and/or market conditions is presented below:

	Shares/ Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2013	242,268	\$34.15
Granted (maximum shares that can be earned)	125,727	\$37.21
Vested	(52,954)	\$32.16
Forfeited	(22,022)	\$29.35
Nonvested at September 30, 2014	293,019	\$36.18

During fiscal year 2014, the Company granted 59,468 shares of time-vested restricted stock to executive officers and key employees at a weighted average grant date fair value of \$45.66 per share. These shares were awarded between December 2013 and August 2014 and vest between December 2014 and July 2017 based on terms of the agreements. In the interim, participants receive full voting rights and dividends, which are not subject to forfeiture. The weighted average grant date fair value of time-vested restricted stock and restricted stock units awarded to employees during fiscal year 2013 and 2012 was \$40.03 and \$39.72 per share, respectively.

During fiscal year 2014, the Company granted 17,100 shares of time-vested restricted stock to non-employee directors at a weighted average grant date fair value of \$46.02 per share. The weighted average grant date fair value of restricted stock awarded to non-employee directors during fiscal years 2013 and 2012 was \$39.92 and \$41.36 per share, respectively. The awards granted in fiscal 2012 were pursuant to the Restricted Stock Plan for Non-Employee Directors and vesting is dependent upon the participant's age when entering the plan and years of service as a director. The plan's trustee acquired the shares for the awards in the open market and holds the shares as trustee for the benefit of the non-employee directors until the restrictions expire. In the interim, the participants receive full dividends and voting rights. As discussed above, effective February 1, 2012, any awards to non-employee directors will be made pursuant under The Laclede Group 2006 Equity Incentive Plan.

Table of Contents

Time-vested restricted stock and stock unit activity for fiscal year 2014 is presented below:

	Shares/ Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2013	119,404	\$38.64
Granted	76,568	\$45.74
Vested	(35,579)	\$40.46
Forfeited	(19,300)	\$38.78
Nonvested at September 30, 2014	141,093	\$42.02

During fiscal year 2014, 88,533 shares of restricted stock and stock units (performance-contingent and time-vested), awarded on December 1, 2010, September 1, 2011, October 1, 2012, January 30, 2014 and February 21, 2014 vested. The Company withheld 23,776 of the vested shares at a weighted average price of \$45.96 per share pursuant to elections by employees to satisfy tax withholding obligations. During fiscal year 2013, 91,221 shares of restricted stock and stock units (performance-contingent and time-vested), awarded on November 4, 2008, December 1, 2009, January 4, 2010, May 3, 2010 and July 1, 2010, vested. The Company withheld 23,311 of these vested shares at a weighted average price of \$39.96 per share pursuant to elections by employees to satisfy tax withholding obligations. During fiscal year 2012, 90,839 shares of restricted stock (performance-contingent and time vested) awarded on February 14, 2008, November 5, 2008, and March 31, 2009, vested. The Company withheld 30,052 of these vested shares at a weighted average price of \$40.02 per share pursuant to elections by employees to satisfy tax withholding obligations.

The total fair value of restricted stock (performance-contingent and time-vested) vested during fiscal years 2014, 2013, and 2012 was \$4.1, \$3.8, and \$4.2, respectively, and the related actual tax benefit realized was \$1.6, \$1.4 and \$1.6, respectively.

Stock Option Awards

No stock options were granted during fiscal years 2014, 2013, and 2012. Stock option activity for fiscal year 2014 is presented below:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$Millions)
Outstanding at September 30, 2013	133,500	\$31.87		
Granted	—	\$—		
Exercised	(53,750)	\$31.07		
Forfeited	—	\$—		
Expired	—	\$—		
Outstanding at September 30, 2014	79,750	\$32.42	1.1	\$1.1
Fully Vested and Expected to Vest at September 30, 2014	79,750	\$32.42	1.1	\$1.1
Exercisable at September 30, 2014	79,750	\$32.42	1.1	\$1.1

Exercise prices of options outstanding at September 30, 2014 range from \$30.46 to \$34.95. During fiscal year 2014, cash received from the exercise of stock options was \$1.7, the intrinsic value of the options exercised was \$0.9 and the related actual tax benefit realized was \$0.3. During fiscal year 2013, cash received from the exercise of stock options was \$2.7, the intrinsic value of the options exercised was \$1.0 and the related actual tax benefit realized was \$0.4.

