

LACLEDE GROUP INC  
Form 10-Q  
July 30, 2013

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 For the Quarter Ended June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-16681

THE LACLEDE GROUP, INC.  
(Exact name of registrant as specified in its charter)  
Missouri  
(State of Incorporation)  
720 Olive Street  
St. Louis, MO 63101  
(Address and zip code of principal executive offices)

74-2976504  
(I.R.S. Employer Identification number)

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

Indicate by check mark if the registrant:

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

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). Yes  No

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

is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 26, 2013, there were 32,692,182 shares of the registrant's Common Stock, par value \$1.00 per share, outstanding.



Table of Contents

TABLE OF CONTENTS		Page No.
<u>PART I. FINANCIAL INFORMATION</u>		
<u>Item 1</u>	<u>Financial Statements:</u>	
	<u>Statements of Consolidated Income</u>	<u>4</u>
	<u>Statements of Consolidated Comprehensive Income</u>	<u>5</u>
	<u>Consolidated Balance Sheets</u>	<u>6</u>
	<u>Statements of Consolidated Cash Flows</u>	<u>8</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 4</u>	<u>Controls and Procedures</u>	<u>50</u>
<u>PART II. OTHER INFORMATION</u>		
<u>Item 1</u>	<u>Legal Proceedings</u>	<u>51</u>
<u>Item 1A</u>	<u>Risk Factors</u>	<u>51</u>
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
<u>Item 6</u>	<u>Exhibits</u>	<u>54</u>
<u>SIGNATURE</u>		<u>55</u>
<u>INDEX TO EXHIBITS</u>		<u>56</u>

Table of Contents

PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by The Laclede Group, Inc. (Laclede Group or the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K for the fiscal year ended September 30, 2012.

Table of Contents

## Item 1. Financial Statements

THE LACLEDE GROUP, INC.  
 STATEMENTS OF CONSOLIDATED INCOME  
 (UNAUDITED)

(Thousands, Except Per Share Amounts)	Three Months Ended		Nine Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Operating Revenues:				
Gas Utility	\$131,517	\$116,459	\$735,726	\$665,981
Gas Marketing	33,433	70,014	129,937	288,036
Other	339	376	4,242	1,920
Total Operating Revenues	165,289	186,849	869,905	955,937
Operating Expenses:				
Gas Utility				
Natural and propane gas	43,233	46,641	410,189	364,556
Other operation and maintenance expenses	42,404	38,351	123,245	125,028
Depreciation and amortization	11,519	10,186	33,742	30,450
Taxes, other than income taxes	12,968	10,842	49,525	45,602
Total Gas Utility Operating Expenses	110,124	106,020	616,701	565,636
Gas Marketing	40,583	65,420	133,959	279,784
Other	2,301	364	13,029	1,784
Total Operating Expenses	153,008	171,804	763,689	847,204
Operating Income	12,281	15,045	106,216	108,733
Other Income and (Income Deductions) – Net	(398 )	451	2,024	3,771
Interest Charges:				
Interest on long-term debt	6,266	5,739	17,393	17,218
Other interest charges	594	427	2,197	1,541
Total Interest Charges	6,860	6,166	19,590	18,759
Income Before Income Taxes	5,023	9,330	88,650	93,745
Income Tax (Benefit) Expense	(1,562 )	897	26,256	30,454
Net Income	\$6,585	\$8,433	\$62,394	\$63,291
Weighted Average Number of Common Shares Outstanding:				
Basic	26,110	22,282	23,634	22,243
Diluted	26,194	22,357	23,708	22,318
Basic Earnings Per Share of Common Stock	\$0.25	\$0.38	\$2.62	\$2.83
Diluted Earnings Per Share of Common Stock	\$0.25	\$0.38	\$2.62	\$2.82
Dividends Declared Per Share of Common Stock	\$0.425	\$0.415	\$1.275	\$1.245

See Notes to Consolidated Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.  
 STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME  
 (UNAUDITED)

