

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

LACLEDE GAS CO

CIK: **57183** | IRS No.: **430368139** | State of Incorporation: **MO** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-01822** | Film No.: **94527716**
SIC: **4924** Natural gas distribution

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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 Quarterly Period ended March 31, 1994

OR

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

For the Transition Period from _____ to _____

Commission File Number 1-1822

LACLEDE GAS COMPANY

(Exact name of registrant as specified in its charter)

Missouri
(State of Incorporation)

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

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

63101
(Zip Code)

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

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

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

15,631,258 shares, Common Stock, par value \$1 per share at 5/10/94.

LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

PART I

FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K for the year ended September 30, 1993.

<TABLE>

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

(In Thousands, Except Per Share Amounts)

<CAPTION>

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	1994	1993	1994	1993
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Utility Operating Revenues	\$233,035	\$214,078	\$400,280	\$374,122
	-----		-----	
Utility Operating Expenses:				
Natural and propane gas	149,133	130,292	253,276	228,917
Other operation expenses	23,306	22,967	44,549	40,842
Maintenance	4,767	4,092	9,388	8,253
Depreciation and amortization	4,803	4,679	9,589	9,324
Taxes, other than income taxes	17,423	16,422	27,632	26,768
Income taxes (Note 3)	11,400	11,885	18,022	18,931
	-----		-----	
Total Utility Operating Expenses	210,832	190,337	362,456	333,035
	-----		-----	
Utility Operating Income	22,203	23,741	37,824	41,087
Miscellaneous Income and Income				
Deductions - Net (less				
applicable income taxes) (Note 3)	453	768	772	1,127
	-----		-----	
Income Before Interest Charges	22,656	24,509	38,596	42,214
	-----		-----	
Interest Charges:				
Interest on long-term debt	3,136	3,772	6,354	7,610
Other interest charges	875	419	1,677	801

Total Interest Charges	4,011	4,191	8,031	8,411
Net Income	18,645	20,318	30,565	33,803
Dividends on Preferred Stock	25	24	49	48
Earnings Applicable to Common Stock	\$ 18,620	\$ 20,294	\$ 30,516	\$33,755
Average Number of Common Shares Outstanding	15,586	15,586	15,586	15,586
Earnings Per Share of Common Stock	\$1.19	\$1.30	\$1.96	\$2.17
Dividends Declared Per Share of Common Stock	\$.305	\$.30	\$.61	\$.60

<FN>

Note: Average Number of Common Shares Outstanding, Earnings Per Share of Common Stock and Dividends Declared Per Share of Common Stock have been restated to reflect a 2-for-1 stock split which was on February 11, 1994.

See notes to consolidated financial statements.

</TABLE>

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<TABLE>

LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET

<CAPTION>

	Mar. 31 1994	Sept. 30 1993
	----	----
	(Thousands of Dollars)	
	(UNAUDITED)	
ASSETS		
Utility Plant	\$691,303	\$677,613
Less: Accumulated depreciation and amortization	292,213	286,787
Net Utility Plant	399,090	390,826
Other Property and Investments	23,267	22,668
Current Assets:		
Cash and cash equivalents	9,717	1,706
Accounts receivable - net	83,808	32,891
Materials, supplies, and merchandise at avg cost	5,366	5,202
Natural gas stored underground for current use at LIFO cost	9,085	14,079
Propane gas for current use at FIFO cost	12,181	13,657

Prepayments	2,699	1,774
Unamortized purchased gas adjustments	1,366	6,278
Delayed customer billings	27,593	-
	-----	-----
Total Current Assets	151,815	75,587
	-----	-----
Deferred Charges	55,780	26,231
	-----	-----
Total Assets	\$629,952	\$515,312
	=====	=====

<FN>

See notes to consolidated financial statements.

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<TABLE>

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

<CAPTION>

	Mar. 31	Sept. 30
	1994	1993
	----	----
	(Thousands of Dollars)	
	(UNAUDITED)	

CAPITALIZATION AND LIABILITIES

<S>

<C>

<C>

Capitalization:

Common stock (17,452,100 shares issued)	\$ 17,452	\$ 17,452
Paid-in capital	26,250	26,250
Retained earnings	191,261	170,252
Treasury stock, at cost (1,865,638 shares held)	(24,017)	(24,017)

Total common stock equity	210,946	189,937
Redeemable preferred stock	1,960	1,960
Long-term debt (less sinking fund requirements)	154,178	165,745
Total Capitalization	367,084	357,642
Current Liabilities:		
Notes payable	46,000	27,500
Accounts payable	33,344	16,745
Refunds due customers	15,345	214
Advance customer billings	-	3,901
Current sinking fund requirements	-	391
Taxes accrued	30,057	11,545
Deferred income taxes	465	2,312
Other	26,058	26,589
Total Current Liabilities	151,269	89,197
Deferred Credits and Other Liabilities:		
Deferred income taxes	60,965	36,989
Unamortized investment tax credits	8,518	8,682
Other	42,116	22,802
Total Deferred Credits and Other Liabilities	111,599	68,473
Total Capitalization and Liabilities	\$629,952	\$515,312

<FN>

See notes to consolidated financial statements.

</TABLE>

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<TABLE>

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

<CAPTION>

Six Months Ended
March 31,

	1994 ----	1993 ----
	(Thousands of Dollars)	
<S>	<C>	<C>
Operating Activities:		
Net Income	\$ 30,565	\$ 33,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,623	9,444
Deferred income taxes and investment tax credits	(7,665)	(6,460)
Other - net	67	40
Changes in assets and liabilities:		
Accounts receivable - net	(50,917)	(52,290)
Unamortized purchased gas adjustments	4,912	2,993
Deferred purchased gas costs	17,017	17,318
Delayed customer billings - net	(31,494)	(31,755)
Accounts payable	16,599	21,162
Refunds due customers	15,131	(3,342)
Taxes accrued	18,512	18,970
Other assets and liabilities	7,078	4,445

Net cash provided by operating activities	\$ 29,428	\$ 14,328

Investing Activities:		
Construction expenditures	\$ (17,673)	\$ (19,148)
Investments - non-utility	(589)	(1,597)
Other	(2)	(440)

Net cash used in investing activities	\$ (18,264)	\$ (21,185)

Financing Activities:		
Issuance of first mortgage bonds	\$ -	\$ 40,000
Issuance of short-term debt	18,500	5,000
Dividends paid	(9,556)	(9,400)
Retirement of first mortgage bonds	(11,991)	(27,260)
Other	(106)	(893)

Net cash provided by (used in) financing activities	\$ (3,153)	\$ 7,447

Net Increase in Cash and Cash Equivalents	\$ 8,011	\$ 590
Cash and Cash Equivalents at Beginning of Period	1,706	3,322

Cash and Cash Equivalents at End of Period	\$ 9,717	\$ 3,912
	=====	
Supplemental Disclosure of Cash Paid		
During the Period for:		
Interest	\$7,742	\$7,374
Income taxes	5,477	6,868

<FN>

See notes to consolidated financial statements.

LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, this interim report includes all adjustments (consisting only of normal recurring accruals) necessary for the fair presentation of the results of the periods covered.
2. The registrant is a natural gas distribution utility having a material seasonal cycle; therefore, this interim statement of consolidated income is not necessarily indicative of annual results nor representative of succeeding quarters of the fiscal year.
3. The Company implemented Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", effective October 1, 1993, without restating previously issued financial statements. SFAS No. 109 prescribes the liability method of accounting for income taxes, which required the Company to recognize additional deferred tax assets and liabilities for certain temporary differences and to adjust deferred tax accounts for changes in income tax rates.

SFAS No. 109 did not have a material impact on the Company's cash flows or results of operations due to the effect of rate regulation. Substantially all of the adjustments required by SFAS No. 109 were recorded to deferred tax balance sheet accounts, with offsetting adjustments to regulatory assets and liabilities. At October 1, 1993 the cumulative effect of adopting SFAS No. 109 was an increase in net deferred tax liabilities of \$30.2 million, and recognition of a net regulatory asset of \$30.2 million.

The deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant items comprising the Company's net deferred tax liability as of October 1, 1993 are as follows:

	Thousands of Dollars
Deferred tax liabilities:	
Depreciation and other differences between book and tax basis of property	\$80,285
Pension income recognition	8,039
Other	3,057

Total deferred tax liabilities	91,381

Deferred tax assets:	
Reserves not currently deductible	12,486
Unamortized investment tax credit	5,491
Other	1,727

Total deferred tax assets	19,704
Net deferred tax liability	71,677
Less: Net deferred tax liability - current	2,312
Net deferred tax liability - non-current	\$69,365

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Net provisions for income taxes were charged (credited) as follows during the periods set forth below:

<TABLE>

<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	1994	1993	1994	1993
	(Thousands of Dollars)			
<S>	<C>	<C>	<C>	<C>
Utility Operations				
Current:				
Federal	\$14,647	\$15,943	\$22,035	\$22,799
State and local	2,472	1,784	3,716	2,583
Deferred:				
Federal	(4,957)	(5,314)	(6,690)	(5,893)
State and local	(762)	(528)	(1,039)	(558)
Subtotal	\$11,400	\$11,885	\$18,022	\$18,931
Miscellaneous Income and Income Deductions				
Current:				
Federal	\$ 173	\$ 564	\$ 208	\$ 654
State and local	10	48	(15)	45
Deferred:				
Federal	(3)	(5)	59	(9)
State and local	-	-	6	-
Subtotal	\$ 180	\$ 607	\$ 258	\$ 690
Total	\$11,580	\$12,492	\$18,280	\$19,621

</TABLE>

4. The Company adopted Statement of Financial Accounting Standard (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in the first quarter of fiscal year 1994. Under the provisions of SFAS No. 106, the estimated future cost of providing these postretirement benefits is recognized as an expense and a liability during the employees' service periods. As permitted by SFAS No. 106, the liability for any unfunded accumulated postretirement benefit obligations existing at October 1, 1993, the date of initial application of the standard, is being recognized as a transition obligation and amortized over 20 years. The net postretirement benefit cost for fiscal 1994 is currently estimated to be \$6.1 million, which represents a \$1.9 million increase over estimated pay-as-you-go costs.

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Net postretirement benefit cost for the six months ended March 31, 1994, including amounts charged to construction, consisted of the following components:

<TABLE>

<CAPTION>

	Thousands of Dollars
<S>	<C>
Service Cost	\$ 742
Interest cost on projected benefit obligation	1,440
Amortization transition obligation	849

Net cost	\$ 3,031
	=====

</TABLE>

The funded status of the plans at October 1, 1993 is as follows:
Accumulated postretirement benefit obligation:

<TABLE>

<CAPTION>

	Thousands of Dollars
<S>	<C>
Retirees	\$17,101
Active employees	21,840

	38,941
Unrecognized transition obligation	33,963

Accrued postretirement benefit cost	\$ 4,978
	=====

The Company provides life insurance benefits to all employees after retirement and medical insurance is available after early retirement until age 65. The medical insurance represents approximately two-thirds of the Company's SFAS No. 106 costs. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 10% for 1994, gradually decreasing each successive year until it reaches 5% in 1998. A one percent increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit cost as of October 1, 1993, by 4.9% and the sum of the service cost and interest cost by approximately 6.3%. The weighted-average discount rate and weighted-average rate of future compensation used in determining the accumulated postretirement benefit obligation was 7.5% and 4.5%, respectively.

In its 1992 rate case, the Company was authorized by the Missouri Public Service Commission (MoPSC) to defer as a regulatory asset the difference between the accrued costs calculated under the provisions of SFAS No. 106 and the actual pay-as-you-go costs. The amounts deferred would be recovered in rates when the benefits are actually paid. However, in January 1993, the Emerging Issues Task Force (EITF) reached a consensus requiring more stringent accounting criteria necessary to record a regulatory asset. The EITF would permit, among other things, rate regulated entities, such as the Company, to defer for as long as five years the difference between the accrual method and pay-as-you-go costs provided that the Company's ratemaking treatment allows deferred costs

to be fully recovered in the subsequent fifteen-year period. Since the 1992 MoPSC authorization is not in conformity with the 1993 EITF consensus, the Company has not recorded a regulatory asset. However, the Company is continuing to review this matter to determine what actions, if any, would be required to permit it to establish a regulatory asset or to provide full recovery of SFAS No. 106 costs in rates.

5. The Company is subject to various federal, state and local laws and regulations relating to the environment, which thus far have not had a material effect on the Company's financial position or results of operations. Prior to the widespread availability of natural gas, the Company operated various manufactured gas plants to produce gas as a source of fuel for lighting, cooking and heating. The Company closed the last of such plants in 1961. The process for manufacturing gas produced by-products and residuals, including hydrocarbons such as lamp black and coal tar. Certain remnants of these residuals are typically found at former gas manufacturing sites. The United States Environmental Protection Agency (the "EPA") has been engaged in a survey of a large number of former manufactured gas plant sites across the

nation.

