Laclede Gas Company

Comfort for a Lifetime

Exhibit No. 23
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Reporter KF

Annual Report 2000

HIGHLIGHTS

	2000	1999
Earnings and Dividends		
Net Income	$ 25,965,000	$ 26,062,000
Earnings Per Share of Common Stock	$1.37	$1.43
Dividends Per Share of Common Stock	$1.34	$1.34
Revenues, Sales, and Customers		
Utility Operating Revenues	$ 531,152,000	$ 473,710,000
Therms Sold and Transported	1,035,152,000	1,025,935,000
Customers, End of Period	626,000	622,000
Househeating Customers, End of Period	576,000	572,000
Property and Plant		
Utility Plant, End of Period	$ 921,378,000	$ 876,431,000
Utility Construction Expenditures	$ 51,635,000	$ 48,698,000
Shareholders		
Common Shareholders, End of Period	8,541	9,278
Preferred Shareholders, End of Period	176	207
Employees		
Employees, End of Period	1,985	2,040
Payroll and Related Expenses, Chargeable to Operations and Construction	$ 120,606,000	$ 111,958,000

DESCRIPTION OF BUSINESS

Laclede Gas Company is a public utility engaged in the retail distribution of natural gas. The Company serves an area in eastern Missouri, with a population of approximately 2.0 million, including the City of St. Louis, St. Louis County, and parts of eight other counties. As an adjunct to its gas distribution business, the Company operates underground natural gas storage fields and is engaged in the transportation and storage of liquid propane.

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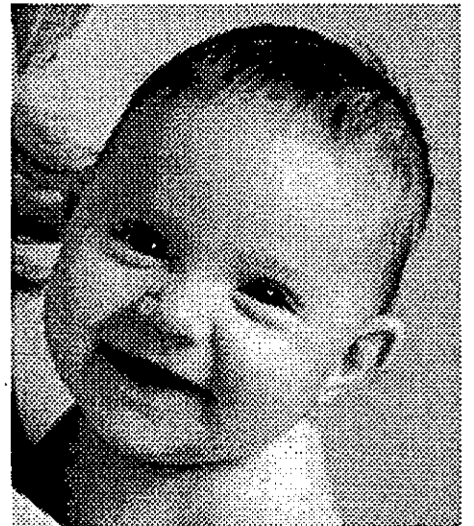
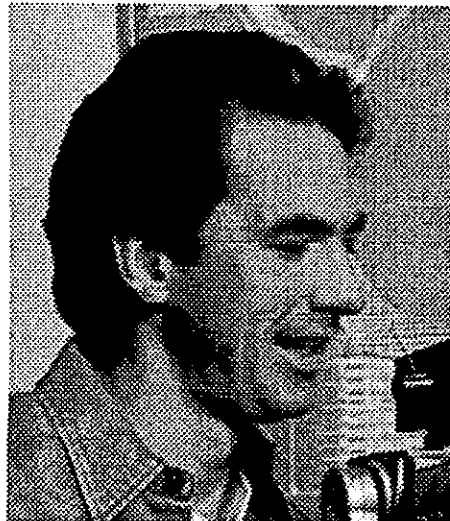
— Comfort For A Lifetime —

Year in, year out, clean-burning natural gas helps you enjoy the pleasures of a lifetime in energy-efficient comfort.



— Laclede Gas Company —



TO OUR SHAREHOLDERS AND EMPLOYEES:

You are an essential component of a high-quality natural gas utility that is in the process of becoming an even better corporation.

Laclede Gas is the largest natural gas distribution company in Missouri, serving more than 630,000 customers in St. Louis and southeastern Missouri. Our sales are driven primarily from residential and commercial heating requirements, which means, among other things, that our customer base is stable and not very susceptible to fuel switching. 70% of our utility operating revenues normally come from the residential segment. 98% of new homes in our service area are heated with natural gas, and, overall, we have more than an 85% saturation in the total heating market.

That's great news.

It also means, however, that our primary heating market is very susceptible to the vagaries of weather cycles and swings in our service area. Moreover, our dominant share of a mature market leaves us with limited room for organic growth in our core business operations. Our growth, then, must come from beyond the core. We believe we can do this in a manner that does nothing to detract from our core natural gas distribution business and may well offer additional opportunities to improve it.

As your Chief Executive Officer, my goal has been to chart our future through a three-pronged approach: improving the core business by making it more efficient and customer-oriented; taking an innovative, non-traditional approach to our gas supply strengths; and developing a strategy to add a sustainable growth component to our income stock. I am pleased to be able to report that we are moving forward on all three fronts.

- **We are streamlining the way we conduct our core business so as to serve our utility customers better and more effectively.**

Our Process Redesign Program works through teams of employees - from management and our bargaining units - that examine and redesign key processes in our utility operations. We are adding technological resources and using them to refine our efforts, and we are beginning to see impressive results through more active employee participation and responsibility. Moreover, while we believe in using technological developments where appropriate, we also believe that personal touches remain important in a service-oriented approach. Thus, we continue to have well-trained customer service representatives answer telephone inquiries rather than require customers to use impersonal and potentially annoying electronic telephone response devices.

- **Our innovative, incentive-based asset-management programs are benefiting customers and shareholders.**

We will further enhance shareholder returns by adding a growth component to our core business income.

Our Gas Supply Incentive Program is just one example, and in four years, it has produced gas-cost savings of more than $120 million - $94 million to our customers and $26 million to our shareholders. We commend the Missouri Public Service Commission, which regulates our utility operations, for demonstrating an openness to such approaches. We feel these methods can offer more identifiable and more sustainable customer benefits than the extensive deregulation approaches being tried in some other states - with limited, if any, success - that are generally isolated to a certain customer class to the detriment of another, I might add. However, our large industrial customers have had "deregulated" transportation service options for more than a decade, which we believe is appropriate for such entities. We believe that the State of Missouri is wise in taking a cautious, deliberate approach to the question of bringing further deregulation to the residential level.

- **We have begun a managed growth process by developing a comprehensive strategy to leverage our existing strengths, skills and knowledge into new enterprises that are familiar to us and that fit well together.**

We will move in a deliberate manner, doing nothing precipitously while avoiding mistakes we have seen others make. We cannot and will not jeopardize the safety or reliability of the service we provide our utility customers, nor will we risk the organization's financial integrity. But we will grow the enterprise. It will take time, and there will be a period of transition. But, the company now has a well-defined growth strategy that takes us beyond our core gas distribution business, and we have begun to implement it.

The key to providing the flexibility we need to expand beyond our core distribution business is shareholder approval of a holding company structure, and I urge you to review the details provided in the Proxy Statement. Your Board of Directors unanimously approved Management's recommendation to form a holding company. Under the new structure, Laclede Gas would become the major wholly owned subsidiary of The Laclede Group, Inc., but would continue to operate, as it has in the past, as a regulated natural gas distribution utility. Existing corporate subsidiaries of Laclede Gas - Laclede Energy Resources, Inc., Laclede Venture Corp., Laclede Development Company, Laclede Investment Corporation, Laclede Gas Family Services, Inc., and Laclede Pipeline Company - would become independent subsidiaries of The Laclede Group, Inc., and would remain unregulated. Creating a corporate structure that more clearly separates Laclede Gas' traditional utility functions from its unregulated business activities will allow for a better defined utility operation while reinforcing and protecting the financial strength of the regulated utility. At the same time, such separation will provide The Laclede Group's unregulated subsidiaries with additional financial and operational flexibility to pursue additional growth opportunities.

The corporate reorganization is the result of the strategic development process we undertook this year. We examined ourselves dispassionately and in depth. The fact is that, despite serving some of the fastest-growing areas in Missouri, there is more customer movement or relocation activity within our service area than there is net new customer growth. Therefore, traditional core growth alone will not be enough to achieve our goals. Further, as you are well aware, our core earnings are highly weather dependent, which means that, to a large degree, they are unpredictable and can vary greatly from one year to the next. This year's financial results are a good example. We did a very good job managing the areas of our business where we could this year, and as a result, fiscal 2000 earnings were essentially the same as last year ($25.9 million versus $26.0 million last year) despite heating season temperatures in our service area that were the third warmest on record (5% warmer than last year and 16% warmer than normal).

Given our recent history of having sustained sequential warmer-than-normal winters, we must take measures to largely take the impact of weather fluctuations out of the equation because we simply cannot have reliable, sustainable earnings levels to operate our core business and provide safe, reliable services for our customers without doing so. To the extent we are able to stabilize core earnings from the uncertainties of weather, we will be able to generate solid results that are based on factors we can actually manage.

We will manage your company in a twofold manner:

- **In our core utility business,** we will endeavor to stabilize core earnings and, at the same time, continue to improve operational performance and customer service.
- **Then we will further enhance shareholder returns** by adding a growth component to our core business income. We will identify and implement sustainable growth opportunities in areas that are familiar to us, unfolding competitive businesses from today's capabilities while improving the organization by developing skills in people we have and bringing in people with new skills we need.

Beyond our strategy for the future, I would be remiss if I did not inform you of all that we achieved this year, for it was an extremely active and productive period.

- We obtained regulatory approval to extend our successful Gas Supply Incentive Plan at least another year.
- When wholesale gas prices soared, we took the lead in going to the Missouri Public Service Commission and gaining approval for a special mid-summer PGA adjustment that was later adopted by other gas utilities in the state to help ease the impact of these gas cost increases on winter bills. Then we went out into the community to brief various social service organizations -

again taking the initiative to let people know what's going on and what they can do to help themselves and those in need.
- We are initiating and leading a multi-organizational effort to develop and enact enforceable legislative and regulatory policies with teeth in them that will require from unregulated contractors the same high degree of safety consciousness that we use in subsurface construction.
- We negotiated an unprecedented, four-year labor agreement that includes provisions - agreed to by our Unions - that will let us seriously work together toward increasing our operational flexibility.
- We continued taking an aggressive approach to encourage the development of emerging specialty markets for the use of natural gas. We have committed resources to this effort and have developed significant expertise within our organization. As a result, we have seen dramatic growth in gas cooling sales, particularly in desiccant dehumidification where annual usage is now in excess of one million therms. We have expertise in distributed electric generation and have developed a number of key partnerships to fuel various fleet and transit operations with compressed natural gas.

In summary, Laclede Gas is a solid, dependable natural gas distribution company. The Laclede Group will be even better by improving our core operations and by maximizing the use of strategic assets and incentive opportunities to grow non-core activities.

We believe in ourselves - more than 15% of our stock is owned by employees, officers and directors. Others have indicated they believe in us. Last year, investors purchased $25 million in a new common stock issuance. We were selected by Standard & Poor's for inclusion in the S&P SmallCap 600 Index, to which about $8 billion of investment is indexed. And we received approval for a $350 million universal shelf registration - a vehicle that offers us a high degree of flexibility in obtaining access to significant capital resources.

Laclede is looking to the future - to growth beyond that within the confines of a traditional natural gas distribution company. The next 18 months will be our launching pad for The Laclede Group and our future.