(Thousands)	Three Months Ended		Nine Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Net Income	\$6,585	\$8,433	\$62,394	\$63,291
Other Comprehensive Income (Loss), Before Tax:				
Net gains (losses) on cash flow hedging derivative instruments:				
Net hedging gain (loss) arising during the period	27,614	(1,733 )	21,414	6,420
Reclassification adjustment for losses (gains) included in net income	1,318	(6,171 )	3,544	(8,593 )
Net unrealized gains (losses) on cash flow hedging derivative instruments	28,932	(7,904 )	24,958	(2,173 )
Defined benefit pension and other postretirement plans:				
Net actuarial loss arising during the period	—	—	—	(2,366 )
Amortization of actuarial loss included in net periodic pension and postretirement benefit cost	90	66	271	3,639
Net defined benefit pension and other postretirement plans	90	66	271	1,273
Other Comprehensive Income (Loss), Before Tax	29,022	(7,838 )	25,229	(900 )
Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income	10,846	(3,028 )	9,429	(348 )
Other Comprehensive Income (Loss), Net of Tax	18,176	(4,810 )	15,800	(552 )
Comprehensive Income	\$24,761	\$3,623	\$78,194	\$62,739

See Notes to Consolidated Financial Statements.

Table of Contents

THE LACLEDE GROUP, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

(Thousands)	June 30, 2013	Sept. 30, 2012	June 30, 2012
<b>ASSETS</b>			
Utility Plant	\$1,567,296	\$1,497,419	\$1,455,004
Less: Accumulated depreciation and amortization	484,380	478,120	474,008
Net Utility Plant	1,082,916	1,019,299	980,996
Non-utility property	5,892	6,039	5,899
Other investments	53,337	50,775	55,117
Other Property and Investments	59,229	56,814	61,016
Current Assets:			
Cash and cash equivalents	556,489	27,457	21,523
Accounts receivable:			
Utility	70,380	64,027	65,762
Non-utility	53,678	51,042	47,335
Other	17,123	26,478	22,927
Allowance for doubtful accounts	(9,024)	(7,705)	(8,842)
Delayed customer billings	11,319	—	—
Inventories:			
Natural gas stored underground	59,171	92,729	55,192
Propane gas	8,963	10,200	10,051
Materials and supplies at average cost	4,477	3,543	3,917
Natural gas receivable	24,304	22,377	19,710
Derivative instrument assets	21,279	2,855	3,879
Unamortized purchased gas adjustments	6,230	40,674	9,158
Deferred income taxes	2,888	—	—
Prepayments and other	14,112	9,339	11,079
Total Current Assets	841,389	343,016	261,691
Deferred Charges:			
Regulatory assets	432,700	456,047	433,376
Other	5,805	5,086	4,259
Total Deferred Charges	438,505	461,133	437,635
Total Assets	\$2,422,039	\$1,880,262	\$1,741,338

Table of Contents

THE LACLEDE GROUP, INC.  
CONSOLIDATED BALANCE SHEETS (Continued)  
(UNAUDITED)

(Thousands, except share amounts)	June 30,. 2013	Sept. 30,. 2012	June 30, 2012
<b>CAPITALIZATION AND LIABILITIES</b>			
Capitalization:			
Common stock (70,000,000 shares authorized, 32,675,659, 22,539,431, and 22,505,440 shares issued, respectively)	\$32,676	\$22,539	\$22,505
Paid-in capital	592,946	168,607	166,717
Retained earnings	443,691	414,581	424,588
Accumulated other comprehensive income (loss)	11,684	(4,116)	(2,652)
Total Common Stock Equity	1,080,997	601,611	611,158
Long-term debt (less current portion)	464,444	339,416	339,401
Total Capitalization	1,545,441	941,027	950,559
Current Liabilities:			
Notes payable	—	40,100	—
Accounts payable	104,862	89,503	81,322
Advance customer billings	—	25,146	6,225
Current portion of long-term debt	—	25,000	25,000
Wages and compensation accrued	13,386	13,908	12,653
Dividends payable	14,454	9,831	9,664
Customer deposits	7,828	8,565	9,123
Interest accrued	3,887	8,590	5,405
Taxes accrued	28,522	11,304	13,040
Deferred income taxes	—	6,675	311
Other	9,862	13,502	16,540
Total Current Liabilities	182,801	252,124	179,283
Deferred Credits and Other Liabilities:			
Deferred income taxes	377,965	355,509	335,366
Unamortized investment tax credits	2,953	3,113	3,166
Pension and postretirement benefit costs	181,691	196,558	158,011
Asset retirement obligations	42,097	40,368	28,723
Regulatory liabilities	58,382	56,319	53,867
Other	30,709	35,244	32,363
Total Deferred Credits and Other Liabilities	693,797	687,111	611,496
Commitments and Contingencies ( <u>Note 12</u> )			
Total Capitalization and Liabilities	\$2,422,039	\$1,880,262	\$1,741,338
See <u>Notes to Consolidated Financial Statements</u> .			