In this regard, the Company and the EPA have information which indicates the presence of manufactured gas residuals on one of the former manufactured gas plant sites operated by the Company. While no conclusion has been reached as to the extent of any remedial action that will be required, the Company is working with environmental authorities to develop a positive environmental response with respect to this site. In this vein, the Company and the EPA have entered into an Administrative Order on Consent ("AOC"), effective March 31, 1994, with regard to this site, which AOC provides for the Company to conduct certain investigative activities, i.e. a removal site evaluation and an engineering evaluation cost analysis, and to reimburse the EPA for past response costs of \$3,773 and for future response costs under the AOC. The AOC requires only investigations and does not cover any removal action. If the above investigations indicate that remedial action is necessary, then a subsequent order will cover such action. Based on currently available information, it is believed that the costs of the foregoing investigations, together with the past and future response costs of the EPA in overseeing such investigations, and other associated legal and engineering consulting costs, are likely to approximate \$335,000 and the Company has established a reserve in that amount in its financial statements.

In the absence of the results of the above-referenced investigations, the Company is presently unable to evaluate and quantify further the scope or cost of any environmental response activity. The Company has notified its insurers that the Company intends to seek reimbursement from them of its investigation, remediation, clean-up and defense costs in regard to the foregoing. In addition to pursuing insurance proceeds to the extent feasible, the Company also plans to seek recovery in this regard, if practicable, from any other potentially responsible parties, and the Company will also apply for appropriate rate recovery.

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The Company is involved in litigation, claims, and investigations arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, after discussion with counsel, believes the final outcome will not have a material adverse effect on the consolidated financial position and results of operations reflected in the financial statements presented herein.

6. At the Annual Meeting held January 27, 1994, the Company's share owners

approved an amendment increasing the authorized Common Stock to 50 million shares with a new par value of \$1.00 per share and reclassifying the par value of the outstanding Common Stock from \$2.00 to \$1.00 per share. These changes were approved in connection with a 2-for-1 stock split as authorized by the Board of Directors, which was effective on February 11, 1994. New stock certificates were distributed on March 7, 1994.

Share owners also approved an amendment to the Company's Dividend Reinvestment Plan to permit cash purchases of common stock through the Plan, with a minimum purchase of \$100 per calendar quarter up to a maximum purchase of \$30,000 per calendar year. The amendment also provides for the issuance of common shares by the Company to provide shares purchased under the Plan. The Company filed a Registration Statement for the Plan with the Securities and Exchange Commission on February 22, 1994.

The Missouri Public Service Commission granted the necessary approvals of the stock split and Plan amendments by order dated January 14, 1994.

7. This Form 10-Q should be read in conjunction with the Notes to Consolidated Financial Statements contained in the Company's 1993 Form 10-K.

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

RESULTS OF OPERATIONS

Earnings for the quarter ended March 31, 1994 were \$1.19 per share compared with \$1.30 per share for the quarter ended March 31, 1993. The results set out in this report and the comparative prior period reflect the 2-for-1 stock split which became effective February 11, 1994. The weather for the quarter was 5% warmer than last year and 2% warmer than normal. The decrease in earnings is primarily attributable to lower gas sales resulting from warmer weather and higher costs of doing business.

Utility operating revenues for the second quarter of fiscal year 1994 were \$233.1 million compared with \$214.1 for the same quarter last year. The \$19.0 million, or 8.9%, increase is principally due to higher wholesale gas costs which are passed on to Laclede's customers under the Company's Purchased Gas Adjustment Clause, slightly offset by lower therm sales related to the warmer weather. Therms sold and transported decreased by 13.0 million therms, or 2.7%, below the quarter ended March 31, 1993.

Utility operating expenses for the quarter ended March 31, 1994 increased by \$20.5 million, or 10.8%, above the same quarter last year. Natural and propane gas expense this quarter increased \$18.8 million, or 14.5%, above last year mainly due to higher rates charged by our suppliers, partially offset by decreased volumes purchased for sendout resulting from the warmer weather. Other operation and maintenance expenses increased \$1.0 million, or 3.7%, primarily due to increased pension expense reflecting the recognition of gain applicable to lump-sum settlements during the same quarter ended March 31, 1993 (no gain was recognized during the quarter ended March 31, 1994), higher wage rates, and increased maintenance charges. These increases were partially offset by a lower provision for uncollectible accounts. Depreciation and amortization expense increased 2.7% due to additional property. Taxes, other than income taxes, increased 6.1% primarily due to higher gross receipts taxes (reflecting increased revenues), partially offset by lower property taxes this quarter. The \$.5 million decrease in income taxes is principally due to lower taxable income and tax adjustments made last year, the impact of which was partially offset by higher tax rates.

The 4.3% decrease in interest charges is mainly due to reduced long-term debt (reflecting reductions in certain long-term debt issues, partially offset by the issuance of \$25 million of 6-1/4% First Mortgage Bonds in May, 1993), largely offset by higher short-term interest expense arising from increased short-term borrowings.

Earnings for the six months ended March 31, 1994 were \$1.96 per share compared with earnings of \$2.17 per share for the same period last year, restated for the stock split. The weather for the six-month period this year was 2% warmer than last year and 1% warmer than normal. The decrease

in earnings is primarily due to higher costs of doing business and, to a lesser extent, lower gas sales resulting from slightly warmer weather. It is important to realize that due to the seasonal nature of our business, the Company's earnings are concentrated during the first six months of the fiscal year, typically reaching a peak level at the conclusion of the heating season. As sales volumes decline in subsequent months, the Company experiences losses in the second half of the fiscal year.

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Utility operating revenues for the first six months of fiscal year 1994 increased by \$26.2 million, or 7.0%, above the corresponding period of fiscal year 1993. This increase is principally due to increased wholesale gas costs which are passed on to our customers under the Company's Purchased Gas Adjustment Clause, partially offset by the warmer weather. Therms sold and transported increased by .9 million, or .1%, above the level during the six months ended March 31, 1993.

Utility operating expenses for the six months ended March 31, 1994 increased by \$29.4 million, or 8.8%, above last year. Natural and propane gas expense during the first six months of fiscal year 1994 increased \$24.4 million, or 10.6%, above the same period a year ago. This increase is principally due to higher rates charged by our suppliers. The \$4.8 million, or 9.9%, increase in other operation and maintenance expenses is principally due to increased pension expense reflecting the recognition of gain applicable to lump-sum settlements during the same six-month period ended March 31, 1993 (no gain was recognized during the same six-month period ended March 31, 1994) higher wage rates, and increased maintenance charges. These increases were partially offset by a lower provision for uncollectible accounts. Depreciation and amortization expense increased 2.8% due to additional property. Taxes, other than income taxes, increased 3.2% primarily due to higher gross receipts taxes (reflecting increased revenues), partially offset by lower property taxes. The \$.9 million decrease in income taxes is principally due to lower taxable income, the effect of which was partially offset by higher tax rates.