On a final note: Following the Annual Meeting in January 2001, Mr. H. Edwin Trusheim will retire as a Director of the Company under our Director's retirement policy. Mr. Trusheim was first elected to Laclede's Board in 1986 when he was Chairman, President and Chief Executive Officer of General American Life Insurance Company. He has served Laclede long and well, with wisdom and distinction, and his counsel will be missed.

On behalf of the Board of Directors,

Douglas H. Yaeger

DOUGLAS H. YAEGER
Chairman of the Board,
President and Chief Executive Officer

AN ACTIVE AND IMPORTANT YEAR

Dividends

Laclede Gas Company, the largest natural gas distribution company in Missouri with more than 630,000 customers, has paid dividends on a continuous basis since 1946.

On November 16, 2000, the Board of Directors approved a quarterly dividend of 33½ cents per share on common stock payable January 2, 2001, to shareholders of record December 11, 2000. This quarterly dividend rate, if continued for a full year, would result in total annual dividends of $1.34 per share.

Since fiscal 1980, the Company has provided a dividend reinvestment plan for its common shareholders. Many shareholders have increased their investment in the Company by taking advantage of this plan. The last page of this Annual Report provides more information about the plan.

Revenues, Expenses, and Earnings

Temperatures in the Laclede Gas service area during fiscal 2000 were the third warmest in the last 100 years - 16% warmer than normal and 5% warmer than last year. These near-record temperatures significantly diminished the demand for heating energy with a resulting detrimental impact on the financial results of Laclede's core business operations. Sales to on-system utility customers in fiscal 2000 were 916.1 million therms, down from 970.3 million therms last year. However, off-system therm sales - which are primarily made to larger commercial and industrial customers whose needs are less weather sensitive than those of residential customers - were 63.4 million therms ahead of last year. Overall, Laclede delivered 1,035.2 million therms of gas this year, compared with 1,025.9 million therms last year. We also were able to mitigate the impact of weather on our financial results through our ongoing efforts to operate more effectively and efficiently, the general rate increase that became effective December 27, 1999, and with higher earnings from our off-system sales efforts and our Gas Supply Incentive Plan (GSIP).

Babies depend on their mothers, and mothers depend on the warmth and comfort of clean-burning natural gas heat.

Operating revenues and expenses were significantly affected by higher purchased gas costs - the cost of acquiring natural gas from producers and marketers in an unregulated, highly competitive national market, and then arranging for its storage and transportation to our service area. However, increases and decreases in these wholesale gas costs are passed through to our customers.

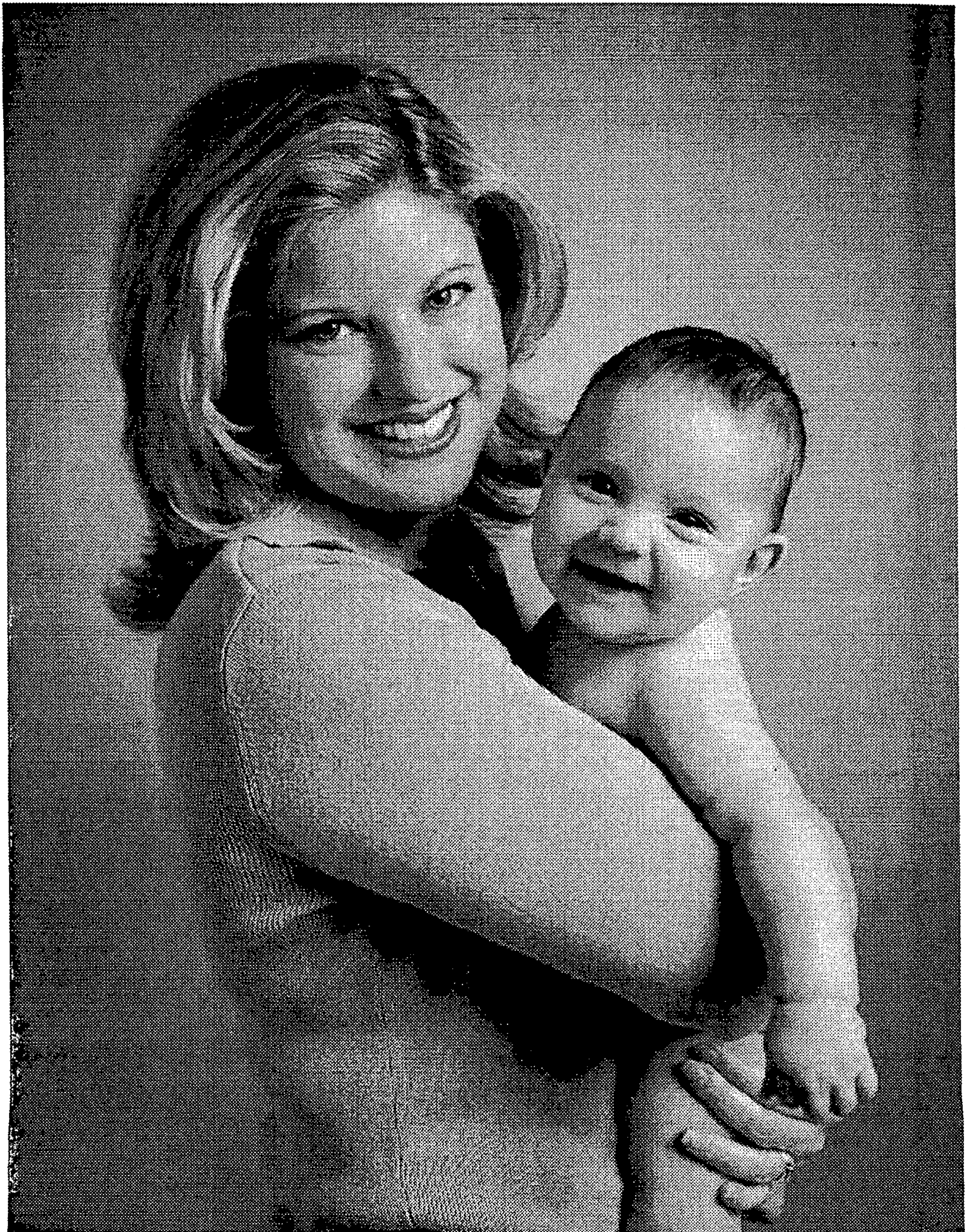
Operating revenues for fiscal 2000 were $566.1 million, which was $74.8 million, or 15.2%, more than last year. The increase resulted primarily from the higher purchased gas costs, higher off-system sales, and revenues from the general rate increase - all partially offset by the effects of the warmer weather.

Operating expenses in fiscal 2000 were $502.8 million, which was $72.7 million, or 16.9%, more than last year. The increase again primarily resulted from the higher purchased gas costs for both our utility and off-system sales customers. Increases in other expenses were mitigated by Laclede's successful ongoing cost-control efforts.

Other income, net of income deductions, increased by $1.0 million compared with fiscal 1999. This improvement is largely due to a non-recurring charge in September 1999 to record the sale of the Company's interest in Clark Enterprises, partially offset by a gain recognized in 1999 on the sale of property by Laclede Development Company, a wholly owned subsidiary.

Interest charges were $24.0 million, an increase of $3.4 million from the previous year, a result of higher short-term borrowings and interest rates and higher long-term debt.

Earnings for fiscal 2000 were essentially the same as last year. In fiscal 2000, Laclede Gas earned $25.9 million, compared with $26.0 million



in fiscal 1999. On a per-share basis, however, earnings in fiscal 2000 were $1.37 per share (on average shares outstanding of 18,877,987), compared with $1.43 per share last year (on average shares outstanding of 18,138,261).

Gas Supply

The gas supply process has changed dramatically in recent years. The federal deregulation of producer prices created an open and highly competitive market in which the price of natural gas supplies is established by the economic balancing of nation-wide supply and demand - along with all the other vagaries that influence a commodity market. Then, with the complete unbundling of the pipeline transmission process, local distribution companies such as Laclede were forced to make their own supply, storage, and transportation arrangements, assuming greater responsibility and greater risk.

Laclede's fundamental gas supply strategy remains unchanged: to ensure that the gas supplies we acquire are dependable and will be delivered when needed and, insofar as it is compatible with that dependability, purchasing gas that is economically priced. In structuring our natural gas supply portfolio, we continue to focus on a diverse group of suppliers that are strategically positioned to meet our primary objectives. We utilize both Mid-Continent and Gulf Coast gas sources to provide a level of supply diversity that facilitates the optimization of pricing differentials, as well as protection against the potential of regional supply disruptions.

We continue to receive the majority of our natural gas through the Mississippi River Transmission Corporation (MRT) system, but we also hold firm transportation on several interstate pipeline systems that access gas supplies upstream of MRT. This year, we entered into a new, long-term agreement for firm transportation on the Koch Gateway pipeline system, which used to provide a sizeable portion of the gas supply to the St. Louis region but has been utilized infrequently during the past decade. We release firm transportation capacity to third parties when we do not need this capacity for our own customers, an opportunity that has provided benefits to both our customers and shareholders.

Fathers and sons need room to play and bond. Natural gas space and garage heaters keep rooms warm year-round.

During fiscal 2000, Laclede purchased natural gas from 24 different suppliers to meet our current gas sales and storage injection requirements. Natural gas purchased by Laclede for delivery to our service area through the MRT system during the fiscal 2000 period totaled 58.1 billion cubic feet (Bcf). Our western takepoints received an additional 9.9 Bcf of gas from Panhandle Eastern through the Missouri Pipeline system and 10.1 Bcf from the Williams Gas Pipeline system. Also, during fiscal 2000, some of our commercial and industrial customers purchased their own gas and delivered to us approximately 18.7 Bcf for transportation to them through our distribution system.

The fiscal 2000 peak day sendout of gas to our customers occurred on January 25, 2000, when the average temperature was 21 degrees Fahrenheit. On that day, our customers consumed 825,809 MMBtu of gas. About 83% of the peak day demand was met with natural gas transported to St. Louis through the MRT, Missouri Pipeline, and Williams transportation systems, and 17% was met with gas withdrawn from our underground storage field.

Laclede Energy Resources

During fiscal 2000, Laclede Energy Resources (LER), an unregulated marketer of natural gas that is a wholly owned subsidiary of Laclede Gas Company, entered into an arrangement with UtiliCorp United, Inc., to provide a significant portion of the gas supply for a 600-megawatt, natural gas-fired power plant currently under construction in Pleasant Hill, Missouri, near Kansas City.

During the course of the four-year agreement, which is scheduled to go into effect in June 2001, LER

will provide UtiliCorp with up to 20 billion cubic feet of natural gas and will manage fluctuations in gas-purchase requirements on an as-needed basis to satisfy summer power needs.

Regulatory Matters

After we litigated several key issues, the Missouri Public Service Commission, on December 14, 1999, approved a general rate increase designed to increase our revenues by $11.24 million annually.

