

LACLEDE GROUP INC  
Form 10-Q  
April 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 March 31, 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

74-2976504

(State of Incorporation)

(I.R.S. Employer Identification number)

720 Olive Street

St. Louis, MO 63101

(Address and zip code of principal executive offices)

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 April 26, 2013, there were 22,671,392 shares of the registrant's Common Stock, par value \$1.00 per share, outstanding.



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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.

## Item 1. Financial Statements

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

(Thousands, Except Per Share Amounts)	Three Months Ended		Six Months Ended	
	March 31, 2013	2012	March 31, 2013	2012
Operating Revenues:				
Gas Utility	\$354,097	\$298,620	\$604,208	\$549,522
Gas Marketing	41,255	59,434	96,504	218,022
Other	2,261	121	3,904	1,544
Total Operating Revenues	397,613	358,175	704,616	769,088
Operating Expenses:				
Gas Utility				
Natural and propane gas	230,440	171,164	366,956	317,915
Other operation expenses	35,267	38,043	69,187	75,608
Maintenance	5,924	5,761	11,655	11,069
Depreciation and amortization	11,258	10,175	22,223	20,264
Taxes, other than income taxes	21,751	20,093	36,557	34,760
Total Gas Utility Operating Expenses	304,640	245,236	506,578	459,616
Gas Marketing	35,995	61,805	93,376	214,364
Other	5,129	551	10,727	1,420
Total Operating Expenses	345,764	307,592	610,681	675,400
Operating Income	51,849	50,583	93,935	93,688
Other Income and (Income Deductions) – Net	1,340	1,381	2,424	3,320
Interest Charges:				
Interest on long-term debt	5,689	5,740	11,127	11,479
Other interest charges	1,016	539	1,604	1,114
Total Interest Charges	6,705	6,279	12,731	12,593
Income Before Income Taxes	46,484	45,685	83,628	84,415
Income Tax Expense	16,242	16,001	27,818	29,557
Net Income	\$30,242	\$29,684	\$55,810	\$54,858
Weighted Average Number of Common Shares Outstanding:				
Basic	22,421	22,254	22,396	22,223
Diluted	22,498	22,336	22,466	22,299
Basic Earnings Per Share of Common Stock	\$1.34	\$1.33	\$2.48	\$2.45
Diluted Earnings Per Share of Common Stock	\$1.34	\$1.32	\$2.47	\$2.45
Dividends Declared Per Share of Common Stock	\$0.425	\$0.415	\$0.850	\$0.830

See Notes to Consolidated Financial Statements.

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

(Thousands)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Net Income	\$30,242	\$29,684	\$55,810	\$54,858
Other Comprehensive Income (Loss), Before Tax:				
Net gains (losses) on cash flow hedging derivative instruments:				
Net hedging (loss) gain arising during the period	(7,590 )	5,106	(6,201 )	8,153
Reclassification adjustment for (gains) losses included in net income	(22 )	408	2,228	(2,422 )
Net unrealized gains (losses) on cash flow hedging derivative instruments	(7,612 )	5,514	(3,973 )	5,731
Defined benefit pension and other postretirement plans:				
Net actuarial loss arising during the period	—	(2,366 )	—	(2,366 )
Amortization of actuarial loss included in net periodic pension and postretirement benefit cost	90	3,482	181	3,573
Net defined benefit pension and other postretirement plans	90	1,116	181	1,207
Other Comprehensive Income (Loss), Before Tax	(7,522 )	6,630	(3,792 )	6,938
Income Tax (Benefit) Expense Related to Items of Other Comprehensive Income	(2,868 )	2,561	(1,417 )	2,680
Other Comprehensive (Loss) Income, Net of Tax	(4,654 )	4,069	(2,375 )	4,258
Comprehensive Income	\$25,588	\$33,753	\$53,435	\$59,116

See [Notes to Consolidated Financial Statements](#).