During fiscal year 2012, cash received from the exercise of stock options was \$2.5, the intrinsic value of the options exercised was \$1.0 and the related actual tax benefit realized was \$0.4.

The closing price of the Company's common stock was \$46.40 at September 30, 2014.

Equity Compensation Costs

Compensation cost for performance-contingent restricted stock and stock unit awards is based upon the probable outcome of the performance conditions. For shares or units that do not vest or that are not expected to vest due to the outcome of the performance conditions (excluding market conditions), no compensation cost is recognized and any previously recognized compensation cost is reversed.

Table of Contents

The fair value of awards of performance-contingent and time-vested restricted stock and restricted stock units, not subject to the TSR provision, is estimated using the closing price of the Company's stock on the date of the grant. For those awards that do not pay dividends during the vesting period, the estimate of fair value is reduced by the present value of the dividends expected to be paid on the Company's common stock during the performance period, discounted using an appropriate US Treasury yield. For shares subject to the TSR provision, the estimated impact of this market condition is reflected in the grant date fair value per share of the awards. Accordingly, compensation cost is not reversed to reflect any actual reductions in the awards that may result from the TSR provision. However, if the Company's TSR during the performance period ranks below the level specified in the award agreements, relative to a comparator group of companies, and the Committee elects not to reduce the award (or reduce by a lesser amount), this election would be accounted for as a modification of the original award and additional compensation cost would be recognized at that time. The grant date fair value of the awards subject to the TSR provision awarded during fiscal years 2014, 2013, and 2012 was valued by a Monte Carlo simulation model that assessed the probabilities of various TSR outcomes. The significant assumptions used in the Monte Carlo simulations are as follows:

	2014	2013	2012
Risk free interest rate	0.53%	0.32%	0.39%
Expected dividend yield of stock	—	—	—
Expected volatility of stock	18.00%	19.60%	23.21%
Vesting period	2.8 years	2.8 years	2.8 years

The risk free interest rate was based on the yield on US Treasury securities matching the vesting period. The expected volatility is based on the historical volatility of the Company's stock. Volatility assumptions were also made for each of the companies included in the comparator group. The vesting period is equal to the performance period set forth in the terms of the award.

The amounts of compensation cost recognized for share-based compensation arrangements are presented below:

(\$ Millions)	2014	2013	2012
Total equity compensation cost	\$5.8	\$4.5	\$2.7
Compensation cost capitalized	(1.8	) (1.4	) (0.8
Compensation cost recognized in net income	\$4.0	\$3.1	\$1.9
Income tax benefit recognized in net income	(1.5	) (1.2	) (0.7
Compensation cost recognized in net income, net of income tax	\$2.5	\$1.9	\$1.2

As of September 30, 2014, there was \$7.0 of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.0 years.

Table of Contents

4. EARNINGS PER COMMON SHARE

(Millions, Except per share amounts)	2014	2013	2012
Basic EPS:			
Net Income	\$84.6	\$52.8	\$62.6
Less: Income allocated to participating securities	0.3	0.3	0.3
Net Income Available to Common Shareholders	\$84.3	\$52.5	\$62.3
Weighted Average Shares Outstanding	35.8	25.9	22.3
Earnings Per Share of Common Stock	\$2.36	\$2.03	\$2.80
Diluted EPS:			
Net Income	\$84.6	\$52.8	\$62.6
Less: Income allocated to participating securities	0.3	0.3	0.3
Net Income Available to Common Shareholders	\$84.3	\$52.5	\$62.3
Weighted Average Shares Outstanding	35.8	25.9	22.3
Dilutive Effect of Stock Options, Restricted Stock, and Restricted Stock Units	0.1	0.1	—
Weighted Average Diluted Shares	35.9	26.0	22.3
Earnings Per Share of Common Stock	\$2.35	\$2.02	\$2.79
Outstanding Shares Excluded from the Calculation of Diluted EPS			
Attributable to:			
Antidilutive stock options	—	—	—
Restricted stock and stock units subject to performance and/or market conditions	0.3	0.2	0.2
Total	0.3	0.2	0.2

Laclede Group's 2014 2.0% Series Equity Units issued in June 2014 are potentially dilutive securities, but were excluded from the calculation of diluted EPS for the year ended September 30, 2014. The potential shares were not included in the outstanding shares excluded from the calculation of Diluted EPS in the table above. See [Note 5](#) for more information.

