

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

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 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> 4
	<u>Statements of Consolidated Comprehensive Income</u> 5
	<u>Consolidated Balance Sheets</u> 6
	<u>Statements of Consolidated Cash Flows</u> 8
	<u>Notes to Consolidated Financial Statements</u> 9
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 29
<u>Item 3</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 50
<u>Item 4</u>	<u>Controls and Procedures</u> 50
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1</u>	<u>Legal Proceedings</u> 51
<u>Item 1A</u>	<u>Risk Factors</u> 51
<u>Item 2</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 54
<u>Item 6</u>	<u>Exhibits</u> 54
<u>SIGNATURE</u>	55
<u>INDEX TO EXHIBITS</u>	56

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 June 30,		Nine Months Ended June 30,	
	2013	2012	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)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands)	2013	2012	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
ASSETS			
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			