In June 2000, the Commission approved an agreement we had reached with the Commission Staff to modify and extend our Gas Supply Incentive Plan (GSIP) for an additional year, from October 1, 2000, through September 30, 2001. Under the GSIP, Laclede shares certain gains and losses related to the acquisition and management of its gas supply assets. Further, since October 1, 1999, we are permitted to retain all revenues resulting from sales made outside of our traditional service area. These activities continue to provide significant benefits to both our customers and our shareholders. During the year ended September 30, 2000, our efforts in this area resulted in cost savings of $19.3 million for our customers and $9.6 million in pretax income to our shareholders. In addition to the financial benefits of the program, the innovative structure under which the Company operates allows our customers to retain the reliability inherent in Laclede's long-standing supply relationships.

In July 2000, the Commission approved the Company's request for a waiver of the Purchased Gas Adjustment (PGA) provisions of the Company's tariff so that it could make an unscheduled, out-of-cycle PGA change effective July 15, 2000. Through the PGA clause in our tariff, we flow through to customers the cost of purchased gas supplies. The clause provides for only two scheduled PGA filings each year, one for the summer months and another for the winter period, with one unscheduled filing during the winter if certain conditions are met. However, this summer an additional PGA filing was necessitated by the significant and unforeseen increase in natural gas prices that occurred since we had made our scheduled summer PGA filing in early April 2000. The run-up in prices was so steep that, without the requested adjustment, our gas supply costs would have exceeded the gas supply portion of our rates by approximately $100,000 per day during the remainder of the summer and by even more in the early fall.

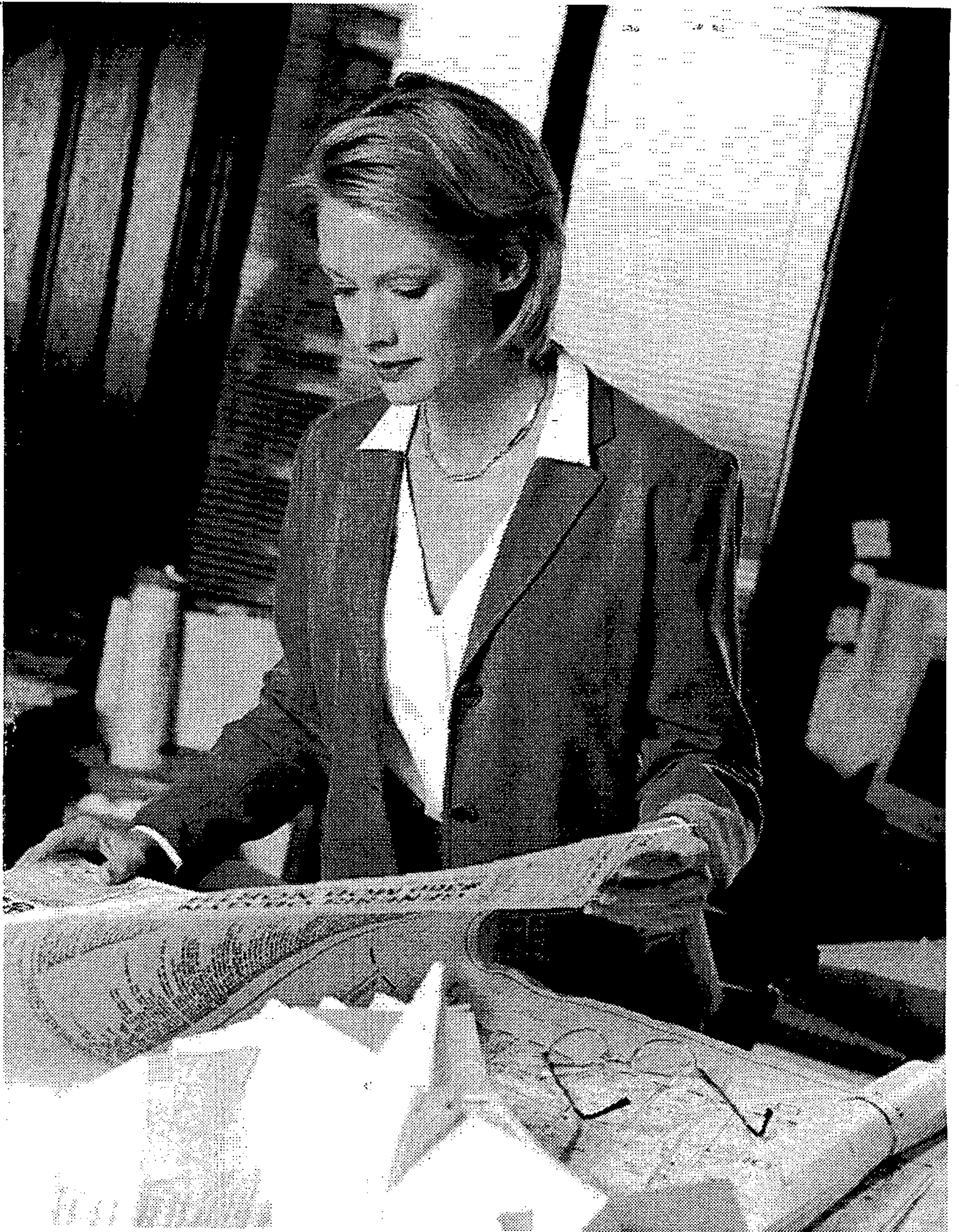
Industrial planners know that natural gas burns cleanly without creating many of the by-products that are major sources of air pollution and acid rain.

Gas prices continued to climb throughout the summer and fall, and we were forced to adjust rates even higher, effective November 15, 2000, to cover the increased cost of natural gas supplies for the current winter. We hope increased production of natural gas, stimulated by higher wholesale prices, will eventually bring those prices down.

Laclede has an incentive-based Price Stabilization Program (PSP) under which we purchase certain financial instruments to protect the Company and our customers from unusually large increases in the cost of natural gas during the heating season. However, the PSP, like our gas costs, has been adversely affected by inflated natural gas prices because of the related increases in the cost of these financial instruments. The steady rise in costs last spring effectively eliminated any opportunity for us to share in cost reductions or gains under the PSP. Also, in an effort to obtain more meaningful winter-time price protection for our customers, we reached an agreement with the Commission Staff and the Office of the Public Counsel in September 2000 to reduce the quantity of natural gas purchases that would be covered under the PSP.

Marketing

Laclede Gas Company, named for the founder of St. Louis - Pierre



Laclede - has been serving the city and surrounding areas for nearly 150 years. We provided gas to light city streets during the Civil War. During the Columbia Exhibition of 1892, our gas lit an archway featuring portraits of the Presidents that was constructed across the intersection of Broadway and Pine in downtown St. Louis, only three blocks from our current headquarters. The use of our gas for domestic applications such as cooking and water heating helped solve a community soot crisis in the 1930s caused by the burning of soft coal. In 1949, we converted our entire system to the distribution of straight natural gas, which generated a growing demand for our clean-burning product that continues today. In response to that demand, we developed a 13,000-acre underground storage field and, later, one of the country's largest propane storage caverns. Today, about one-third of our throughput on a normal peak day is provided by gas from the underground storage field and the propane cavern. In the 1960s and 1970s, we expanded west and south beyond the core metropolitan area into what are now some of the fastest-growing areas of Missouri. We delivered gas to our firm customers during the energy crisis of the 1970s when many distribution companies were forced to curtail service. More recently, as federal regulators made fundamental changes to the traditional, regulated supplier-transporter-distributor relationship, we initiated innovative, incentive-based programs that have significantly benefited our customers and shareholders, while continuing to provide safe and reliable service.

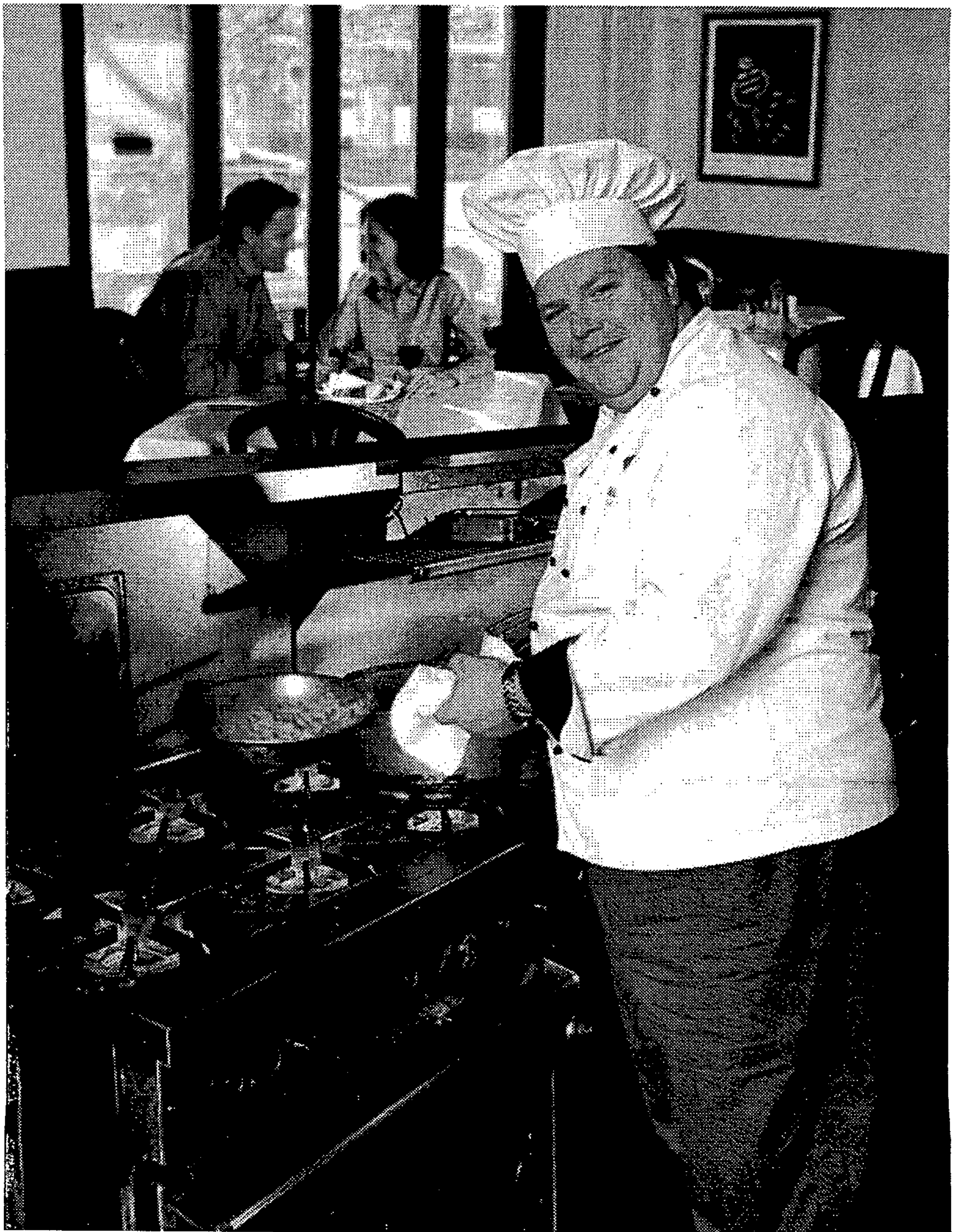
In St. Louis, natural gas is the heating energy of choice and Laclede Gas is known as "the gas experts" because we have a history of adapting to changing conditions while providing solutions to changing customer needs.