5. STOCKHOLDER'S EQUITY

Laclede Group

Total shares of common stock outstanding were 43.2 million and 32.7 million at September 30, 2014 and 2013, respectively.

Equity Units

In June 2014, Laclede Group issued 2.875 million Equity Units, initially consisting of Corporate Units, for an aggregate stated amount of approximately \$143.8. Each Corporate Unit has a stated amount of fifty dollars and consists of (i) a stock purchase contract obligating the holder to purchase shares of Laclede Group's common stock, par value \$1.00 per share (Common Stock) and (ii) a 1/20, or 5%, undivided beneficial ownership interest in one thousand dollars principal amount of Laclede Group's 2014 Series A 2.00% Remarketable Junior Subordinated Notes due 2022 (RSNs). The stock purchase contracts obligate the holders to purchase shares of Common Stock at a future settlement date prior to the relevant RSN maturity date. The purchase price to be paid under the stock purchase contracts is fifty dollars per Corporate Unit and the number of shares to be purchased will be determined under a formula based upon the average closing price of the Common Stock near the settlement date. The RSNs are pledged as collateral to secure the purchase of Common Stock under the related stock purchase contracts.

The Company makes quarterly interest payments on the RSNs and quarterly contract adjustment payments on the stock purchase contracts, at the rates described below. The Company may defer payments on the stock purchase contracts and the RSNs for one or more consecutive periods but generally not beyond the purchase contract settlement date. If payments are deferred, interest on the RSNs and contract adjustment payments will compound on each respective payment date in which the payment was deferred. Also, during the deferral period, the Company may not make any cash distributions related to its capital stock, including dividends, redemptions, repurchases, liquidation

payments or guarantee payments. Additionally, the Company may not make any payments on or redeem or repurchase any debt securities that are equal in right of payment with, or subordinated to, the RSNs during the deferral period. The Company has recorded the present value of the stock purchase contract payments as a liability offset by a charge to additional paid-in capital in equity. Interest payments on the RSNs are recorded as interest expense and stock purchase contract payments are charged against the liability. Accretion of the stock purchase contract liability is recorded as imputed

Table of Contents

interest expense. In calculating diluted EPS, the Company applies the treasury stock method to the Corporate Units. These securities did not have an effect on diluted EPS for the twelve months ended September 30, 2014.

Under the terms of the stock purchase contracts, assuming no anti-dilution or other adjustments, Laclede Group will issue between approximately 2.5 million and 3.1 million shares of its common stock in April 2017. A total of approximately 4.2 million shares of Common Stock have been reserved for issuance in connection with the stock purchase contracts.

Selected information about the Company's Equity Units is presented below:

Issuance Date	Units Issued (Millions)	Total Net Proceeds	Total Long-term Debt	RSN Annual Interest Rate	Stock Purchase Contract Annual Rate	Stock Purchase Contract Liability
6/11/2014	2.875	\$139.4	\$143.8	2.00%	4.75%	\$19.7

Common Stock and Paid-In Capital

Common stock and paid-in capital increased \$445.6 in fiscal year 2014. \$456.8 of the increase was due to the June 2014 issuance of 10,350,000 common shares to fund the Alagasco acquisition. The issuance of 33,667 common shares under the Dividend Reinvestment and stock Purchase Plan increased common stock and paid-in capital by \$1.5. Stock-based compensation and the issuance of 97,902 shares of common stock under the Equity Incentive plan increased common stock and paid-in capital by \$7.0. The issuance of the 2.875 million Equity Units reduced paid-in capital by \$19.7 which represents the stock purchase contract liability. Common stock and paid-in capital increased \$435.8 in fiscal year 2013. The issuance of 44,074 common shares under the Dividend Reinvestment and Stock Purchase Plan increased common stock and paid-in capital by \$1.8. The remaining \$434.0 increase was due to the issuance of 10,005,000 shares in May 2013, stock-based compensation costs and the issuance of 108,331 shares of common stock under the Equity Incentive Plan.