The 4.5% decrease in interest charges is mainly due to reduced long-term debt (reflecting reductions in certain long-term debt issues, partially offset by the effect of the issuance of \$40 million of 7-1/2% First Mortgage Bonds in November, 1992 and the issuance of \$25 million of 6-1/4% First Mortgage Bonds in May, 1993), largely offset by higher short-term interest expense arising from increased short-term borrowings.

The Company filed a request with the Missouri Public Service Commission (MoPSC) on January 14, 1994 seeking approval of a general rate increase which would add \$27.1 million to operating revenues on an annual basis. The proposed increased rates have been suspended by the MoPSC pending formal hearings before the Commission which are currently scheduled to commence in August 1994. Under Missouri law, the Commission is required to act on our request prior to December 14, 1994.

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in the first quarter of fiscal year 1994. Under the provisions of SFAS No. 106, the estimated future cost of providing these postretirement benefits is recognized as an expense and a liability during the employees' service periods. As permitted by SFAS No. 106, the liability for any unfunded accumulated postretirement benefit obligations existing at October 1, 1993, the date of initial application of the standard, is being recognized as a transition obligation and amortized over 20 years. The net postretirement benefit cost for fiscal 1994 is currently estimated to be \$6.1 million, which represents a \$1.9 million increase over estimated pay-as-you-go costs. In its 1992 rate case, the Company was authorized by the Missouri Public Service Commission (MoPSC) to defer as a regulatory asset the difference between the accrued costs calculated under the provisions of SFAS No. 106 and the actual pay-as-you-go costs. The amounts deferred would be recovered in rates when the benefits are actually paid. However, in

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January 1993, the Emerging Issues Task Force (EITF) reached a consensus requiring more stringent accounting criteria necessary to record a regulatory asset. The EITF would permit, among other things, rate regulated entities, such as the Company, to defer for as long as five years the difference between the accrual method and pay-as-you-go costs provided that the Company's ratemaking treatment allows deferred costs to be fully recovered in the subsequent fifteen-year period. Since the 1992 MoPSC authorization is not in conformity with the 1993 EITF consensus, the Company has not recorded a regulatory asset. However, the Company is continuing to review this matter to determine what actions, if any, would be required to permit it to establish a regulatory asset or to provide full recovery of SFAS No. 106 costs in rates.

The Company implemented Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", effective October 1, 1993, without restating previously issued financial statements. SFAS No. 109 prescribes the liability method of accounting for income taxes, which required the Company to recognize additional deferred tax assets and liabilities for certain temporary differences and to adjust deferred tax accounts for changes in income tax rates.

SFAS No. 109 did not have a material impact on the Company's cash flows or results of operations due to the effect of rate regulation. Substantially all of the adjustments required by SFAS No. 109 were recorded to deferred tax balance sheet accounts, with offsetting adjustments to regulatory assets and liabilities. At October 1, 1993 the cumulative effect of adopting SFAS 109 was an increase in net deferred tax liabilities of \$30.2 million, and recognition of a net regulatory asset of \$30.2 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's short-term borrowing requirements typically peak during colder months, principally because of required payments for natural gas made in advance of the receipt of cash from our customers for the sale of that gas. Such short-term borrowing requirements have traditionally been met through the sale of commercial paper supported by lines of credit with banks. In January 1994, the Company entered into new bank credit agreements under which it may borrow up to \$40 million prior to January 31, 1995, with renewal of any loans outstanding (at January 31, 1995) permitted up to June 30, 1995. These agreements also provide for an additional \$15 million during the period of peak credit requirements (from January 20, 1994 to January 27, 1994), and a further extension until February 28, 1994 with respect to \$5 million of the additional \$15 million lines of credit.

The Company had previously obtained supplemental lines of credit (on October 18, 1993) totalling \$40 million for the period from October 18, 1993 to April 18, 1994. This resulted in lines of credit for the 1993-1994 heating season totalling \$95 million to January 27, 1994, \$85 million to February 28, 1994 and \$80 million to April 18, 1994.

Recently, the Company amended the October 18, 1993 agreements, which would have expired on April 18, 1994, to reduce the supplemental lines of credit thereunder to \$20 million and extend these lines of credit until August 18, 1994. This results in current total lines of credit aggregating \$60 million.

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During the first six months of fiscal 1994, the Company sold commercial paper aggregating to a maximum of \$95 million on January 20, 1994, but did not borrow from the banks under the above mentioned agreements. Short-term borrowings amounted to \$30 million at April 30, 1994.

On January 27, 1994, a proposal to amend Article III-A of the Company's Articles of Incorporation was approved at the annual meeting of share owners. This amendment increased the Company's authorized common stock to 50 million shares with a new par value of \$1.00 per share and reclassified the par value of the Company's outstanding common stock from \$2.00 per share to \$1.00 per share. These changes were approved in connection with a planned 2-for-1 common stock split, which was effective on February 11, 1994. New stock certificates were distributed on March 7, 1994.

Share owners also approved an amendment to the Dividend Reinvestment Plan to permit cash purchases of common stock through the Plan, with a minimum purchase of \$100 per calendar quarter up to a maximum purchase of \$30,000 per calendar year. The amendment also provides for the issuance of common shares by the Company to provide shares purchased under the Plan. The Company filed a Registration Statement for the Plan with the Securities and Exchange Commission on February 22, 1994. The Missouri Public Service Commission granted the necessary approvals of the stock split and Plan amendments by order dated January 14, 1994.

The Company is subject to various federal, state and local laws and regulations relating to the environment, which thus far have not had a material effect on the Company's financial position or results of operations. Prior to the widespread availability of natural gas, the Company operated various manufactured gas plants to produce gas as a source of fuel for lighting, cooking and heating. The Company closed the last of such plants in 1961. The process for manufacturing gas produced by-products and residuals, including hydrocarbons such as lamp black and coal tar. Certain remnants of these residuals are typically found at former gas manufacturing sites. The United States Environmental Protection Agency (the "EPA") has been engaged in a survey of a large number of former manufactured gas plant sites across the nation.

In this regard, the Company and the EPA have information which indicates the presence of manufactured gas residuals on one of the former manufactured gas plant sites operated by the Company. While no conclusion has been reached as to the extent of any remedial action that will be required, the Company is working with environmental authorities to develop a positive environmental response with respect to this site. In this vein, the Company and the EPA have entered into an Administrative Order on Consent ("AOC"), effective March 31, 1994, with regard to this site, which AOC provides for the Company to conduct certain investigative activities, i.e. a removal site evaluation and an engineering evaluation cost analysis, and to reimburse the EPA for past response costs of \$3,773 and for future response costs under the AOC. The AOC requires only investigations and does not cover any removal action. If the above investigations indicate that remedial action is necessary, then a subsequent order will cover such action. Based on currently available information, it is believed that the costs of the foregoing investigations, together with the past and future response costs of the EPA in overseeing such investigations, and other associated legal and engineering consulting costs, are likely to approximate \$335,000 and the Company has established a reserve in that amount in its financial statements.