We continue this commitment to meet or exceed customer expectations by focusing on customer service. This year, we made significant progress in streamlining internal processes to better coordinate the timely installation of new gas facilities in rapidly developing, but outlying, areas. We also maintained our approach of having highly focused expertise in specialized markets to create solutions for our customers - whether their needs involve natural gas for fleet vehicles, desiccant cooling for food retailers, or gas-fired power generation. We provide valuable consumer education programs and are active participants in the planning and professional communities, allowing us to be involved from a project's inception and helping decision-makers to "go gas" from the beginning.

The finest chefs cook with natural gas to keep complete control of the flame – equally important for fine dining and backyard barbecues.

The residential market remains our core segment, and natural gas is the overwhelming energy of choice for residential space heating and water heating, which account for about 90% of a typical home's overall gas usage. Ours is a mature but mobile market, requiring us to provide constant reinforcement of our product in established areas while aggressively approaching areas of expansion. This year, residential additions were slowed by a concrete labor interruption and several interest rate hikes. But, of those new residential customers added to our system, fully half live in St. Charles County, the fastest-growing county in Missouri. Nearly 7% of our new customers took advantage of the expansion of our distribution system to convert to natural gas from other energy sources.

We also are focusing particular attention on expanding the use of natural gas equipment beyond traditional space heating and water heating. Gas fireplace logs, in particular, are becoming a popular part of many new and existing homes, and we continue to promote the advantages of natural gas ranges, dryers, lights, grills, patio heaters, and garage heaters. Through direct marketing and advertising programs, builders, developers, real estate agents, and customers learn of the newest, most



convenient and cost-effective technologies, as well as first-cost and operating-cost benefits of natural gas equipment.

To help buyers of new appliances manage their budgets, we offer the Laclede Energy *Wise* financing program. Available to homeowners and small commercial customers, this program finances the purchase and installation of high-efficiency gas furnaces and other gas appliances, as well as high-efficiency air conditioners. Since its inception in 1995, more than 150 contractors and nearly 2,000 customers have participated, resulting in the installation of more than $8 million in new gas equipment. The program has proven to be a win-win-win for Laclede, HVAC contractors, and our customers.

The multi-family housing market is highly sensitive to first-cost capital expenses, and we are aggressively assessing non-conventional gas-fired systems and installation methodologies to compete with alternative energy systems. Laclede is developing competitive model systems for presentation to architects, engineers, and mechanical designers for demonstration and installation in prospective new projects.

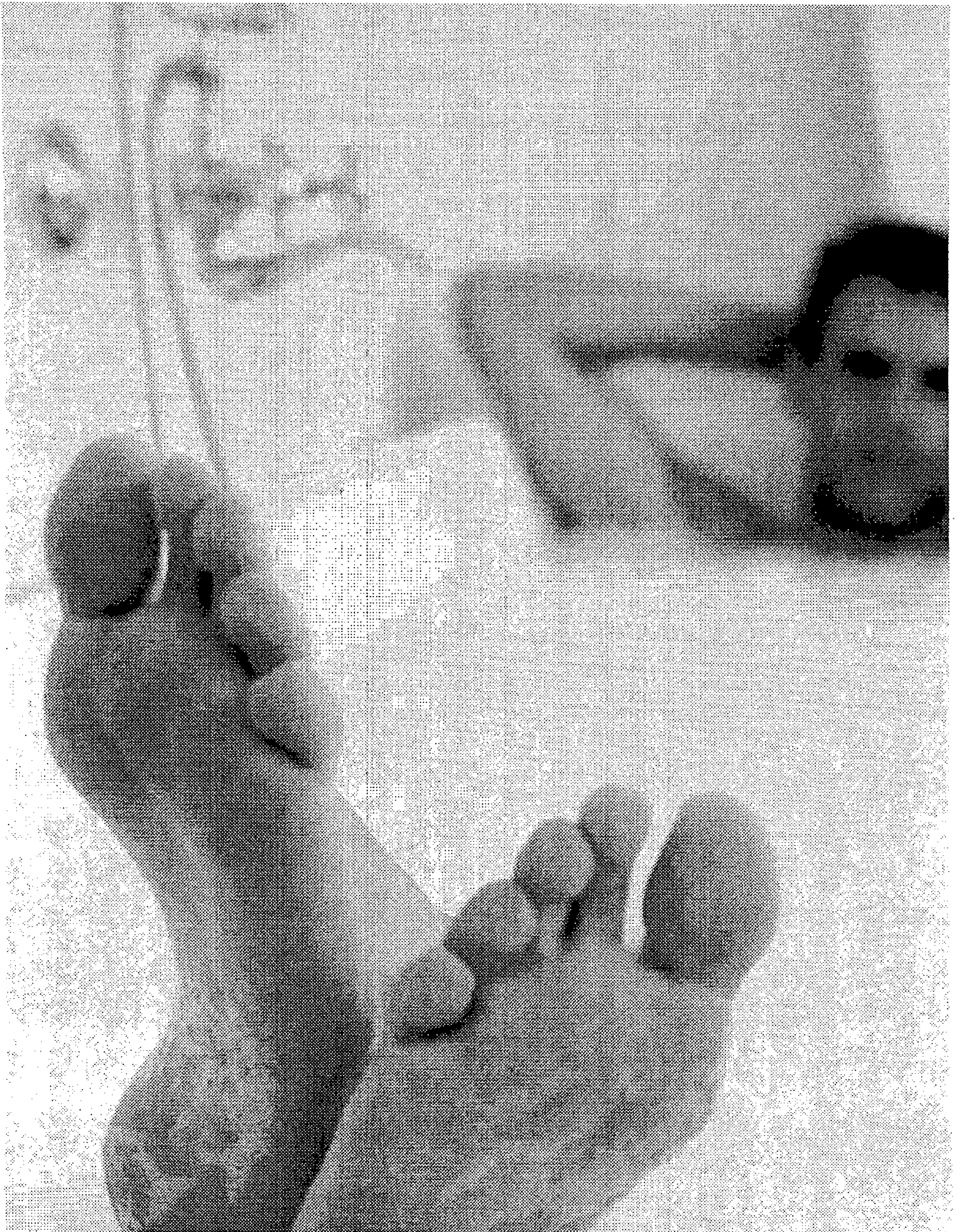
Our commercial and industrial markets continued to grow steadily, with new service additions increasing by more than 8% - double the growth rate of the two previous years. We are witnessing an interesting momentum aimed at redeveloping and repopulating the central city area with a mix of new and rehabilitation projects. Residential loft developments are emerging, accompanied by retail, business, and recreational facilities to create attractive new living opportunities in the heart of the city. These are customers we can serve relatively inexpensively, primarily from existing lines, meeting space-conditioning needs with new individual systems, central systems, and conversion systems formerly operated on the so-called downtown "steam loop." In these central city developments and others throughout our service area, we are actively promoting the use of Corrugated Stainless Steel Tubing or "flexible pipe" that is shaped easily by hand, thereby reducing the number of pipefittings and lessening the installation time to make a building "gas ready."

Nothing beats relaxing in a hot bath, and natural gas heats water nearly twice as fast as electricity, so you'll have plenty when you need it.

Commercial and light industrial development maintained its pace throughout our service area. Government and educational facilities were our major new additions, with new office construction and retail complexes also adding significantly to the total. Collectively, about 10 million therms of new annual demand was added to Laclede's system. Our heavy industrial market experienced annual growth of about 2 million therms in processing requirements for automobile, food, chemical, and paper production.

Laclede complemented its new growth in the commercial and industrial markets with continued success in converting customers from competitive fuels. For the second consecutive year, approximately 10% of new commercial and industrial additions resulted from customers switching to natural gas.

Laclede also continued its development and support of natural gas specialty markets. In fiscal 2000, we redesigned and installed a new compressed natural gas (CNG) fueling system at our field operations center in St. Louis. New compressors now supply our expanded refueling stations, tripling our capability to meet the needs of our CNG fleet. The Missouri Department of Transportation (MoDOT) also made new investments in its CNG fleet by replacing all of its Motorist Assist Program vehicles with new equipment. Lambert St. Louis International Airport became the newest member of our CNG fleet community. The airport facility will operate 50 new CNG vehicles initially for tarmac service and on-ramp operations. Expansion plans already call for CNG use for airport shuttles and maintenance vehicle operations. The airport's refueling facility will be the



third private refueling facility in our service area - joining similar facilities operated by MoDOT and the Bi-State Development Agency, the region's local transit authority, as well as a public facility operated by Shell Oil Company.

Laclede is a leading participant in the American Gas Cooling Center and a recognized leader in the development of new gas cooling markets. This year, we added a record number of new desiccant dehumidification systems to our market base, and for the fourth consecutive year these systems provided a major increase in natural gas consumption. Desiccant dehumidification provides superior humidity control and is being used successfully by all of the major retail grocery chains in the St. Louis area. New industrial installations are also in place in our plastics, chemical, and food and beverage market segments.

We also see and are encouraging increasing interest in on-site power generation among our commercial and industrial customers - particularly our larger customers, including power-generating municipal systems. We intend to equip our customers with the knowledge necessary to navigate their way through evolving energy markets, believing informed decisions will lead them to even greater use of our product.

Capital Investment and Financing

Capital expenditures for new utility plant in fiscal 2000 were $51.6 million, compared with $48.7 million in fiscal 1999. We invested approximately $29.5 million in the purchase and installation of mains and services, and $5.9 million in new computer systems and hardware. We spent $16.2 million for meters, trucks, construction equipment, and other general plant items and property.

In September 2000, Laclede issued $30.0 million of 7.90% First Mortgage Bonds maturing September 15, 2030. The proceeds from this financing were used to repay short-term debt.

Our short-term borrowing requirements typically peak during colder months, principally because we must pay for natural gas before we receive payment from our customers for the use of that gas. We met these short-term borrowing needs, which peaked at $158.2 million in fiscal 2000, through the sale of commercial paper supported by lines of credit with banks.

Natural gas fireplaces give you comfort, charm, and convenience – without all the hassles of firewood, ashes, and chimney cleaning.