Table of Contents

THE LACLEDE GROUP, INC.  
 STATEMENTS OF CONSOLIDATED CASH FLOWS  
 (UNAUDITED)

	Nine Months Ended	
	June 30,	
(Thousands)	2013	2012
Operating Activities:		
Net Income	\$62,394	\$63,291
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization, and accretion	34,721	30,900
Deferred income taxes and investment tax credits	13,208	22,448
Other – net	1,753	(425 )
Changes in assets and liabilities:		
Accounts receivable – net	1,685	(2,699 )
Unamortized purchased gas adjustments	34,444	16,561
Deferred purchased gas costs	12,160	(25,429 )
Accounts payable	21,717	(15,025 )
Delayed customer billings - net	(36,465 )	(9,005 )
Taxes accrued	16,562	568
Natural gas stored underground	33,558	59,978
Other assets and liabilities	(28,693 )	(12,964 )
Net cash provided by operating activities	167,044	128,199
Investing Activities:		
Capital expenditures	(96,816 )	(76,780 )
Other investments	(2,558 )	(1,388 )
Net cash used in investing activities	(99,374 )	(78,168 )
Financing Activities:		
Issuance of long-term debt	125,000	—
Maturity of first mortgage bonds	(25,000 )	—
Repayment of short-term debt – net	(40,100 )	(46,000 )
Changes in book overdrafts	(1,139 )	223
Issuance of common stock	431,329	3,162
Non-employee directors' restricted stock awards	—	(565 )
Dividends paid	(28,651 )	(27,599 )
Employees' taxes paid associated with restricted shares withheld upon vesting	(736 )	(1,171 )
Excess tax benefits from stock-based compensation	1,135	208
Other	(476 )	(43 )
Net cash provided by (used in) financing activities	461,362	(71,785 )
Net Increase (Decrease) in Cash and Cash Equivalents	529,032	(21,754 )
Cash and Cash Equivalents at Beginning of Period	27,457	43,277
Cash and Cash Equivalents at End of Period	\$556,489	\$21,523
Supplemental Disclosure of Cash Paid (Refunded) During the Period for:		
Interest	\$22,666	\$21,811
Income taxes	(2,844 )	7,064

See Notes to Consolidated Financial Statements.



Table of Contents

THE LACLEDE GROUP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These notes are an integral part of the accompanying unaudited consolidated financial statements of The Laclede Group, Inc. (Laclede Group or the Company) and its subsidiaries. In the opinion of Laclede Group, this interim report includes all adjustments (consisting of only normal recurring accruals) necessary for the fair presentation of the results of operations for the periods presented. This Form 10-Q should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's Fiscal Year 2012 Form 10-K.

The consolidated financial position, results of operations, and cash flows of Laclede Group are comprised primarily from the financial position, results of operations, and cash flows of Laclede Gas Company (Laclede Gas or the Utility). Laclede Gas is a regulated natural gas distribution utility having a material seasonal cycle. As a result, these interim statements of income for Laclede Group are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year. Due to the seasonal nature of the business of Laclede Gas, earnings are typically concentrated in the November through April period, which generally corresponds with the heating season. Laclede Energy Resources, Inc. (LER) includes its wholly owned subsidiary, LER Storage Services, Inc., which became operational on January 1, 2012.

**REVENUE RECOGNITION** - Laclede Gas reads meters and bills its customers on monthly cycles. The Utility 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 June 30, 2013 and 2012, for the Utility, were \$8.7 million and \$9.0 million, respectively. The amount of accrued unbilled revenue at September 30, 2012 was \$11.6 million.

**GROSS RECEIPTS TAXES** - Gross receipts taxes associated with Laclede Gas' natural gas utility service are imposed on the Utility and billed to its customers. These amounts are recorded gross in the Statements of Consolidated Income. Amounts recorded in Gas Utility Operating Revenues for the quarters ended June 30, 2013 and 2012 were \$7.8 million and \$5.7 million, respectively. Amounts recorded in Gas Utility Operating Revenues for the nine months ended June 30, 2013 and 2012 were \$35.3 million and \$31.4 million, respectively. Gross receipts taxes are expensed by the Utility and included in the Taxes, other than income taxes line.