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In the absence of the results of the above-referenced investigations, the Company is presently unable to evaluate and quantify further the scope or cost of any environmental response activity. The Company has notified its insurers that the Company intends to seek reimbursement from them of its investigation, remediation, clean-up and defense costs in regard to the foregoing. In addition to pursuing insurance proceeds to the extent feasible, the Company also plans to seek recovery in this regard, if practicable, from any other potentially responsible parties, and the Company will also apply for appropriate rate recovery.

Construction expenditures for the six months ended March 31, 1994 were \$17.7 million compared with \$19.1 million for the same period last year.

Capitalization at March 31, 1994 (excluding current redemption

requirements of long-term debt) increased \$9.4 million since September 30, 1993 and consisted of 57.5% common stock equity, .5% preferred stock and 42.0% long-term debt.

The seasonal effect of the Company's financial position affects the comparison of certain balance sheet items at March 31, 1994 and at September 30, 1993 such as Gas Accounts Receivable - Net, Notes Payable and Accounts Payable.

Part II

OTHER INFORMATION

LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

Item 1. Legal Proceedings

During the quarter ended March 31, 1994, there were no new legal proceedings required to be disclosed. In addition, for discussion of environmental matters, see Note 5 to the consolidated financial statements.

Item 4. Submission of Matters to Vote of Security Holders

The Annual Meeting of Stockholders of Laclede Gas Company was held on January 27, 1994, for the purpose of electing three directors to the board of directors, ratifying the appointment of independent auditors, approving a charter amendment to, among other things, effect on February 11, 1994 a stock split whereby an additional share would be issued for each then issued share and approving certain amendments to the Company's Dividend Reinvestment Program. Proxies for the meeting were solicited pursuant to Section 14(a) of the Exchange Act of 1934.

All of management's nominees for directors listed in the proxy statement were unopposed and were elected upon the following votes:

Name of Director Nominee -----	Shares Voted For -----	Shares Voted Withheld -----
Andrew B. Craig, III	6,009,378	176,130
C. Ray Holman	6,083,321	176,130
William E. Nasser	6,080,378	176,130

The proposal to ratify the appointment of Deloitte and Touche, Certified Public Accountants, to audit the accounts of the Company for the fiscal year ending September 30, 1994 was passed upon the following vote:

Shares Voted:

For the proposal	6,152,998
Against the proposal	35,591
Abstain from the proposal	67,568

The proposal to amend ARTICLE III-A of the Articles of Incorporation of the Company: to increase the Company's authorized Common Stock to 50 million shares with a new par value of \$1.00 per share, and to reclassify the par value of the Company's outstanding Common Stock from \$2.00 per share to \$1.00 per share; in connection with a proposed two-for-one stock split (as more particularly described in the Proxy Statement) was approved upon the following vote:

Shares Voted:

For the proposal	6,070,166
Against the proposal	51,151
Abstain from the proposal	71,864

The proposal to amend the Company's Dividend Reinvestment Program and to issue stock thereunder (as more particularly described in the Proxy Statement) was approved upon the following vote:

Shares Voted:

For the proposal	5,798,681
Against the proposal	115,151
Abstain from the proposal	279,250

Item 6. Exhibits and Reports on Form 8-K

- (a) See Exhibit Index
- (b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the quarter ended March 31, 1994.

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LACLEDE GAS COMPANY AND SUBSIDIARY COMPANIES

SIGNATURES

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

LACLEDE GAS COMPANY

Date: May 11, 1994

R. J. CARROLL

R. J. Carroll
Sr. Vice President - Finance
(Authorized Signatory and
Chief Financial Officer)

INDEX TO EXHIBITS

Exhibit No. -----	Exhibit -----	Page -----
3.01*	Articles of Incorporation, as amended on February 11, 1994, filed on February 22, 1994 as Exhibit 4(b) to the Company's Registration Statement No. 33-52357.	
10.1	Laclede Gas Company Management Continuity Protection Plan as amended, effective at the close of business on January 27, 1994, by the Board of Directors.	22

10.2	January 19, 1994 line of credit agreement with Mercantile Bank of St. Louis, N.A.	26
10.3	January 10, 1994 line of credit agreement with The Boatmen's National Bank of St. Louis.	28
10.4	January 20, 1994 line of credit agreement with Commerce Bank of St. Louis, N.A.	29
10.5	January 10, 1994 line of credit agreement with Chemical Bank.	31
10.6	October 18, 1993 line of credit agreement with Chemical Bank, The Boatmen's National Bank of St. Louis and Mercantile Bank, N.A.	32

MANAGEMENT CONTINUITY PROTECTION PLAN
(As of February 24, 1994)

I. Participants

All officers of the Company. It is contemplated that the features set forth below would be incorporated in agreements to be entered into between the Company and each of such officers.

II. Change In Control

Change In Control occurs if and when any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of Laclede representing more than fifty percent (50%) of the combined voting power of Laclede's then outstanding securities or when any such person becomes a beneficial owner, directly or indirectly, of at least thirty percent (30%) and no more than fifty percent (50%) of such securities and a majority of the outside members of the Board of Directors decides that a de facto Change in Control has occurred.

III. Termination For "Cause"

Termination For "Cause" shall be limited to, and include, only the following: (1) the irreversible incapacity or disability of a Participant for a period

of six (6) months which renders him unable to perform the services for which he is employed; (2) any conduct of Participant in the performance of the services to be rendered by him and for which he has been employed which involves moral turpitude on his part; or (3) the death of the Participant.

IV. Benefits

If, following a Change In Control, the Participant is either terminated (other than for "Cause"), resigns, or retires, such Participant shall be entitled to receive at such time a non-discounted lump sum in an amount equal to the average annual compensation paid to Participant for the five-year period immediately preceding cessation of employment by Participant (as described in Section 280G(b) (3) (A) of the Internal Revenue Code of 1986, as amended), multiplied by:

(1) in the case of the President or of the Executive Vice President, 2.99 times; or (2) in the case of all other Participants, 2.00 times. In the event Participant remains employed by the Company*

*For purposes of this Plan, employment with the Company shall also include employment with any successor of the Company (or with any affiliate of the Company, or affiliate of such successor) following a Change in Control.