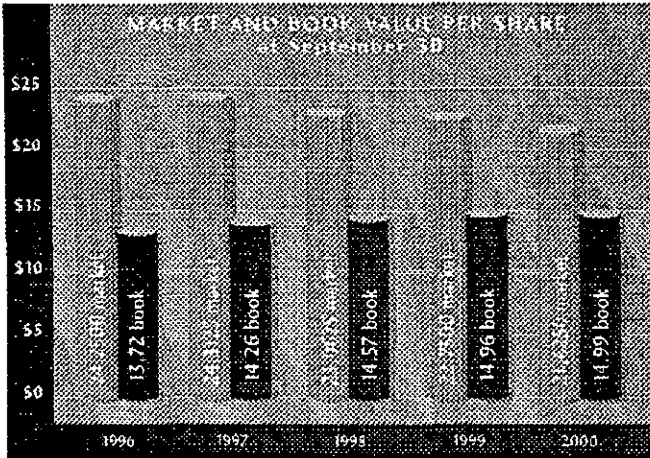
Management

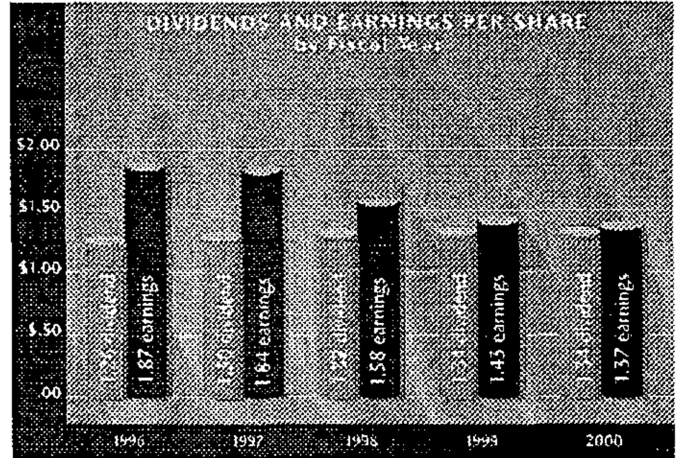
Mr. Andrew B. Craig, III, Mr. C. Ray Holman, and Mr. William E. Nasser were elected to three-year terms on Laclede's Board of Directors at the Annual Meeting of Shareholders on January 27, 2000.

On March 23, 2000, the Board of Directors elected Mr. Ralph L. Russell to the position of Senior Vice President - Chief Operations Officer. Mr. Russell, 63, is a veteran of 44 years with Laclede Gas, having served for the previous two years as Senior Vice President - Operations and Marketing. He now has primary responsibility for the day-to-day line function operations of the Company and, among other things, directs Laclede's activities in the areas of Operations, Marketing, Customer Service, and Information Systems.

The Board also elected, effective January 1, 2000, Mr. Michael C. Pendergast to the position of Assistant Vice President - Associate General Counsel and Mr. Michael R. Spotanski to the position of Assistant Vice President - Finance. Mr. Pendergast, 44, joined Laclede in 1993 and had been Associate General Counsel since December 1997. Mr. Spotanski, 41, joined Laclede in 1981 and has held various positions in the accounting and financial departments. He had been Assistant to the President since March 1998.

On February 15, 2000, Ms. Lynn D. Rawlings, an executive with 17 years of treasury experience, joined Laclede as Assistant Treasurer. Ms. Rawlings, 47, had most recently served as Vice President and Assistant Treasurer at Mercantile Bancorporation, which became Firstar Corp. in September 1999.





WHERE EACH UTILITY REVENUE DOLLAR CAME FROM
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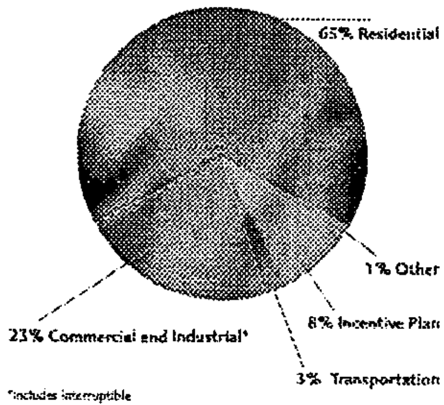

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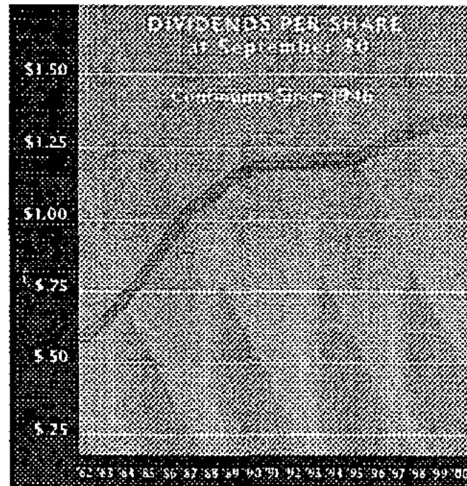
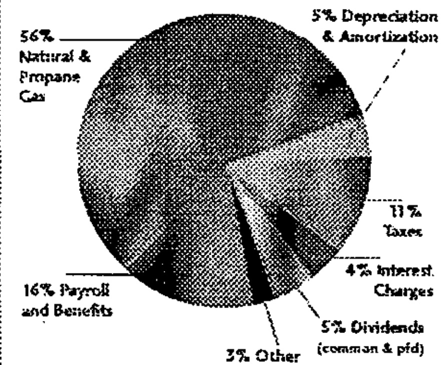
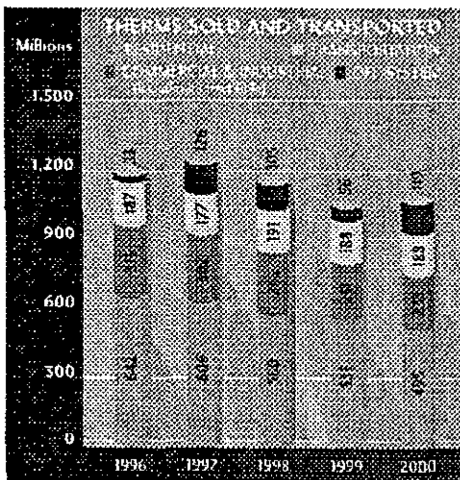
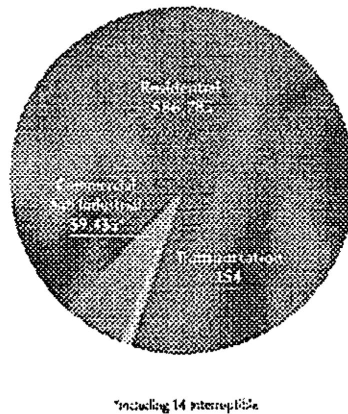


WHERE EACH UTILITY REVENUE DOLLAR WENT
Fiscal 2000





CUSTOMERS
as of September 30, 2000



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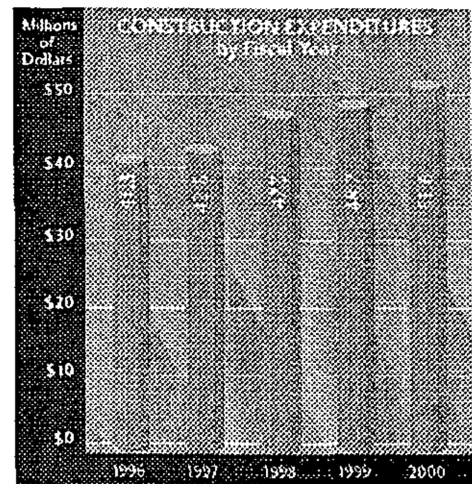
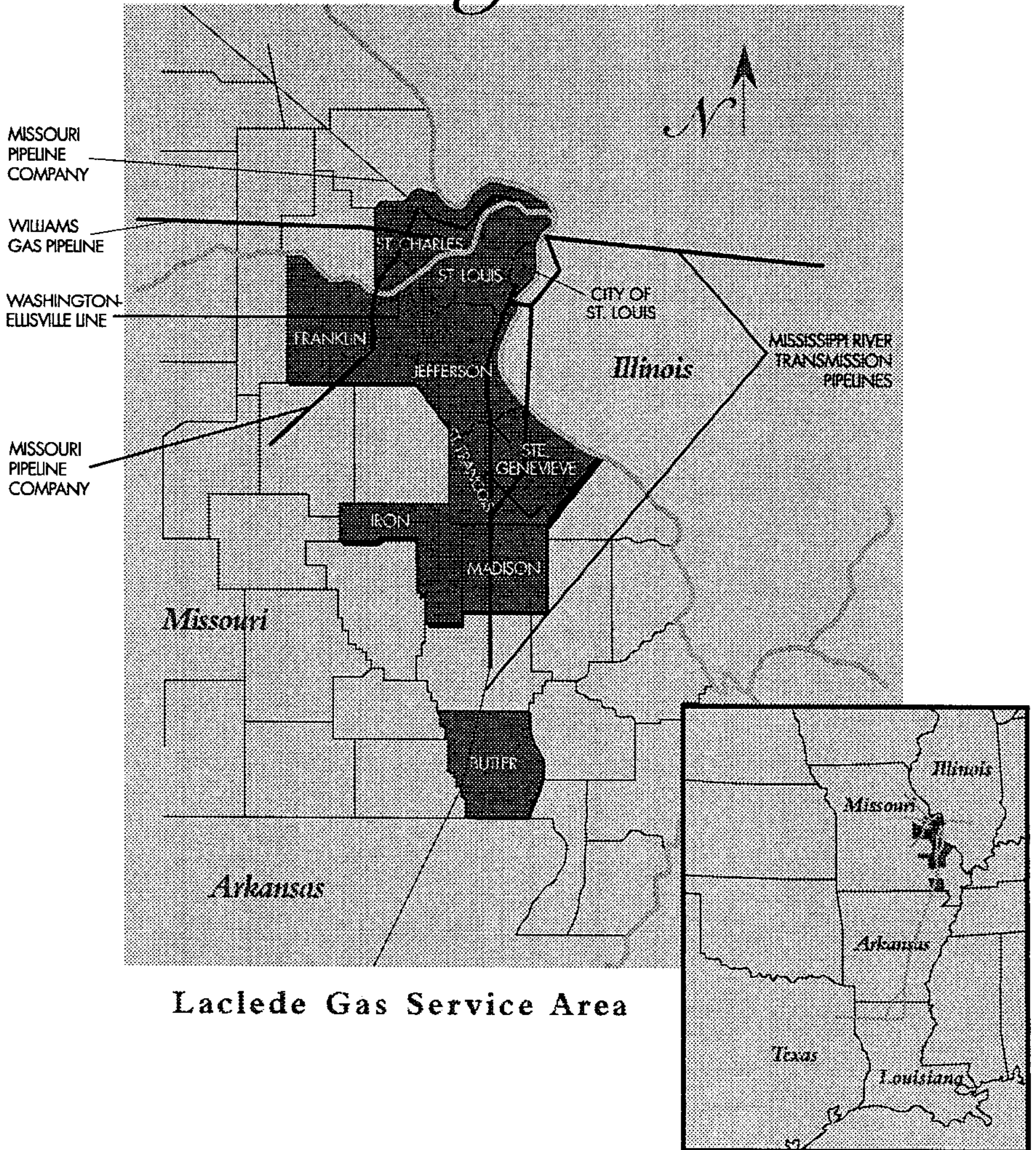


— The Comfort Zone —



Laclede Gas Service Area

FINANCIAL REVIEW

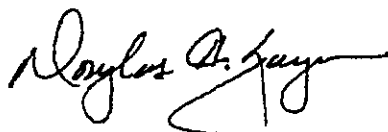
Management Report

Management is responsible for the preparation, presentation and integrity of the consolidated financial statements and other financial information in this report. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts that are based on management's best estimates and judgments. In the opinion of management, the financial statements fairly reflect the Company's financial position, results of operations and cash flows.