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

(Thousands)	Mar. 31, 2013	Sept. 30, 2012	Mar. 31, 2012
<b>ASSETS</b>			
Utility Plant	\$1,538,890	\$1,497,419	\$1,425,922
Less: Accumulated depreciation and amortization	478,971	478,120	468,209
Net Utility Plant	1,059,919	1,019,299	957,713
Non-utility property	5,456	6,039	4,448
Other investments	52,910	50,775	54,688
Other Property and Investments	58,366	56,814	59,136
Current Assets:			
Cash and cash equivalents	146,880	27,457	9,302
Accounts receivable:			
Utility	148,624	64,027	100,015
Non-utility	55,925	51,042	34,915
Other	9,290	26,478	18,666
Allowance for doubtful accounts	(8,833)	(7,705)	(8,758)
Delayed customer billings	19,663	—	13,464
Inventories:			
Natural gas stored underground	32,776	92,729	57,456
Propane gas	8,963	10,200	8,964
Materials and supplies at average cost	4,385	3,543	4,102
Natural gas receivable	13,470	22,377	16,351
Derivative instrument assets	6,021	2,855	5,297
Unamortized purchased gas adjustments	11,039	40,674	11,241
Deferred income taxes	2,527	—	—
Prepayments and other	9,183	9,339	6,795
Total Current Assets	459,913	343,016	277,810
Deferred Charges:			
Regulatory assets	424,743	456,047	457,749
Other	6,157	5,086	5,723
Total Deferred Charges	430,900	461,133	463,472
Total Assets	\$2,009,098	\$1,880,262	\$1,758,131

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

(Thousands, except share amounts)	Mar. 31., 2013.	Sept. 30., 2012.	Mar. 31, 2012
<b>CAPITALIZATION AND LIABILITIES</b>			
Capitalization:			
Common stock (70,000,000 shares authorized, 22,643,693, 22,539,431, and 22,489,986 shares issued, respectively)	\$22,644	\$22,539	\$22,490
Paid-in capital	172,736	168,607	165,056
Retained earnings	451,114	414,581	425,500
Accumulated other comprehensive loss	(6,491	) (4,116	) 2,158
Total Common Stock Equity	640,003	601,611	615,204
Long-term debt (less current portion)	464,434	339,416	339,386
Total Capitalization	1,104,437	941,027	954,590
Current Liabilities:			
Notes payable	—	40,100	—
Accounts payable	108,648	89,503	73,045
Advance customer billings	—	25,146	—
Current portion of long-term debt	—	25,000	25,000
Wages and compensation accrued	16,175	13,908	13,873
Dividends payable	10,059	9,831	9,697
Customer deposits	7,706	8,565	9,459
Interest accrued	6,191	8,590	8,789
Taxes accrued	44,550	11,304	25,062
Deferred income taxes	—	6,675	6,615
Other	14,015	13,502	16,220
Total Current Liabilities	207,344	252,124	187,760
Deferred Credits and Other Liabilities:			
Deferred income taxes	343,016	355,509	335,215
Unamortized investment tax credits	3,006	3,113	3,219
Pension and postretirement benefit costs	191,778	196,558	163,940
Asset retirement obligations	41,512	40,368	28,313
Regulatory liabilities	83,026	56,319	53,267
Other	34,979	35,244	31,827
Total Deferred Credits and Other Liabilities	697,317	687,111	615,781
Commitments and Contingencies ( <a href="#">Note 11</a> )			
Total Capitalization and Liabilities	\$2,009,098	\$1,880,262	\$1,758,131
See <a href="#">Notes to Consolidated Financial Statements</a> .			