Laclede Group has a registration statement on file on Form S-3 for the issuance and sale of up to 168,698 shares of its common stock under its Dividend Reinvestment and Stock Purchase Program. There were 160,579 and 152,810 shares at September 30, 2014 and November 21, 2014, respectively, remaining available for issuance under this Form S-3.

On August 6, 2013, Laclede Group and Laclede Gas filed with the SEC a joint shelf registration statement on Form S-3 for issuance of various types of debt and equity securities, which registration statement will expire August 5, 2016. Bonds totaling \$450.0 were issued by Laclede Gas from this shelf registration statement on August 13, 2013. The amount, timing, and type of additional financing to be issued under this shelf registration statement will depend on cash requirements and market conditions.

At September 30, 2014 and 2013, Laclede Group and Laclede Gas had authorized 5,000,000 and 1,480,000 shares of preferred stock, respectively, but none were issued and outstanding.

Comprehensive Income

The components of accumulated other comprehensive income (loss), net of income taxes, recognized in the Consolidated Balance Sheets at September 30 were as follows:

\$ Millions	Net Unrealized Gains (Losses) on Cash Flow Hedges	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Balance at September 30, 2012	\$(1.9)	\$(2.2)	\$(4.1)
Current-period change	3.3	—	3.3
Balance at September 30, 2013	1.4	(2.2)	(0.8)
Current-period change	(1.2)	0.3	(0.9)
Balance at September 30, 2014	\$0.2	\$(1.9)	\$(1.7)

Income tax expense (benefit) recorded for items of other comprehensive income reported in the Statements of Comprehensive Income is calculated by applying statutory federal, state, and local income tax rates applicable to ordinary income. The tax rates applied to individual items of other comprehensive income are similar within each reporting period.

Laclede Gas

Common Stock and Paid-In Capital

Total shares of common stock outstanding were 24,577 and 24,549 at September 30, 2014 and 2013, respectively. Common stock and paid-in capital increased \$5.9 and \$480.8 in 2014 and 2013, respectively. These increases were primarily due to the issuance of common stock to Laclede Group and stock-based compensation costs allocated to the utility from Laclede Group in both periods.

84

Table of Contents

Laclede Gas periodically sells shares of its stock to Laclede Group at prices per share equal to book value on the last day of the quarter preceding each sale. The utility sold 28 shares to Laclede Group for \$1.1 during fiscal 2014 and 11,745 shares to Laclede Group for \$476.5 during fiscal 2013. During fiscal 2013, \$475.0 of the stock sale proceeds were used to fund a portion of the MGE acquisition. The proceeds from other sales were used to reduce short-term borrowings. Exemption from registration for all of the sales was claimed under Section 4(2) of the Securities Act of 1933.

Substantially all of Laclede Gas plant is subject to the liens of its first mortgage bonds. The mortgage contains several restrictions on Laclede Gas' ability to pay cash dividends on its common stock. These provisions are applicable regardless of whether the stock is publicly held or, as has been the case since the formation of Laclede Group, held solely by Laclede Gas' parent company. Under the most restrictive of these provisions, no cash dividend may be declared or paid if, after the dividend, the aggregate net amount spent for all dividends after September 30, 1953, would exceed a maximum amount determined by a formula set out in the mortgage. Under that formula, the maximum amount is the sum of \$8.0 plus earnings applicable to common stock (adjusted for stock repurchases and issuances) for the period from September 30, 1953, to the last day of the quarter before the declaration or payment date for the dividends. As of September 30, 2014 and 2013, the amount under the mortgage's formula that was available to pay dividends was \$936.2 and \$833.0, respectively. Thus, all of Laclede Gas retained earnings were free from such restrictions as of those dates.