The Company maintains internal accounting systems and related administrative controls that are designed to provide reasonable assurance, on a cost-effective basis, that transactions are executed in accordance with management's authorization, that consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and that the Company's assets are properly accounted for and safeguarded. The Company's Internal Audit Department, which has unrestricted access to all levels of Company management, monitors compliance with established controls and procedures.

Deloitte and Touche LLP, the Company's independent auditors, whose report is contained herein, are responsible for auditing the Company's financial statements in accordance with auditing standards generally accepted in the United States of America. Such standards include obtaining an understanding of the internal control structure in order to design the audit of the financial statements.

The Audit Committee of the Board of Directors, which consists of five outside directors, meets periodically with management, the internal auditor, and the independent auditors to review the manner in which they are performing their responsibilities. Both the internal auditor and the independent auditors periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.



DOUGLAS H. YAEGER
Chairman of the Board,
President and Chief Executive Officer

GERALD T. McNEIVE, JR.
Senior Vice President
Finance and General Counsel

Independent Auditors' Report

Laclede Gas Company:

We have audited the consolidated balance sheets and statements of consolidated capitalization of Laclede Gas Company and its subsidiary companies as of September 30, 2000 and 1999, and the related statements of consolidated income, retained earnings, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Laclede Gas Company and its subsidiary companies as of September 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

St. Louis, Missouri
November 16, 2000

STATEMENTS OF CONSOLIDATED INCOME

(Thousands Except Per Share Amounts)

Years Ended September 30	2000	1999	1998
Operating Revenues:			
Utility operating revenues	$531,152	$473,710	$548,192
Non-utility operating revenues	34,976	17,608	13,651
Total operating revenues	566,128	491,318	561,843
Operating Expenses:			
Utility operating expenses			
Natural and propane gas	295,263	246,350	311,869
Other operation expenses	87,063	83,762	86,183
Maintenance	18,644	19,583	18,720
Depreciation and amortization	24,774	21,490	25,310
Taxes, other than income taxes	42,799	41,669	43,782
Total utility operating expenses	468,543	412,854	485,864
Non-utility operating expenses	34,269	17,245	12,659
Total operating expenses	502,812	430,099	498,523
Operating Income	63,316	61,219	63,320
Other Income and Income Deductions - Net *(Note 10)*	762	(203)	1,283
Income Before Interest and Income Taxes	64,078	61,016	64,603
Interest Charges:			
Interest on long-term debt	15,164	13,966	14,797
Other interest charges	8,844	6,627	6,473
Total interest charges	24,008	20,593	21,270
Income Before Income Taxes	40,070	40,423	43,333
Income Taxes *(Note 8)*	14,105	14,361	15,441
Net Income	25,965	26,062	27,892
Dividends on Preferred Stock	93	97	97
Earnings Applicable to Common Stock	$ 25,872	$ 25,965	$ 27,795
Average Shares of Common Stock Outstanding	18,878	18,138	17,598
Earnings Per Share of Common Stock *(after preferred dividends)*	$1.37	$1.43	$1.58

See the accompanying notes to financial statements.

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

(Thousands Except Per Share Amounts)

Years Ended September 30	2000	1999	1998
Balance at Beginning of Year	$ 199,848	$ 198,342	$ 193,776
Add – **Net Income**, per statements	25,965	26,062	27,892
Total	225,813	224,404	221,668
Deduct – Cash Dividends Declared:			
Preferred stock at required annual rates	93	97	97
Common stock, $1.34 per share in 2000 and 1999; $1.32 per share in 1998	25,297	24,459	23,229
Total	25,390	24,556	23,326
Balance at End of Year	$200,423	$ 199,848	$198,342

See the accompanying notes to financial statements.

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(Thousands of Dollars)

Years Ended September 30	2000	1999	1998
Net Income	$ 25,965	$ 26,062	$ 27,892
Other Comprehensive Income (Loss):			
Minimum pension liability adjustment	125	(125)	—
Income tax expense (benefit)	48	(48)	—
Other Comprehensive Income (Loss)	77	(77)	—
Comprehensive Income	$ 26,042	$ 25,985	$ 27,892

See the accompanying notes to financial statements.

CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars)

September 30	2000	1999
Assets		
Utility Plant	$921,378	$876,431
Less – Accumulated depreciation and amortization	372,545	357,053
Net utility plant	548,833	519,378
Other Property and Investments, at Cost or Less (net of accumulated depreciation and amortization, 2000, $2,314; 1999, $2,237)	26,546	26,122
Current Assets:		
Cash and cash equivalents	4,215	9,352
Accounts receivable:		
Gas customers – Billed and unbilled	49,777	38,051
Other	11,488	10,218
Less – Allowances for doubtful accounts	(6,058)	(6,241)
Inventories:		
Materials, supplies and merchandise at average cost	5,491	5,680
Natural gas stored underground for current use at LIFO cost	94,787	64,112
Propane gas for current use at FIFO cost	12,201	11,697
Prepayments and other	3,303	2,309
Unamortized purchased gas adjustments	14,907	—
Deferred income taxes *(Note 8)*	2,485	10,216
Total current assets	192,596	145,394
Deferred Charges:		
Prepaid pension cost	97,229	80,994
Regulatory assets	64,336	64,069
Other	2,200	1,707
Total deferred charges	163,765	146,770
Total Assets	$931,740	$837,664
Capitalization and Liabilities		
Capitalization, per statements:		
Common stock equity	$282,985	$282,324
Redeemable preferred stock	1,763	1,923
Long-term debt	234,408	204,323
Total capitalization	519,156	488,570
Current Liabilities:		
Notes payable *(Note 9)*	127,000	84,700
Accounts payable	45,660	31,716
Refunds due customers	176	1,425
Advance customer billings	15,290	15,665
Current portion of preferred stock	50	35
Wages and compensation accrued	9,974	10,620
Dividends payable	6,421	6,391
Customer deposits	4,302	3,961
Interest accrued	7,939	8,092
Taxes accrued	12,044	5,804
Unamortized purchased gas adjustments	—	8,956
Other current liabilities	2,248	2,085
Total current liabilities	231,104	179,450
Deferred Credits and Other Liabilities:		
Deferred income taxes *(Note 8)*	134,944	124,756
Unamortized investment tax credits	6,267	6,586
Pension and postretirement benefit costs	20,261	19,259
Other	20,008	19,043
Total deferred credits and other liabilities	181,480	169,644
Commitments and Contingencies *(Note 12)*		
Total Capitalization and Liabilities	$931,740	$837,664

See the accompanying notes to financial statements.

STATEMENTS OF CONSOLIDATED CAPITALIZATION

(Thousands of Dollars)

September 30	2000	1999
Common Stock Equity *(Note 4):*		
Common stock, par value $1 per share:		
Authorized – 2000 and 1999, 50,000,000 shares		
Issued – 2000 and 1999, 20,743,625 shares	**$ 20,744**	$ 20,744
Paid-in capital	**85,835**	85,826
Retained earnings, per statements	**200,423**	199,848
Accumulated other comprehensive income (minimum pension liability adjustment)	**—**	(77)
Treasury stock, at cost – 2000 and 1999, 1,865,638 shares	**(24,017)**	(24,017)
Total common stock equity	**282,985**	282,324
Redeemable Preferred Stock,		
par value $25 per share (1,480,000 shares authorized)		
issued and outstanding *(Note 5)*:		
5% Series B – 2000, 66,012 shares; 1999, 71,820 shares	**1,600**	1,760
4.56% Series C – 2000, 6,507 shares; 1999, 6,510 shares	**163**	163
Total redeemable preferred stock	**1,763**	1,923
Long-Term Debt *(Note 6):*		
First mortgage bonds:		
6 ¼% Series, due May 1, 2003	**25,000**	25,000
8 ½% Series, due November 15, 2004	**25,000**	25,000
8 ⅝% Series, due May 15, 2006	**40,000**	40,000
7 ½% Series, due November 1, 2007	**40,000**	40,000
6 ½% Series, due November 15, 2010	**25,000**	25,000
6 ½% Series, due October 15, 2012	**25,000**	25,000
7% Series, due June 1, 2029	**25,000**	25,000
7.90% Series, due September 15, 2030	**30,000**	—
Total	**235,000**	205,000
Unamortized discount, net of premium, on long-term debt	**(592)**	(677)
Total long-term debt	**234,408**	204,323
Total	**$519,156**	$488,570

Long-term debt and preferred stock amounts are exclusive of current obligations.

See the accompanying notes to financial statements.

STATEMENTS OF CONSOLIDATED CASH FLOWS

(Thousands of Dollars)

Years Ended September 30	2000	1999	1998
Operating Activities:			
Net Income	$ 25,965	$ 26,062	$ 27,892
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,875	21,592	25,403
Deferred income taxes and investment tax credits	14,295	14,486	8,891
Other – net	112	911	(675)
Changes in assets and liabilities:			
Accounts receivable – net	(13,179)	4,027	1,877
Unamortized purchased gas adjustments	(23,863)	(6,859)	2,793
Deferred purchased gas costs	4,028	(67)	(3,863)
Accounts payable	13,944	11,024	(8,936)
Refunds due customers	(1,249)	(6,164)	6,858
Taxes accrued	6,240	(2,886)	1,842
Natural gas stored underground	(30,675)	(9,139)	1,894
Other assets and liabilities	(17,447)	(9,922)	(15,087)
Net cash provided by operating activities	3,046	43,065	48,889
Investing Activities:			
Construction expenditures	(51,635)	(48,698)	(47,254)
Employee benefit trusts	(448)	(997)	(2,560)
Investments – non-utility	(656)	2,215	(2,569)
Other	(2,221)	(1,211)	(413)
Net cash used in investing activities	(54,960)	(48,691)	(52,796)
Financing Activities:			
Issuance of first mortgage bonds	30,000	25,000	25,000
Issuance of short-term debt - net	42,300	(13,800)	24,500
Issuance of common stock	—	24,110	1,832
Dividends paid	(25,387)	(24,048)	(23,215)
Redemption of first mortgage bonds	—	—	(25,000)
Redemption of preferred stock	(136)	(2)	—
Net cash provided by financing activities	46,777	11,260	3,117
Net Increase (Decrease) in Cash and Cash Equivalents	(5,137)	5,634	(790)
Cash and Cash Equivalents at Beginning of Year	9,352	3,718	4,508
Cash and Cash Equivalents at End of Year	$ 4,215	$ 9,352	$ 3,718
Supplemental Disclosure of Cash Paid (Refunded) During the Year for:			
Interest	$ 23,631	$ 19,003	$ 20,005
Income taxes	(6,721)	4,768	4,110

See the accompanying notes to financial statements.

SCHEDULE OF INCOME TAXES *(NOTE 8)*

(Thousands of Dollars)

Years Ended September 30	2000	1999	1998
Included in Statements of Consolidated Income:			
Federal			
Current	$ 202	$ 310	$ 5,514
Deferred	11,987	12,291	7,777
Investment tax credit adjustments – net	(319)	(347)	(347)
State and local			
Current	(392)	(435)	1,036
Deferred	2,627	2,542	1,461
Total	**$14,105**	$14,361	$15,441

See the accompanying notes to financial statements.