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

(Thousands)	Six Months Ended	
	March 31, 2013	2012
Operating Activities:		
Net Income	\$55,810	\$54,858
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization, and accretion	22,913	20,565
Deferred income taxes and investment tax credits	(11,132 )	6,167
Other – net	450	(744 )
Changes in assets and liabilities:		
Accounts receivable – net	(71,164 )	(20,355 )
Unamortized purchased gas adjustments	29,635	14,478
Deferred purchased gas costs	43,827	(30,160 )
Accounts payable	23,797	(26,546 )
Delayed customer billings - net	(44,809 )	(28,694 )
Taxes accrued	32,971	12,575
Natural gas stored underground	59,953	57,714
Other assets and liabilities	115	11,601
Net cash provided by operating activities	142,366	71,459
Investing Activities:		
Capital expenditures	(62,707 )	(40,658 )
Other investments	(2,126 )	(1,440 )
Net cash used in investing activities	(64,833 )	(42,098 )
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	(1,262 )	357
Issuance of common stock	2,852	2,195
Non-employee directors' restricted stock awards	—	(565 )
Dividends paid	(19,054 )	(18,314 )
Employees' taxes paid associated with restricted shares withheld upon vesting	(729 )	(1,165 )
Excess tax benefits from stock-based compensation	636	185
Other	(453 )	(29 )
Net cash provided by (used in) financing activities	41,890	(63,336 )
Net Increase (Decrease) in Cash and Cash Equivalents	119,423	(33,975 )
Cash and Cash Equivalents at Beginning of Period	27,457	43,277
Cash and Cash Equivalents at End of Period	\$146,880	\$9,302
Supplemental Disclosure of Cash Paid (Refunded) During the Period for:		
Interest	\$14,569	\$12,521
Income taxes	(3,165 )	2,763

See Notes to Consolidated Financial Statements.



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 March 31, 2013 and 2012, for the Utility, were \$33.3 million and \$13.0 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 March 31, 2013 and 2012 were \$17.2 million and \$15.5 million, respectively. Amounts recorded in Gas Utility Operating Revenues for the six months ended March 31, 2013 and 2012 were \$27.5 million and \$25.7 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.

## 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 March 31, 2013 and 2012 were \$4.2 million and \$7.6 million, respectively, including amounts charged to construction. Pension costs for six months ended March 31, 2013 and 2012 were \$8.4 million and \$11.8 million, respectively, including amounts charged to construction.

The net periodic pension costs include the following components:

(Thousands)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Service cost – benefits earned during the period	\$2,311	\$2,301	\$4,622	\$4,613
Interest cost on projected benefit obligation	4,066	4,840	8,132	9,711
Expected return on plan assets	(4,741)	(4,899)	(9,482)	(9,798)
Amortization of prior service cost	136	148	272	296
Amortization of actuarial loss	2,839	2,259	5,678	4,536
Loss on lump-sum settlement	—	3,407	—	3,407
Sub-total	4,611	8,056	9,222	12,765
Regulatory adjustment	(433)	(484)	(867)	(967)
Net pension cost	\$4,178	\$7,572	\$8,355	\$11,798

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. There were no lump-sum payments recognized as settlements during the six months ended March 31, 2013. Lump-sum payments recognized as settlements were \$6.4 million during the six months ended March 31, 2012.

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 March 31, 2013 were \$8.9 million to the qualified trusts and approximately \$0.3 million to the non-qualified plans. Contributions to the pension plans for the remaining six months of fiscal 2013 are anticipated to be at least \$14.5 million to the qualified trusts and \$0.8 million to the non-qualified plans.

## 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 March 31, 2013 and 2012 were \$2.4 million, including amounts charged to construction. Postretirement benefit costs for both the six months ended March 31, 2013 and 2012 were \$4.8 million, including amounts charged to construction.

Net periodic postretirement benefit costs consisted of the following components:

(Thousands)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Service cost – benefits earned during the period	\$2,534	\$2,015	\$5,067	\$4,030
Interest cost on accumulated postretirement benefit obligation	1,279	1,380	2,558	2,760
Expected return on plan assets	(1,081	) (991	) (2,162	) (1,982
Amortization of transition obligation	23	34	46	68
Amortization of prior service cost (credit)	1	(518	) 2	(1,036
Amortization of actuarial loss	1,325	1,065	2,650	2,130
Sub-total	4,081	2,985	8,161	5,970
Regulatory adjustment	(1,699	) (604	) (3,398	) (1,208
Net postretirement benefit cost	\$2,382	\$2,381	\$4,763	\$4,762

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 March 31, 2013 were \$4.1 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 six months of fiscal year 2013 are anticipated to be \$12.2 million to the qualified trusts and \$0.4 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 six months ended March 31, 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.