Laclede Gas has authority from the MoPSC to issue up to \$518.0 in debt securities and preferred stock, including on a private placement basis, as well as to enter into capital leases, issue common stock and receive paid-in capital. This authorization was originally effective through June 30, 2013. In August 2012, Laclede Gas filed a request with the MoPSC to extend this authority for an additional two years, to June 30, 2015. This extension was approved October 24, 2012, to be effective on November 23, 2012. At September 30, 2014, \$369.7 remained under this authorization. The amount, timing, and type of additional financing to be issued will depend on cash requirements and market conditions.

Comprehensive Income

The components of accumulated other comprehensive income (loss), net of income taxes, recognized in the Balance Sheets at September 30 were as follows:

\$ Millions	Net Unrealized Gains (Losses) on Cash Flow Hedges	Defined Benefit Pension and Other Postretirement Benefit Plans	Total
Balance at September 30, 2012	\$0.1	\$(2.2)	\$(2.1)
Current-period change	—	—	—
Balance at September 30, 2013	0.1	(2.2)	(2.1)
Current-period change	(0.1)	) 0.3	0.2
Balance at September 30, 2014	\$—	\$(1.9)	\$(1.9)

Income tax expense (benefit) recorded for items of other comprehensive income reported in the Statements of Comprehensive Income is calculated by applying statutory federal, state, and local income tax rates applicable to ordinary income. The tax rates applied to individual items of other comprehensive income are similar within each reporting period.

6. LONG-TERM DEBT

Composition of long-term debt for Laclede Group and Laclede Gas are shown in each registrant's Statements of Capitalization as part of the Financial Statements.

Laclede Group

Maturities on Laclede Group's long-term debt for the five fiscal years subsequent to September 30, 2014 are as follows:

(\$ Millions)	Laclede Group	Laclede Gas
2015	\$—	\$—
2016	80.0	—
2017	250.0	—

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2018	100.0	100.0
2019	175.0	50.0

On August 19, 2014 Laclede Group issued \$625.0 aggregate principal amount in long-term debt. Of this, \$250.0 were floating rate senior notes with an interest rate of three-month LIBOR + 0.75% per annum maturing in August 2017, \$125.0 were senior notes with an interest rate of 2.55% maturing in August 2019, and \$250.0 were senior notes with an interest rate of 4.70% maturing in August 2044. The proceeds were used to fund a portion of the Alagasco acquisition.

85

Table of Contents

At September 30, 2014, the Company had long-term debt totaling \$1,853.6. Of the \$1,853.6 total long-term debt, the Company has fixed-rate long-term debt totaling \$1,603.6 and floating rate long-term debt totaling \$250.0. The fixed rate long-term debt issues are subject to changes in fair value as market interest rates change. However, increases and decreases in fair value would impact earnings and cash flows only if the Company were to reacquire any of these issues in the open market prior to maturity. Under GAAP applicable to the Utilities' regulated operations, losses or gains on early redemption of long-term debt would typically be deferred as regulatory assets or liabilities and amortized over a future period.

Of the Company's \$1,853.6 in long-term debt, \$25.0 have no call options, \$675.0 have make-whole call options, \$725.0 are callable at par between one to six months prior to maturity, \$250.0 are callable at par one year prior to maturity and \$34.8 are callable at par with 30 days' notice. This same \$34.8 in notes also have a par put option limited to \$0.8 per year. The remainder of the Company's long-term debt is \$143.8 of 2% Remarketable Junior Subordinated Notes due in 2022.