SCHEDULE OF INTERIM FINANCIAL INFORMATION

(UNAUDITED) (NOTE 13)

(Thousands of Dollars Except Per Share Amounts)

Three Months Ended	Dec. 31	March 31	June 30	Sept. 30
2000				
Total Operating Revenues	**$151,354**	**$238,311**	**$95,293**	**$81,170**
Operating Income	**19,935**	**38,431**	**5,611**	**(661)**
Net Income (Loss)	**9,581**	**19,454**	**322**	**(3,392)**
Earnings (Loss) Per Share of Common Stock (after preferred dividends)	**$ .51**	**$1.03**	**$ .02**	**$(.18)**

Three Months Ended	Dec. 31	March 31	June 30	Sept. 30
1999				
Total Operating Revenues	$153,477	$211,856	$70,319	$55,666
Operating Income	18,577	37,933	3,664	1,045
Net Income (Loss)	9,707	20,138	195	(3,978)
Earnings (Loss) Per Share of Common Stock (after preferred dividends)	$ .55	$1.14	$ .01	$(.21)

See the accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation – The consolidated financial statements include the accounts of the Laclede Gas Company and its subsidiary companies (Company). All subsidiaries are wholly owned and material intercompany transactions have been eliminated.

Nature of Operations – Laclede Gas Company is a public utility engaged in the retail distribution of natural gas. The Company serves an area in eastern Missouri, with a population of approximately 2.0 million, including the City of St. Louis, St. Louis County, and parts of eight other counties. As an adjunct to its gas distribution business, the Company operates underground natural gas storage fields and is engaged in the transportation and storage of liquid propane. The Company has also made investments in some non-utility businesses as part of a diversification program.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

System of Accounts – The accounts of the Company are maintained in accordance with the uniform system of accounts prescribed by the Missouri Public Service Commission (MoPSC), which system substantially conforms to that prescribed by the Federal Energy Regulatory Commission.

Utility Plant, Depreciation and Amortization – Utility plant is stated at original cost. The cost of additions to utility plant includes contracted work, direct labor and materials, allocable overheads, and an allowance for funds used during construction. The costs of units of property retired, replaced, or renewed are removed from utility plant and such costs, plus removal costs, less salvage are charged to accumulated depreciation. Maintenance and repairs of property and replacement and renewal of items determined to be less than units of property are charged to maintenance expenses.

Utility plant is depreciated on the straight-line basis at rates based on estimated service lives of the various classes of property. Annual depreciation and amortization in 2000, 1999, and 1998 averaged approximately 2.8%, 2.6% and 3.1%, respectively, of the original cost of depreciable and amortizable property. The increase in the composite rate in 2000 (over 1999) primarily reflects an increased proportion of amortization related to shorter-lived property. The decrease in the fiscal 1999 composite rate (from 1998) is mainly attributable to settlement of the Company's 1998 rate case, in which the MoPSC authorized a decrease in depreciation rates for the Company which was instituted July 1, 1998.

Regulated Operations – The Company accounts for its regulated operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." This statement sets forth the application of accounting principles generally accepted in the United States of America for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of SFAS No. 71 require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. Also, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities).

The following regulatory assets and regulatory liabilities were reflected in the Consolidated Balance Sheets as of September 30:

(Thousands of Dollars)	2000	1999
Regulatory Assets:		
Future income taxes due from customers	$44,353	$42,339
Unamortized purchased gas adjustments	14,907	—
Pension and postretirement benefit costs	7,175	7,559
Purchased gas costs	—	3,092
Compensated absences	6,295	6,045
Other	8,257	5,609
Total Regulatory Assets	$80,987	$64,644
Regulatory Liabilities:		
Unamortized investment tax credits	$ 6,267	$ 6,586
Unamortized purchased gas adjustments	—	8,956
Purchased gas costs	936	—
Other	287	260
Total Regulatory Liabilities	$ 7,490	$15,802

On December 14, 1999 the MoPSC issued its report and order in the Company's 1999 rate case, in which the MoPSC approved a partial settlement reached earlier in the year by the parties on some issues. Under the partial settlement, the Company discontinued deferring certain costs for future recovery, as expenses associated with those specific areas are included in the newly approved rates. Previously deferred costs, of $10,529,000 and $2,064,000 are being recovered and amortized over fifteen-year and ten-year periods, respectively, without return on investment, effective with rates implemented December 27, 1999.

Gas Stored Underground – Inventory of gas in storage is priced on a last-in, first-out (LIFO) basis. The replacement cost of gas stored underground for current use at September 30, 2000 and 1999 was more than the LIFO cost by $31,747,000 and $15,450,000, respectively. The inventory carrying value is not adjusted to the lower of cost or market prices because, pursuant to the Company's Purchased Gas Adjustment Clause, actual gas costs are recovered in customer rates.

Operating Revenues – The Company records revenues from gas sales and transportation service on the accrual basis which includes estimated amounts for gas delivered, where applicable, but not yet billed.

Purchased Gas Adjustments and Deferred Account – Pursuant to the provisions of the Company's Purchased Gas Adjustment (PGA) Clause, increases and decreases in gas costs are passed on to its customers. The Company makes two scheduled PGA filings each year, one for the winter period and one for the summer. In addition, the Company may make one unscheduled adjustment during the winter if significant, unforeseen increases or decreases in gas costs occur. In order to better match customer billings with higher than anticipated natural gas prices, the Company also requested and received approval to implement a special unscheduled summer PGA filing allowing the Company to change rates charged to its customers effective July 15, 2000.

The provisions of the PGA Clause also include the operation of the Gas Supply Incentive Plan, which has been approved, as modified, to extend through September 30, 2001. The Plan allows the Company to record income as part of a sharing mechanism related to utilization of the Company's gas supply assets, with certain amounts being passed on to the Company's customers. See Note 3 for more information on the operation of the Plan.

The provisions of the PGA Clause also include the operation of the Price Stabilization Program. Under those provisions, the MoPSC authorized the Company to purchase financial instruments for the fiscal 1998 and fiscal 1999 heating seasons to protect the Company and its customers from unusually large

winter period gas price increases. The costs of purchasing these instruments and financial gains derived from such activities are passed on to the Company's customers through the operation of its PGA Clause. Accordingly, there was no earnings impact as a result of the use of these financial instruments in fiscal 1998 and fiscal 1999. In July 1999, the MoPSC approved modifications to the PGA Clause with respect to the purchase of financial instruments for the fiscal 2000-2002 heating seasons. As modified, the Plan continues to provide significant price protection for the Company and its customers above a predetermined level, but it also has an additional opportunity to benefit from gains and cost reductions achieved under the program. During fiscal 2000, the Company recorded $27,000 pretax income under the provisions of the program. Due to market conditions, the Company notified the MoPSC on June 2, 2000, that it would not be participating in one of the program's provisions to share in gains achieved under the program with respect to financial instruments purchased for the fiscal 2001 heating season.

Pursuant to the provisions of the PGA Clause, the difference between actual costs incurred and costs recovered through the application of the PGA, amounts due to or from customers related to the operation of the Incentive Plan, and amounts related to the Price Stabilization Program are reflected as a deferred charge or credit until September 30, at which time the balance is classified as a current asset or liability and is recovered from or credited to customers over an annual period commencing in November. The balance in the current account is amortized as amounts are reflected in customer billings.

Income Taxes – The Company has elected, for tax purposes only, various accelerated depreciation provisions of the Internal Revenue Code. In addition, certain other costs are expensed currently for tax purposes while being deferred for book purposes. The provision for current income taxes reflects the tax treatment of these items. The Company records deferred tax liabilities and assets measured by enacted tax rates for the net tax effect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for income tax purposes. Changes in enacted tax rates, if any, will be reflected by entries to regulatory asset or liability accounts.

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

Cash and Cash Equivalents – For the purpose of the statements of cash flows, the Company considers all highly liquid debt instruments purchased to be cash equivalents. Such instruments are carried at cost, which approximates market value.

Reclassification – Certain prior-period amounts have been reclassified to conform to current-period presentation. These reclassifications did not affect consolidated net income for the periods presented.

Accounting Changes – The Company has adopted Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," issued by the American Institute of Certified Public Accountants (AICPA). SOP No. 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use, including criteria for capitalization of certain costs. Its adoption in fiscal 2000 did not have a significant effect on the Company's financial position or results of operations.

The Company also adopted Emerging Issues Task Force (EITF) 98-10, "Accounting for Energy Trading and Risk Management Activities." EITF 98-10 requires energy contracts associated with trading activities to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings. The fiscal 2000 adoption of EITF 98-10 had no effect on the Company's financial position or results of operations.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedge accounting. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 requires that changes in the fair value of a derivative be recognized currently in earnings, unless specific hedge accounting criteria are met. SFAS No. 133 would have been effective in fiscal 2000, however, its effective date was delayed until fiscal 2001 as a result of the issuance of SFAS No. 137. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." This statement amends portions of SFAS No. 133. Among other things, SFAS No. 138 provides an exception for contracts intended for the normal purchase and normal sale of something other than a financial instrument or derivative instrument, for which physical delivery is probable. Some of the Company's gas supply and transportation contracts are derivative instruments as defined under SFAS No. 133; however, all of these contracts qualify for the normal purchases and normal sales exception provided by SFAS No. 138. The financial instruments purchased by Laclede under its Price Stabilization Program are derivative instruments under SFAS No. 133. These financial instruments are purchased as hedges against significant increases in the price of natural gas, as approved by the MoPSC, and are accounted for in accordance with the Company's Purchased Gas Adjustment Clause. The effect of the Company's adoption of these statements on October 1, 2000 did not have a significant impact on the Company's financial position and results of operations as of that date.

2. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

The Company has non-contributory defined benefit, trusteed forms of pension plans covering substantially all employees over the age of twenty-one. Benefits are based on years of service and the employee's compensation during the last three years of employment. The Company's funding policy 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. Plan assets consist primarily of corporate and U.S. government obligations.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and other Postretirement Benefits." This statement revises employers' disclosures about pension and other postretirement benefit plans and requires additional information on changes in the benefit obligations and fair values of plan assets. Restatement of disclosures for earlier periods provided for comparative purposes is required.

Pension costs in 2000, 1999 and 1998 amounted to $(7,620,000), $(10,653,000) and $(3,345,000), respectively, including amounts recorded in construction.