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subsequent to the Change In Control for a period beyond six (6) months following such Change In Control, the above benefit shall be reduced as follows: (1) in the case of the President or of the Executive Vice President, for each month beyond six months he is employed with the Company subsequent to a Change In Control the benefit shall be reduced 1/48; or (2) in the case of all other Participants, such benefit shall be reduced for each month beyond six months he is employed with the Company subsequent to a Change In Control by 1/36. However, notwithstanding the above, in no event shall the benefit be greater than an amount equal to the average monthly compensation paid to Participant for the five-year period immediately preceding cessation of employment multiplied by the number of months remaining from such date of cessation of employment until the date

upon which the Participant would have been 65 years of age.

Moreover, notwithstanding the above, to the extent, if any, that any payment or distribution of any portion of the benefit described above would trigger any adverse tax consequences under Section 280G of the Internal Revenue Code of 1986, as amended, or Section 4999 of said Internal Revenue Code, as amended, such as loss of deductions to the Company, or the payment of an additional excise tax by the Participant, or both, then

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the benefit shall be reduced to that extent, and to no greater extent.

January 19, 1994

Mr. Vernon O. Steinberg
Treasurer and Assistant Secretary
Laclede Gas Company
720 Olive Street
St. Louis, MO 63101

Dear Vernon:

Mercantile Bank of St. Louis N.A. is pleased to provide a \$15,000,000 line of credit until February 28, 1994, reducing to a \$10,000,000 line of credit maturing January 31, 1995 to Laclede Gas Company for general corporate purposes and for commercial paper backup.

All borrowings will be priced, at your option, at Mercantile's Prime rate, floating, IBOR adjusted + 3/8%, or CD's adjusted + 1/2% for available maturities to 90 days. Notes issued under this line shall not exceed 90 days. If a note is outstanding with a maturity before January 31, 1995, the note shall be renewed in whole or in part provided no note shall mature later than June 30, 1995.

Interest shall be payable at maturity or on date of prepayment. Interest shall be computed on the basis of actual 365/366 for prime borrowings and actual 360 basis for IBOR of CD loans. Notes insured may be prepaid at any time without penalty, subject to standard funding loss provisions.

We may terminate this agreement at any time if we determine, in good faith, that we are not satisfied with your conditions, operations or performance, financial or otherwise.

It is understood that any loans obtained by any subsidiary of Laclede Gas Company, whether or not they are guaranteed by Laclede Gas Company, are excluded from this agreement and shall not be charged against the line of credit described above.

Nothing in this letter is intended to alter the arrangements set forth in the agreement dated October 18, 1993, or the

availability of up to \$10,000,000 of advances thereunder from Mercantile Bank of St. Louis N.A. on the terms set forth in said October 18, 1993 agreement.

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Laclede Gas Company

We appreciate the opportunity to service your credit needs and to continue the long-standing relationship between our companies. If the foregoing is acceptable to you, please sign and date below.

Sincerely,

Edward A. Cheney

Accepted this 19th day of January, 1994

LACLEDE GAS COMPANY

By: Vernon O. Steinberg

Name: Vernon O. Steinberg

Title: Treasurer and Assistant Secretary

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January 10, 1994

The Boatmen's National Bank of St. Louis
One Boatmen's Plaza, 13th Floor
800 Market Street
St. Louis, Missouri 63102

Gentlemen:

In order to help finance our construction through January 31, 1995, and to provide funds for general corporate purposes, we are asking you to make available to us until January 31, 1995, bank credit in the amount of \$10,000,000.00 and a short term step-up provision for additional bank credit in the amount of \$10,000,000.00 from January 20, 1994 to January 27, 1994.

Notes issued under this agreement shall mature not more than ninety (90) days from date. Notes maturing after January 31, 1995, may be renewed in whole or in part provided no note shall mature later than June 30, 1995. The notes shall bear interest at your lowest rate extended to the most credit-worthy commercial and industrial borrowers for ninety (90) day maturities effective at the time of each borrowing or renewal. Interest shall be payable at maturity or on the date of any prepayment. Notes issued under this agreement may be prepaid at any time without penalty.

It is understood that any loans obtained by any subsidiary of Laclede Gas Company whether or not they are guaranteed by Laclede Gas Company are excluded from this agreement and shall not be charged against the credit stated above.

Nothing in this letter is intended to alter the arrangements set forth in the agreement dated October 18, 1993, or the availability of up to \$10,000,000.00 of advances thereunder from The Boatmen's National Bank on the terms set forth in said October 18, 1993 agreement.

If the foregoing is acceptable to you, will you kindly sign in the space indicated below, and this shall then constitute an agreement between us.

Yours very truly,

LACLEDE GAS COMPANY

By Vernon O. Steinberg

Treasurer and Assistant Secretary

By Thomas Guyton

January 20, 1994

Mr. Vernon O. Steinberg
Treasurer
Laclede Gas Company
720 Olive Street
St. Louis, Mo. 63101

Dear Mr. Steinberg:

Commerce Bank of St. Louis, N.A., ("Bank") is pleased to offer a line of credit to Laclede Gas Company ("Borrower") under the following terms and conditions. Accordingly, our officers may, at their discretion, make short-term loans to Laclede Gas Company up to \$10,000,000 on such terms as may be mutually agreed upon from time to time.

Purpose: Working capital.

Amount: Up to \$10,000,000 (Ten Million Dollars).

Interest

Rate: Prime rate of Bank or such lesser rate that may be agreed upon at the time of funding.

Term: Until January 31, 1995.

Method of
Borrowing &
Repayment:

Advances shall be evidenced by separate notes and each note issued under this arrangement shall mature not more than ninety (90) days from note date. Notes maturing after January 31, 1995, may be renewed in whole or part provided no note matures later than June 30, 1995. Interest shall be payable at maturity or on the date of any prepayment. Notes issued under this arrangement may be prepaid at any time without penalty.

Collateral: Unsecured.

Vernon O. Steinberg
January 20, 1994
Page 2

Other: Execution of note(s) in form acceptable to Bank. It is understood that any loans obtained by any subsidiary of Borrower whether or not they are guaranteed by Borrower are excluded from this agreement and shall not be charged against the amount stated above.

Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt, including promises to extend or renew such debt, are not enforceable. To protect you (borrower(s)) and us (creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing, which is the complete and exclusive statement of the agreement between us as we may later agree in writing to modify it. By signing below, you and we agree that there are no unwritten oral agreements between us.

This offer shall automatically expire upon the Borrower's failure to accept this offer within 15 days of the date of this letter.