**NEW ACCOUNTING STANDARDS** - In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, "Presentation of Comprehensive Income," to amend ASC Topic 220, "Comprehensive Income," by changing certain financial statement presentation requirements. Under the amended guidance, entities may either present a single continuous statement of comprehensive income or, consistent with the Company's current presentation, provide separate but consecutive statements (a statement of income and a statement of comprehensive income). ASU No. 2011-05 would have required that, regardless of the method chosen, reclassification adjustments from other comprehensive income to net income be presented on the face of the financial statements, displaying the effect on both net income and other comprehensive income. However, in December 2011, the FASB issued ASU No. 2011-12 to defer the effective date of this particular requirement while it reconsiders this provision of the guidance. The amendments in these ASUs do not change the items that are required to be reported in other comprehensive income and, accordingly, did not impact total net income, comprehensive income, or earnings per share upon adoption in the first quarter of fiscal year 2013.

In December 2011, the FASB issued ASU No. 2011-11, "Disclosures about Offsetting Assets and Liabilities," to amend ASC Topic 210, "Balance Sheet," to require additional disclosures about financial instruments and derivative instruments that have been presented on a net basis (offset) in the balance sheet. Additionally, information about financial instruments and derivative instruments that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether they are presented net in the balance sheet, is required to be disclosed. The ASU impacts disclosures only and will not require any changes to financial statement presentation. The Company will

present the new disclosures retrospectively beginning in the first quarter of fiscal year 2014.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU amends Accounting Standards Codification (ASC) Topic 220, "Comprehensive Income," by requiring entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to provide information on significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The Company will present the new disclosures prospectively beginning in the first quarter of fiscal year 2014.

Table of Contents

## 2. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

## Pension Plans

Laclede Gas has non-contributory, defined benefit, trusteed forms of pension plans covering substantially all employees. Plan assets consist primarily of corporate and U.S. government obligations and a growth segment consisting of exposure to equity markets, commodities, real estate and inflation-indexed securities, achieved through derivative instruments.

Pension costs for quarters ended June 30, 2013 and 2012 were \$4.2 million and \$4.1 million, respectively, including amounts charged to construction. Pension costs for nine months ended June 30, 2013 and 2012 were \$12.5 million and \$15.9 million, respectively, including amounts charged to construction.

The net periodic pension costs include the following components:

(Thousands)	Three Months Ended		Nine Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Service cost – benefits earned during the period	\$2,311	\$2,295	\$6,933	\$6,908
Interest cost on projected benefit obligation	4,066	4,824	12,198	14,535
Expected return on plan assets	(4,741)	(4,899)	(14,223)	(14,697)
Amortization of prior service cost	136	148	408	444
Amortization of actuarial loss	2,839	2,252	8,517	6,788
Loss on lump-sum settlement	12,346	—	12,346	3,407
Sub-total	16,957	4,620	26,179	17,385
Regulatory adjustment	(12,780)	(484)	(13,647)	(1,451)
Net pension cost	\$4,177	\$4,136	\$12,532	\$15,934

Pursuant to the provisions of the Laclede Gas pension plans, pension obligations may be satisfied by lump-sum cash payments. Pursuant to a Missouri Public Service Commission (MoPSC or Commission) Order, lump-sum payments are recognized as settlements (which can result in gains or losses) only if the total of such payments exceeds 100% of the sum of service and interest costs. Lump-sum payments recognized as settlements were \$39.7 million and \$6.4 million during the nine months ended June 30, 2013 and June 30, 2012, respectively.

Pursuant to a MoPSC Order, the return on plan assets is based on the market-related value of plan assets implemented prospectively over a four-year period. Gains or losses not yet includible in pension cost are amortized only to the extent that such gain or loss exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets. Such excess is amortized over the average remaining service life of active participants. The recovery in rates for the Utility's qualified pension plans is based on an annual allowance of \$15.5 million effective January 1, 2011. The difference between these amounts and pension expense as calculated pursuant to the above and that otherwise would be included in the Statements of Consolidated Income and Statements of Consolidated Comprehensive Income is deferred as a regulatory asset or regulatory liability.