At September 30, 2014, Alagasco had fixed-rate long-term debt, including the current portion, totaling \$249.8. While these long-term debt issues are fixed-rate, they are subject to changes in fair value as market interest rates change. Of Alagasco's \$249.8 in long-term debt, \$215.0 have make-whole call options and \$34.8 are callable at par with 30 days' notice. This same \$34.8 in notes also have a par put option limited to \$0.8 per year. Alagasco has no standing authority to issue long-term debt, but must petition the APSC for each planned issuance. On November 3, 2014, Alagasco received authorization and approval from the APSC to borrow \$35.0 for the purposes of redeeming, without penalty, \$34.8 in existing long-term, callable debt financed at 5.7%

On August 6, 2013, Laclede Group and Laclede Gas filed with the SEC a joint shelf registration statement on Form S-3 for issuance of various types of debt and equity securities, which expires August 5, 2016. Bonds totaling \$450.0 were issued by Laclede Gas from this registration statement on August 13, 2013. The amount, timing, and type of additional financing to be issued under these shelf registrations will depend on cash requirements and market conditions.

Laclede Gas

Laclede Gas issued \$100.0 of first mortgage bonds in a private placement on March 15, 2013, that had been committed to in August 2012. Of this \$100.0, \$55.0 were issued at 3.00% for a 10-year term, maturing in March 2023, and \$45.0 were issued at 3.40% for a 15-year term, maturing in March 2028. The proceeds were used for the repayment of short-term debt and general corporate purposes. Laclede Gas issued \$450.0 of first mortgage bonds on August 13, 2013. Of this \$450.0, \$100.0 was issued at 2.00% maturing in August 2018, \$250.0 was issued at 3.40% maturing in August 2023, and \$100.0 was issued at 4.625% maturing in August 2043. The proceeds were used to fund a portion of the MGE acquisition.

On December 6, 2013, Laclede Gas provided a notice of redemption to holders for the entire \$80.0 aggregate principal amount outstanding of its previously issued 6.35% Series first mortgage bonds due in 2038. The redemption, which was for cash and included accrued interest, was completed on January 6, 2014.

At September 30, 2014, Laclede Gas had fixed-rate long-term debt, including the current portion, totaling \$810.0.

While these long-term debt issues are fixed-rate, they are subject to changes in fair value as market interest rates change. Of Laclede Gas' \$810.0 in long-term debt, \$25.0 have no call options, \$435.0 have make-whole call options and \$350.0 are callable at par three to six months prior to maturity. None of the debt has any put options.

Laclede Gas has authority from the MoPSC to issue up to \$518.0 in debt securities and preferred stock, including on a private placement basis, as well as to enter into capital leases, issue common stock and receive paid-in capital. This authorization is more fully described in Note 5, Shareholder's Equity.

Substantially all of Laclede Gas' plant is subject to the liens of its first mortgage bonds. The mortgage contains several restrictions on Laclede Gas' ability to pay cash dividends on its common stock, which are described more fully in Note 5, Stockholders' Equity.

Laclede Group's, Laclede Gas' and Alagasco's short-term credit facilities and long-term debt agreements contain customary covenants and default provisions. As of September 30, 2014, there were no events of default under these covenants.

7. NOTES PAYABLE AND CREDIT AGREEMENTS

The Company's short-term borrowing requirements typically peak during the colder months. These short-term cash requirements can be met through the sale of commercial paper supported by lines of credit with banks or through direct use of the lines of credit. At September 30, 2014, Laclede Gas had a syndicated line of credit of \$450.0 in place from nine banks. The largest portion provided by a single bank is 15.6%. Laclede Gas' line of credit includes a covenant limiting total debt, including short-term debt, to no more than 70% of total capitalization. As defined in the line of credit, on September 30, 2014 total debt was 51% of total capitalization.

Table of Contents

On September 2, 2014, Alagasco entered into a new \$150.0 syndicated line of credit with twelve banks and extinguished the line that was in place prior to the Laclede Group's acquisition of Alagasco. The largest portion provided by a single bank is 10%. The line of credit, which matures on September 2, 2019, has a covenant limiting total debt to no more than 70% of Alagasco's total capitalization. As defined in the line of credit, this ratio stood at 24% on September 30, 2014.