If the aforementioned terms and conditions are satisfactory, please indicate the Borrower's acceptance and approval of same by signing and returning the original of this letter. We are pleased to be able to provide this service and look forward to expanding our relationship.

Sincerely,

William A. Springer
Assistant Vice President

Accepted this 21st day of January, 1994

Laclede Gas Company

By: Vernon O. Steinberg

Treasurer

January 20, 1994

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January 10, 1994

Mr. Vernon O. Steinberg
Treasurer and Assistant Secretary
Laclede Gas Company
720 Olive Street
St. Louis, Missouri 63101

Dear Vern:

In order to provide funds for general corporate purposes, we are happy to make available to you until January 31, 1995, a line of credit in the amount of \$10,000,000. Accordingly, our officers may, at their discretion, make short term loans to Laclede Gas Company up to \$10,000,000 on such terms as may be mutually agreed upon from time to time.

Notes issued under this arrangement shall mature not more than ninety (90) days from date of issuance. Notes maturing after January 31, 1995 may be renewed in whole or in part provided no notes matures later than June 30, 1995. Interest shall be payable at maturity or on the date of any prepayment. Notes issued under this arrangement may be prepaid at any time without penalty.

We ask that you continue to supply us with current financial and other information, which current information will be furnished to the Bank as it may from time to time reasonably request.

It is understood that any loans obtained by any subsidiary of Laclede Gas Company whether or not they are guaranteed by Laclede Gas Company are excluded from this arrangement and shall not be charged against the credit stated above.

Nothing in this letter is intended to alter the arrangement set forth in the agreement dated October 18, 1993 or the availability of up to \$20,000,000 of advances thereunder from Chemical Bank on the terms set forth in said October 18, 1993 Agreement.

We continue to appreciate the opportunity to do business with Laclede.

Very truly yours,

Marisa J. Harrey
Vice President
Banking and Corporate Finance
Chemical Bank

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October 18, 1993

Laclede Gas Company
720 Olive Street
St Louis, Missouri 63101

Ladies and Gentlemen:

We are pleased to advise you that the undersigned banks (each a "Bank" and collectively the "Banks") have established for Laclede Gas Company (the "Company") a committed line of credit (the "Line of Credit") under which the Company may from time to time prior to the Termination Date (such term and certain other capitalized terms used herein being defined below) request advances ("Advances") in an aggregate principal amount at any time outstanding from any Bank not to exceed the amount set forth opposite the name of such Bank below (such Bank's "Maximum Amount") and in a combined aggregate principal amount at any time outstanding not to exceed \$40,000,000. The Company shall give the Bank or Banks from which any Advances shall be requested written or telecopy notice (or telephone notice promptly confirmed in writing or by telecopy) not later than 10:30 a.m., New York City time, three Business Days before each proposed LIBO Rate Advance, and no later than 12:00 p.m., New York City time, the day of each proposed ABR Advance. Such notice shall be irrevocable and shall in each case specify (i) whether the Advance then being requested is to be a LIBO Rate Advance or an ABR Advance; (ii) the date of such Advance (which shall be a Business Day) and the amount thereof; and (iii) if such Advance is to be a LIBO Rate Advance, the Interest Period with respect thereto. No LIBO Rate Advance may be requested if the Interest Period applicable thereto would end after the Termination Date. The proceeds of each Advance pursuant to the Line of Credit shall be deposited by the Bank making such Advance in the general deposit account of the Company with such Bank or disbursed in another manner agreed upon by the Company and such Bank as promptly as practicable, but in no event later than 4:00 p.m., New York City time, on the date of such Advance.

The principal of each Advance shall be due and

payable on the earliest of the last day of the Interest Period applicable thereto, the Termination Date and the date of commencement of any bankruptcy, insolvency or similar proceeding in respect of the Company. Each Bank shall also

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have the right, upon notice to the Company, to cause the principal of and all interest accrued but not yet paid on all Advances made by it hereunder, together with all other amounts owed to it hereunder, to become immediately due and payable in the event the Company shall default in the payment of any amount due to such Bank hereunder and such default shall continue for three Business Days after notice thereof from such Bank. Advances may be repaid at any time subject, in the case of any LIBO Rate Advance repaid other than on the last day of an Interest Period, to the indemnity obligations set forth below, but otherwise without premium or penalty.

The Company agrees to pay interest (a) in the case of each ABR Advance at a rate per annum equal to the Alternate Base Rate and (b) in the case of each LIBO Rate Advance at the LIBO Rate applicable to the Interest Period in effect for such Advance plus 3/8% per annum. Interest on each Advance shall accrue from and including the date such Advance is made to but excluding the date such Advance is repaid, and shall be payable at the time the principal of such Advance is repaid and, in the case of each ABR Advance which shall not theretofore have been repaid, on the date 90 days after the date on which such Advance shall have been made. The Company agrees to pay interest, on demand, on any overdue principal and, to the extent permitted by applicable law, overdue interest until paid at a rate per annum equal to the Alternate Base Rate plus 2%. Interest shall be computed on the basis of the actual number of days elapsed in a year of (i) 365 days in the case of ABR Advances when the Alternate Base Rate is based on the Prime Rate and (b) 360 days in all other cases.

The Company agrees to pay to each Bank, on the last Business Day of each calendar quarter and on the Termination Date or any earlier date on which the availability of Advances from such Bank is terminated as provided herein, a facility fee of .10% per annum on the Maximum Amount of such Bank, whether used or unused. Such fee shall accrue from and including the date hereof to but excluding the earlier of the Termination Date and any date on which the availability of

Advances from such Bank is terminated as provided herein.

The Company hereby waives diligence, presentment, demand, protest, notice of dishonor and any other notice of any kind whatsoever. Neither the failure nor any delay on the part of any Bank in any particular instance to exercise any right, power or privilege hereunder shall constitute a waiver thereof in that or any subsequent instance. No consent, amendment, modification or waiver of the terms or provisions hereof shall be effective unless in writing and executed by the Company and each Bank. All rights and remedies of each Bank are cumulative and concurrent, and no single or partial exercise by any Bank of any right, power or

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privilege shall preclude any other or further exercise of any other right, power or privilege.

The aggregate principal amount of Advances at any time outstanding hereunder from any Bank shall in no event exceed the Maximum Amount of such Bank. The making of Advances is also subject to the absence of any material adverse change since December 31, 1992, in the financial condition of the Company and to the receipt by each Bank of a copy of this letter duly executed by the Company and an executed Note in the form attached as Exhibit A hereto, duly completed to set forth the name, the address and the amount of the commitment of each Bank (the "Note"), accompanied by such evidence of the corporate power and authority of the Company as the Banks may request.