The funding policy of Laclede Gas is to contribute an amount not less than the minimum required by government funding standards, nor more than the maximum deductible amount for federal income tax purposes. Fiscal year 2013 contributions to the pension plans through June 30, 2013 were \$23.4 million to the qualified trusts and approximately \$0.4 million to the non-qualified plans. Laclede Gas does not expect to make additional contributions to its qualified, trusteed pension plans during the remaining three months of fiscal year 2013. Contributions to the non-qualified pension plans for the remaining three months of fiscal 2013 are anticipated to be approximately \$0.8 million.

## Postretirement Benefits

Laclede Gas provides certain life insurance benefits at retirement. Medical insurance is available after early retirement until age 65. The transition obligation not yet includible in postretirement benefit cost is being amortized over 20 years. Postretirement benefit costs for both the quarters ended June 30, 2013 and 2012 were \$2.4 million, including amounts charged to construction. Postretirement benefit costs for both the nine months ended June 30, 2013 and 2012 were \$7.1 million, including amounts charged to construction.

Table of Contents

Net periodic postretirement benefit costs consisted of the following components:

(Thousands)	Three Months Ended June 30,		Nine Months Ended June 30,		
	2013	2012	2013	2012	
Service cost – benefits earned during the period	\$2,534	\$2,015	\$7,601	\$6,045	
Interest cost on accumulated postretirement benefit obligation	1,278	1,380	3,836	4,140	
Expected return on plan assets	(1,082	) (991	) (3,244	) (2,973	)
Amortization of transition obligation	24	34	70	102	
Amortization of prior service cost (credit)	—	(518	) 2	(1,554	)
Amortization of actuarial loss	1,325	1,065	3,975	3,195	
Sub-total	4,079	2,985	12,240	8,955	
Regulatory adjustment	(1,699	) (604	) (5,097	) (1,812	)
Net postretirement benefit cost	\$2,380	\$2,381	\$7,143	\$7,143	

Missouri state law provides for the recovery in rates of costs accrued pursuant to GAAP provided that such costs are funded through an independent, external funding mechanism. Laclede Gas established Voluntary Employees' Beneficiary Association (VEBA) and Rabbi trusts as its external funding mechanisms. VEBA and Rabbi trusts' assets consist primarily of money market securities and mutual funds invested in stocks and bonds.

Pursuant to a MoPSC Order, the return on plan assets is based on the market-related value of plan assets implemented prospectively over a four-year period. Gains and losses not yet includible in postretirement benefit cost are amortized only to the extent that such gain or loss exceeds 10% of the greater of the accumulated postretirement benefit obligation or the market-related value of plan assets. Such excess is amortized over the average remaining service life of active participants. The recovery in rates for the Utility's postretirement benefit plans is based on an annual allowance of \$9.5 million effective January 1, 2011. The difference between these amounts and postretirement benefit cost based on the above and that otherwise would be included in the Statements of Consolidated Income and Statements of Consolidated Comprehensive Income is deferred as a regulatory asset or regulatory liability.

Laclede Gas' funding policy is to contribute amounts to the trusts equal to the periodic benefit cost calculated pursuant to GAAP as recovered in rates. Fiscal year 2013 contributions to the postretirement plans through June 30, 2013 were \$8.2 million to the qualified trusts and approximately \$0.4 million paid directly to participants from Laclede Gas' funds. Contributions to the postretirement plans for the remaining three months of fiscal year 2013 are anticipated to be \$8.2 million to the qualified trusts and \$0.2 million paid directly to participants from Laclede Gas' funds.

### 3. STOCK-BASED COMPENSATION

Awards of stock-based compensation are made pursuant to The Laclede Group 2006 Equity Incentive Plan (2006 Plan). Refer to Note 3 of the Consolidated Financial Statements included in the Company's Form 10-K for the fiscal year ended September 30, 2012 for descriptions of the plan.

#### Restricted Stock Awards

During the nine months ended June 30, 2013, the Company granted 108,419 performance-contingent restricted stock units to executive officers and key employees at a weighted average grant date fair value of \$34.48 per share. This number represents the maximum shares that can be earned pursuant to the terms of the awards. Most of these stock units have a performance period ending September 30, 2015. While the participants have no interim voting rights on these stock units, dividends accrue during the performance period and are paid to the participants upon vesting, but are subject to forfeiture if the underlying stock units do not vest. The number of stock 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.