Short-term cash requirements outside of the Utilities have generally been met with internally-generated funds. At September 30, 2014, Laclede Group had a \$150.0 syndicated line of credit from nine banks with the largest portion provided by a single bank being 15.6%. The line of credit has a covenant limiting the total debt of the consolidated Laclede Group to no more than 70% of the Company's total capitalization. As defined in the line of credit, this ratio was 59% on September 30, 2014. Laclede Group's line may be used to provide for the funding needs of various subsidiaries. Borrowings under Laclede Group's line during fiscal year 2014 ranged from \$0 to \$40.0, with the balance at September 30, 2014 of \$32.5. There were no borrowings under this line of credit during fiscal 2013.

On September 3, 2014 Laclede Group and Laclede Gas entered into extension agreements to extend the maturity dates of their loan agreements for a period of one year to September 3, 2019 from September 3, 2018.

Table of Contents

Laclede Group

Information about the Laclede Group's short-term borrowings (excluding intercompany borrowings) during the twelve months ended September 30, and as of September 30, is presented below for 2014 and 2013:

(\$ Millions)	Laclede Gas Commercial Paper Borrowings	Laclede Group Bank Line Borrowings	Alagasco Bank Line Borrowings *	Total Short-term Borrowings **
Year Ended September 30, 2014				
Weighted average borrowings outstanding	\$77.6	\$3.6	\$13.2	\$82.3
Weighted average interest rate	0.3%	1.4%	1.2%	0.5%
Range of borrowings outstanding	\$0 – \$244.5	\$0 – \$40.0	\$9.0 – \$16.0	\$0 – \$300.5
As of September 30, 2014				
Borrowings outstanding at end of period	\$238.6	\$32.5	\$16.0	\$287.1
Weighted average interest rate	0.3%	1.4%	1.2%	0.5%
Year Ended September 30, 2013				
Weighted average borrowings outstanding	\$34.2	\$—	NA	\$34.2
Weighted average interest rate	0.3%	—%	NA	0.3%
Range of borrowings outstanding	\$0 – \$99.4	\$0 – \$0	NA	\$0 – \$99.4
As of September 30, 2013				
Borrowings outstanding at end of period	\$74.0	\$—	NA	\$74.0
Weighted average interest rate	0.3%	—%	NA	0.3%

* Weighted average borrowings for Alagasco represents Laclede Group's ownership period of one month. The one month average approximates the Alagasco daily outstanding balance for the fiscal year ended September 30, 2014.

** Represents twelve month weighted average for Laclede Group, Laclede Gas, and Alagasco.

Based on average short-term borrowings for the twelve months ended September 30, 2014, an increase in the average interest rate of 100 basis points would decrease Laclede Group's pre-tax earnings and cash flows by approximately \$0.8 on an annual basis, portions of which may be offset through the application of PGA carrying costs.

Laclede Gas

Information about Laclede Gas' short-term borrowings during the twelve months ended September 30, and as of September 30, is presented below for 2014 and 2013:

(\$ Millions)	Commercial Paper Borrowings	Borrowings from Laclede Group	Total Short-Term Borrowings
Year Ended September 30, 2014			
Weighted average borrowings outstanding	\$77.6	\$63.4	\$141.0
Weighted average interest rate	0.3%	0.3%	0.3%
Range of borrowings outstanding	\$0 – \$244.5	\$0 – \$189.0	\$45.5 – \$272.1
As of September 30, 2014			
Borrowings outstanding at end of period	\$238.6	\$—	\$238.6
Weighted average interest rate	0.3%	—%	0.3%
Year Ended September 30, 2013			
Weighted average borrowings outstanding	\$34.2	\$29.2	\$63.4
Weighted average interest rate	0.3%	0.3%	0.3%
Range of borrowings outstanding	\$0 – \$99.4	\$0 – \$91.7	\$0 – \$160.5
As of September 30, 2013			
Borrowings outstanding at end of period	\$74.0	\$46.7	\$120.7
Weighted average interest rate	0.3%	0.3%	0.3%

Table of Contents

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Laclede Group

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for the Company are as follows:

(\$ Millions)	Carrying Amount	Fair Value	Classification of Estimated Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2014					
Cash and cash equivalents	\$ 16.1	\$ 16.1	\$ 16.1	\$—	\$ —
Short-term debt	287.1	287.1	—	287.1	—
Long-term debt, including current portion					