The Company shall indemnify each Bank against any loss or reasonable expense which such Bank may sustain or incur as a consequence of (a) any payment or prepayment of a LIBO Rate Advance on a date other than the last day of the Interest Period applicable thereto or (b) any failure of the Company to borrow any LIBO Rate Advance requested by it hereunder. Such loss or reasonable expense shall include an amount equal to the excess, if any, as reasonably determined by such Bank, of (i) its cost of obtaining the funds for the Advance being paid, prepaid or not borrowed for the period from the date of such payment, prepayment or failure to borrow to the last day of the Interest Period for such Advance (or, in the case of a failure to borrow, the Interest Period for such Advance which would have commenced on the date of such failure) over (ii) the amount of interest (as reasonably determined by such Bank) that would be realized by

such Bank in reemploying the funds so paid, prepaid or not borrowed for such period or Interest Period, as the case may be. A certificate of any Bank setting forth any amount or amounts which such Bank is entitled to receive pursuant to this provision shall be delivered to the Company and shall be conclusive absent manifest error.

If after the date hereof any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority shall change the basis of taxation of payments to any Bank of the principal of or interest on any LIBO Rate Advance or any other fees or amounts payable hereunder, or shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank, or shall impose on any Bank any other condition affecting the Advances made by such Bank, and the result of any of the foregoing shall be to increase the cost to such Bank of making or maintaining such Advances or to reduce the amount of any sum received or receivable by such Bank hereunder (whether of principal, interest or otherwise) in respect thereof by an amount deemed by such Bank to be material, then the Company agrees to pay

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to such Bank such additional amount or amounts as will compensate such Bank for such additional costs or reduction. A certificate of any Bank setting forth the amount or amounts which shall be necessary to compensate such Bank and, in reasonable detail, the method by which such amounts have been determined shall be delivered to the Company and shall be conclusive absent manifest error.

The Company agrees to pay the amount or amounts specified in any certificate delivered pursuant to one of the two preceding paragraphs to the applicable Bank within 10 days after its receipt of the same.

As used herein, the following terms shall have the meanings specified below:

"ABR Advance" shall mean any Advance bearing interest at a rate determined by reference to the Alternate Base Rate as defined herein.

"Alternate Base Rate" shall mean for any day a rate per annum (rounded upwards, if not already a whole multiple

of 1/16 of 1%, to the next higher 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect for such day plus 1/2 of 1%. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum announced by Chemical from time to time as its prime rate in effect at its principal office in The City of New York; each change in the Prime Rate shall be effective on the Business Day such change is publicly announced as being effective. "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions (calculated on a per annum basis) with members of the Federal Reserve Bank of New York, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by Chemical from three Federal funds brokers of recognized standing selected by Chemical. If Chemical shall have determined that it is unable to ascertain the Federal Funds Effective Rate for any reason, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the Business Day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively. The Alternate Base Rate shall be determined by Chemical Bank and such determination shall be conclusive absent manifest error.

"Business Day" shall mean any day (other than a day which is a Saturday, Sunday or legal holiday in the State

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of New York) on which Chemical Bank is open for business in the City of New York; provided that when the term "Business Day" is used with respect to LIBO Rate Advances, such term shall exclude any day on which banks in London are not open for dealings in U.S. Dollar deposits in the London Interbank Market.

"Interest Period" shall mean (i) as to any LIBO Rate Advance, the period commencing on the date of such LIBO Rate Advance and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2 or 3 months thereafter, as the Company may elect, (ii) as to any ABR Advance, the period commencing on the date of such ABR

Advance and ending on the Termination Date or any earlier date specified by the Company in the notice requesting such Advance; provided, however, that (1) if any Interest Period would end on a day that shall not be a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, with respect to LIBO Rate Advances only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (2) interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period.

"LIBO Rate" shall mean, with respect to any LIBO Rate Advance for any Interest Period, the interest rate per annum (rounded upwards, if necessary, to the next higher 1/16 of 1%) at which U.S. Dollar deposits approximately equal in principal amount to such LIBO Rate Advance and for a maturity equal to the applicable Interest Period are offered by leading banks in the London Interbank Market to the London office of Chemical Bank in immediately available funds at or near 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period. The LIBO Rate shall be determined by Chemical Bank and such determination shall be conclusive absent manifest error.

"LIBO Rate Advance" shall mean any advance bearing interest at a rate determined by reference to the LIBO Rate as defined herein.

"Termination Date" shall mean April 18, 1994.

Chemical Bank hereby agrees, at the request of the Company or any other Bank, promptly to determine and advise the Company or such other Bank of the LIBO Rate or the Alternate Base Rate for any Interest Period or day within an Interest Period.

The availability of Advances hereunder from any Bank may be terminated by the Company upon written or telecopy notice to such Bank, and will in any event terminate

on the earlier of the Termination Date and the date of commencement of any bankruptcy, insolvency or similar proceeding in respect of the Company.

The Company represents and warrants that it has the

corporate power and authority and all necessary regulatory approvals to execute, deliver and perform its obligations under this Agreement and that such execution, delivery and performance will not violate any law or regulation applicable to the Company or any agreement to which the Company is party. Each Bank is hereby authorized to rely on notices given hereunder by persons reasonably believed by it to be acting on behalf of the Company.

This letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by each of the parties hereto. This letter shall be governed by, and construed in accordance with, the laws of the State of New York.

Please indicate your acceptance of the terms hereof by signing in the appropriate space below and returning to Chemical Bank the enclosed duplicate originals of this letter. This letter may be executed in counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement.

Commitment

\$20,000,000

Very truly yours,

CHEMICAL BANK

by

Robert Gillham

Name: Robert Gillham

Title: Managing Director

Address for Notices:

270 Park Avenue
New York, New York 10019
Attn. of: Mr. Robert Gillham
Telecopy: (212) 270-5007

\$10,000,000

THE BOATMEN'S NATIONAL BANK OF
ST. LOUIS,

by

Thomas Guyton

Name: Thomas Guyton

Title: Vice President

Address for Notices

One Boatmen's Plaza
800 Market Street
St. Louis, Missouri 63166-0236
Attn. of: Mr. Thomas Guyton
Telecopy: (314) 466-7783

\$10,000,000

MERCANTILE BANK, N.A.,

by

Edward Cheney

Name: Edward Cheney

Title: Vice President

Address for Notices

Eighth & Locust
12th Floor
P.O. Box 524
St. Louis, Missouri 63101
Attn. of: Mr. Edward Cheney
Telecopy: (314) 425-2162

Accepted and agreed to
as of the date first
written above:

LACLEDE GAS COMPANY,

by Robert J. Carroll

Name: Robert J. Carroll
Title: Vice President-Finance

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