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Activity of restricted stock and restricted stock units subject to performance and/or market conditions during the six months ended March 31, 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 March 31, 2013	254,604	\$33.98

During the six months ended March 31, 2013, the Company granted 58,774 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 \$39.96 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 six months ended March 31, 2013 is presented below:

	Restricted Stock/ Stock Units	Weighted Average Grant Date Fair Value
Nonvested at September 30, 2012	115,115	\$36.54
Granted	58,774	\$39.96
Vested	(20,200)	) \$30.46
Forfeited	(3,250)	) \$38.18
Nonvested at March 31, 2013	150,439	\$38.65

During the six months ended March 31, 2013, 57,636 shares of restricted stock and stock units (performance-contingent and time-vested), awarded on November 4, 2009, December 1, 2009, and January 4, 2010, vested. The Company withheld 18,744 of the vested shares at a weighted average price of \$38.90 per share pursuant to elections by employees to satisfy tax withholding obligations.

#### Stock Option Awards

Stock option activity for the six months ended March 31, 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	(49,500)	) \$29.54		
Forfeited	—	\$—		
Expired	—	\$—		

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Outstanding at March 31, 2013	164,500	\$31.47	2.1	\$1,848
Fully Vested and Expected to Vest at March 31, 2013	164,500	\$31.47	2.1	\$1,848
Exercisable at March 31, 2013	164,500	\$31.47	2.1	\$1,848

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The closing price of the Company's common stock was \$42.70 at March 31, 2013.

#### Equity Compensation Costs

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

(Thousands)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Total equity compensation cost	\$1,137	\$684	\$1,759	\$1,351
Compensation cost capitalized	(356)	(221)	(539)	(359)
Compensation cost recognized in net income	781	463	1,220	992
Income tax benefit recognized in net income	(298)	(179)	(467)	(383)
Compensation cost recognized in net income, net of income tax	\$483	\$284	\$753	\$609

As of March 31, 2013, there was \$7.1 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 2.2 years.

#### 4. EARNINGS PER COMMON SHARE

(Thousands, Except Per Share Amounts)	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Basic EPS:				
Net Income	\$30,242	\$29,684	\$55,810	\$54,858
Less: Income allocated to participating securities	186	167	312	324
Net Income Available to Common Shareholders	\$30,056	\$29,517	\$55,498	\$54,534
Weighted Average Shares Outstanding	22,421	22,254	22,396	22,223
Earnings Per Share of Common Stock	\$1.34	\$1.33	\$2.48	\$2.45
Diluted EPS:				
Net Income	\$30,242	\$29,684	\$55,810	\$54,858
Less: Income allocated to participating securities	186	166	311	323
Net Income Available to Common Shareholders	\$30,056	\$29,518	\$55,499	\$54,535
Weighted Average Shares Outstanding	22,421	22,254	22,396	22,223
Dilutive Effect of Stock Options, Restricted Stock, and Restricted Stock Units	77	82	70	76
Weighted Average Diluted Shares	22,498	22,336	22,466	22,299
Earnings Per Share of Common Stock	\$1.34	\$1.32	\$2.47	\$2.45
Outstanding Shares Excluded from the Calculation of Diluted EPS Attributable to: Restricted stock and stock units subject to performance and/or market conditions	211	203	211	203



## 5. 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 March 31, 2013					
Cash and cash equivalents	\$146,880	\$146,880	\$136,826	\$10,054	\$—
Short-term debt	—	—	—	—	—
Long-term debt, including current portion	464,434	539,260	—	539,260	—
As of September 30, 2012					
Cash and cash equivalents	\$27,457	\$27,457	\$17,380	\$10,077	\$—
Short-term debt	40,100	40,100	—	40,100	—
Long-term debt, including current portion	364,416	452,768	—	452,768	—
As of March 31, 2012					
Cash and cash equivalents	\$9,302	\$9,302	\$4,261	\$5,041	\$—
Short-term debt	—	—	—	—	—
Long-term debt, including current portion	364,386	432,098	—	432,098	—

The carrying amounts for cash and cash equivalents and short-term debt approximate fair value due to the short maturity of these instruments. The fair values of long-term debt are estimated based on market prices for similar issues. Refer to [Note 6](#), Fair Value Measurements, for information on financial instruments measured at fair value on a recurring basis.

6. FAIR VALUE MEASUREMENTS

The following table categorizes the assets and liabilities in the Consolidated Balance Sheets that are accounted for at fair value on a recurring basis in periods subsequent to initial recognition.

(Thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
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