11

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Table of Contents

Activity of restricted stock and restricted stock units subject to performance and/or market conditions during the nine months ended June 30, 2013 is presented below:

	Restricted Stock/ Stock Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2012	232,403	\$30.89
Granted (maximum shares that can be earned)	108,419	\$34.48
Vested	(37,436	) \$27.02
Forfeited	(48,782	) \$25.71
Nonvested at June 30, 2013	254,604	\$33.98

During the nine months ended June 30, 2013, the Company granted 58,924 shares of time-vested restricted stock and stock units to executive officers, key employees, and directors at a weighted average grant date fair value of \$39.98 per share. Most of these shares were awarded on December 3, 2012 and vest December 3, 2015. In the interim, participants receive full voting rights and dividends, which are not subject to forfeiture.

Time-vested restricted stock and stock unit activity for the nine months ended June 30, 2013 is presented below:

	Restricted Stock/ Stock Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2012	115,115	\$36.54
Granted	58,924	\$39.98
Vested	(20,600	) \$30.55
Forfeited	(6,500	) \$38.54
Nonvested at June 30, 2013	146,939	\$38.67

During the nine months ended June 30, 2013, 58,036 shares of restricted stock and stock units (performance-contingent and time-vested), awarded on November 4, 2009, December 1, 2009, January 4, 2010, and May 3, 2010 vested. The Company withheld 18,898 of the vested shares at a weighted average price of \$38.96 per share pursuant to elections by employees to satisfy tax withholding obligations.

## Stock Option Awards

Stock option activity for the nine months ended June 30, 2013 is presented below:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at September 30, 2012	214,000	\$31.02		
Granted	—	\$—		
Exercised	(70,500	) \$29.42		
Forfeited	—	\$—		

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Expired	—	\$—		
Outstanding at June 30, 2013	143,500	\$31.81	2.0	\$1,988
Fully Vested and Expected to Vest at June 30, 2013	143,500	\$31.81	2.0	\$1,988
Exercisable at June 30, 2013	143,500	\$31.81	2.0	\$1,988

12

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Table of Contents

The closing price of the Company's common stock was \$45.66 at June 30, 2013.

## Equity Compensation Costs

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

(Thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Total equity compensation cost	\$1,654	\$678	\$3,413	\$2,029
Compensation cost capitalized	(536	) (230	) (1,075	) (589
Compensation cost recognized in net income, before income taxes	1,118	448	2,338	1,440
Income tax benefit recognized in net income	(428	) (173	) (895	) (556
Compensation cost recognized in net income, net of income tax	\$690	\$275	\$1,443	\$884

As of June 30, 2013, there was \$6.1 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.1 years.

## 4. EARNINGS PER COMMON SHARE

(Thousands, Except Per Share Amounts)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Basic EPS:				
Net Income	\$6,585	\$8,433	\$62,394	\$63,291
Less: Income allocated to participating securities	81	42	389	356
Net Income Available to Common Shareholders	\$6,504	\$8,391	\$62,005	\$62,935
Weighted Average Shares Outstanding	26,110	22,282	23,634	22,243
Earnings Per Share of Common Stock	\$0.25	\$0.38	\$2.62	\$2.83
Diluted EPS:				
Net Income	\$6,585	\$8,433	\$62,394	\$63,291
Less: Income allocated to participating securities	81	42	388	355
Net Income Available to Common Shareholders	\$6,504	\$8,391	\$62,006	\$62,936
Weighted Average Shares Outstanding	26,110	22,282	23,634	22,243
Dilutive Effect of Stock Options, Restricted Stock, and Restricted Stock Units	84	75	74	75
Weighted Average Diluted Shares	26,194	22,357	23,708	22,318
Earnings Per Share of Common Stock	\$0.25	\$0.38	\$2.62	\$2.82
Outstanding Shares Excluded from the Calculation of Diluted EPS Attributable to: Restricted stock and stock units subject to performance and/or market conditions	196	204	196	202



Table of Contents

5. STOCKHOLDERS' EQUITY

On May 29, 2013, Laclede Group issued 10,005,000 shares of its common stock in a public offering at a price of \$44.50 per share. Proceeds from the offering, net of underwriting expenses, were \$428.0 million and were recorded as additions to common stock and paid-in capital on the consolidated balance sheets. The Company intends to use the proceeds from the offering to fund a portion of the pending acquisition of MGE, as discussed further in Note 13, Acquisition Agreements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(Thousands)	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 June 30, 2013					