The net periodic pension costs (credits) include the following components:

(Thousands of Dollars)	2000	1999	1998
Service cost – benefits earned during the period	$ 9,281	$ 9,909	$ 8,866
Interest cost on projected benefit obligation	14,714	14,355	14,327
Expected return on plan assets	(25,649)	(25,689)	(21,100)
Amortization of transition obligation	(716)	(760)	(826)
Amortization of prior service cost	1,024	1,082	1,143
Amortization of actuarial gain	(6,606)	(8,975)	(4,994)
Regulatory adjustment	332	(575)	(761)
Net pension cost (credit)	$ (7,620)	$ (10,653)	$(3,345)

The MoPSC ordered in the 1998 general rate case, effective October 27, 1998, certain pension costs to be recovered on a payment basis up to a $314,000 allowance, with the difference between actual payments and the allowance to be deferred. The allowance was previously $313,000 effective September 1, 1996. Such deferrals terminated July 31, 1999. In the 1999 rate case, the Commission authorized amounts deferred pursuant to the September 1, 1996 and October 27, 1998 allowances to be included in rates without return on investment and amortized over a fifteen-year period, effective with the implementation of new rates on December 27, 1999. The MoPSC also ordered in the 1998 rate case that, beginning July 1, 1998, the return on plan assets be based on the market value of plan assets. Previously, such calculations were based on a market-related value of plan assets, which

method recognized certain gains and losses in assets over a three-year period. Also, beginning July 1, 1998, the unrecognized net gain or loss balances subject to amortization are based upon the most recent five-year average of the unrecognized gain or loss balance. Such methodology was implemented prospectively. Net gains and losses subject to amortization are amortized over a five-year period, as ordered by the MoPSC. Other variances in net pension costs are primarily attributable to actuarial and investment experience.

The following table sets forth the reconciliation of the beginning and ending balances of the pension benefit obligation at September 30:

(Thousands of Dollars)	2000	1999
Benefit obligation at beginning of year	$205,174	$237,938
Service cost	9,281	9,909
Interest cost	14,714	14,355
Plan amendments	3,112	—
Actuarial gain	(9,224)	(26,932)
Settlements	(13,899)	(20,929)
Gross benefits paid	(8,695)	(9,167)
Benefit obligation at end of year	$200,463	$205,174

The following table sets forth the reconciliation of the beginning and ending balances of the fair value of plan assets recognized in the Company's consolidated balance sheets at September 30:

(Thousands of Dollars)	2000	1999
Fair value of plan assets at beginning of year	$310,158	$309,288
Actual return on plan assets	14,895	22,428
Employer contributions	5,361	8,538
Settlements	(13,899)	(20,929)
Gross benefits paid	(8,695)	(9,167)
Fair value of plan assets at end of year	307,820	310,158
Funded status at end of year	107,357	104,984
Unrecognized net actuarial gain	(34,629)	(44,925)
Unrecognized prior service cost	15,897	13,810
Unrecognized net transition asset	(1,572)	(2,377)
Fourth quarter contribution adjustment	56	56
Net amount recognized at end of year	87,109	71,548
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid pension cost	97,229	80,994
Accrued benefit liability	(10,368)	(9,895)
Intangible asset	248	324
Accumulated other comprehensive income	—	125
Net amount recognized at end of year	$ 87,109	$ 71,548

The projected benefit obligation, which is based on a June 30 measurement date, was determined using a weighted average discount rate of 8.00% for 2000 and 7.50% for 1999, and a weighted average rate of future compensation increase of 4.25% for both 2000 and 1999. The effect of the above changes in pension assumptions was to decrease the projected benefit obligation by $10,472,000. The expected long-term rate of return on plan assets was 8.50% for both 2000 and 1999.

The aggregate projected benefit obligation and fair value of plan assets for plans with benefit obligations in excess of plan assets were $55,925,000 and $37,701,000, respectively, for fiscal 2000 and $56,881,000 and $39,163,000, respectively, for fiscal 1999. The aggregate accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets were $42,044,000 and $37,701,000, respectively, for fiscal 2000, and $3,944,000 and $0, respectively, for fiscal 1999.

Pursuant to the provisions of the Company's pension plans, pension obligations may be settled by lump-sum cash payments. Settlements in 2000, 1999 and 1998 resulted in pretax gains of approximately $2,248,000, $1,641,000 and $3,771,000, respectively.

The cost of the Company's defined contribution plans, which cover substantially all employees, amounted to $2,648,000, $2,480,000 and $2,304,000 for the years 2000, 1999 and 1998, respectively.

The Company also provides certain life insurance benefits at retirement. Medical insurance is available after early retirement until age 65.

Missouri state law provides for the recovery in rates of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (OPEB), accrued costs provided that such costs are funded through an independent, external funding mechanism. The Company 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. The unrecognized transition obligation is being amortized over 20 years.

Postretirement benefit costs in 2000, 1999 and 1998 amounted to approximately $5,962,000, $3,856,000 and $4,265,000, respectively, including amounts charged to construction.

Net periodic postretirement benefit costs consisted of the following components:

(Thousands of Dollars)	2000	1999	1998
Service cost – benefits earned during the period	$1,973	$ 1,959	$ 1,354
Interest cost on accumulated postretirement benefit obligation	2,814	2,478	2,327
Expected return on plan assets	(574)	(431)	(337)
Amortization of transition obligation	1,267	1,267	1,267
Amortization of prior service cost	365	365	365
Amortization of actuarial (gain)/loss	64	52	(1,151)
Regulatory adjustment	53	(1,834)	440
Net postretirement benefit cost	$5,962	$ 3,856	$ 4,265

The following table sets forth the reconciliation of the beginning and ending balances of the postretirement benefit obligation at September 30:

(Thousands of Dollars)	2000	1999
Benefit obligation at beginning of year	$35,843	$36,813
Service cost	1,973	1,959
Interest cost	2,814	2,478
Actuarial (gain)/loss	527	(1,986)
Gross benefits paid	(4,034)	(3,421)
Benefit obligation at end of year	$37,123	$35,843

The following table sets forth the reconciliation of the beginning and ending balances of the fair value of plan assets recognized in the Company's consolidated balance sheets at September 30:

(Thousands of Dollars)	2000	1999
Fair value of plan assets at beginning of year	$ 6,222	$ 4,305
Actual return on plan assets	298	211
Employer contributions	5,380	5,127
Gross benefits paid	(4,034)	(3,421)
Fair value of plan assets at end of year	7,866	6,222
Funded status at end of year	(29,257)	(29,620)
Unrecognized net actuarial gain	(286)	(1,026)
Unrecognized prior service cost	3,204	3,569
Unrecognized net transition asset	16,446	17,713
Net amount recognized at end of year as postretirement benefit cost	$ (9,893)	$ (9,364)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 5% for both 2000 and 1999, and for future years. A one-percentage-point increase or (decrease) in the assumed

health care cost trend rate for each future year would have increased or (decreased) the aggregate of the service and interest cost components of the 2000 net periodic postretirement benefit cost by approximately $280,000 or $(260,000) and would have increased or (decreased) the postretirement benefit obligation by $1,340,000 or $(1,280,000). The accumulated postretirement benefit obligation was determined using a weighted average discount rate of 8.00% for 2000 and 7.50% for 1999, and a weighted average rate of future compensation increase of 4.25% for both 2000 and 1999. These changes in assumptions decreased the postretirement benefit obligation by $1,399,000. The weighted average rate for the expected return on medical plan assets was 7.75% for both 2000 and 1999 and the weighted average rate for the expected return on life insurance plan assets was 8.50% for both 2000 and 1999.

The 1998 rate case settlement provided for the deferral, net of any applicable tax effects, of the difference between the costs funded by the Company and a $3,825,000 allowance of annualized OPEB costs included in rates effective October 27, 1998. The allowance was previously $4,265,000 effective September 1, 1996. In the 1999 rate case settlement, the Commission authorized previously deferred costs to be included in rates without return on investment and amortized over a fifteen-year period, effective with the implementation of new rates on December 27, 1999. Deferrals ceased September 30, 1999 and all OPEB costs are being charged to expense.

3. INCENTIVE PLAN AND OFF SYSTEM SALES

The MoPSC extended the Company's Gas Supply Incentive Plan with specific modifications effective for fiscal 2000. Under the modified Plan, the Company continued to share with its customers certain gains and losses related to the acquisition of gas supply assets. Effective October 1, 1999, Laclede is also permitted to retain all income resulting from sales made outside of its traditional service area. Under the provisions of the Plan during fiscal 2000, the Company and its customers shared as follows:

- releases of pipeline capacity, of which 70% to 90% of the revenues are allocated to Laclede's customers and the balance is allocated to its shareholders
- savings from discounts off of maximum pipeline transportation rates, of which the excess over a predetermined baseline of $13 million is allocated 70% to Laclede's customers and the balance to its shareholders
- gains and losses as measured against a benchmark level of gas cost, of which 50% to 90%, depending on the change from a predetermined cost, is allocated to Laclede's customers and the balance to its shareholders, and
- increases or decreases in costs related to changes in the mix of pipeline services, of which 70% is allocated to Laclede's customers and the balance to its shareholders.

Under the provisions of the Plan during fiscal 1999 and fiscal 1998, the Company and its customers shared as follows:

- sales of gas outside of the Company's traditional service area, of which 70% of the income was allocated to Laclede's customers and the balance was allocated to its shareholders
- releases of pipeline capacity, of which 70% to 90% of the revenues were allocated to Laclede's customers and the balance to its shareholders
- savings from discounts off of maximum pipeline transportation rates, of which 80% to 90% of the savings was allocated to Laclede's customers and the balance to its shareholders, and
- gains and losses as measured against a benchmark level of gas cost, of which 50% was allocated to Laclede's customers and the balance to its shareholders.

Incentive plan and off system sales revenues are included in the utility operating revenues line in the Company's financial statements. Expenses related to the incentive plan and off system sales are included in the natural and propane gas expense line in the financial statements. Results of the Plan and off system sales activities are set forth below:

(Thousands of Dollars)	2000	1999	1998
Net Benefits to Customers and Shareholders	**$28,909**	$28,362	$31,028
Shareholder Benefits:			
Off System and Incentive Plan Revenues	**$40,136**	$16,217	$29,851
Off System and Incentive Plan Gas Expense	**30,493**	10,806	23,482
Company Share - Pretax Income	**$ 9,643**	$ 5,411	$ 6,369

On June 8, 2000, the MoPSC issued an order approving a recommendation made by the Company, staff of the MoPSC and other parties to extend the Plan as modified for another year. As a result, the term of the Plan now runs through September 30, 2001. The parties who recommended an extension of the Gas Supply Incentive Plan also agreed to cooperate on the development of a mutually acceptable, multi-year incentive plan that includes a fixed price mechanism for implementation once the current plan expires. As modified, total pretax income derived from all sharing provisions of the Plan, excluding income generated by sales outside the Company's service area, cannot exceed $9.0 million for fiscal 2001. Of that amount, pretax income derived from sharing gains and losses as measured against a benchmark level of gas costs cannot exceed $5.3 million. While previous results of the Plan and off system sales may not be representative of fiscal 2001 results due to modifications and the seasonal and volatile nature of such efforts, the Company believes that both the Company and its customers will continue to benefit.

4. COMMON STOCK AND PAID-IN CAPITAL

No additional common stock shares were issued in fiscal 2000. During 1999, the Company issued 1,250,000 shares of common stock through a public offering. The net proceeds of the offering, after deducting discount and expenses, were $24.1 million.

Paid-in capital increased $9,000 in 2000 due to gains recorded on reacquired preferred stock. The $22,860,000 increase in paid-in capital in 1999 was due to the sale of common stock in the above-mentioned 1999 public offering.

Total shares of common stock outstanding were 18,877,987 at September 30, 2000 and September 30, 1999.

On March 14, 1996, the Company declared a dividend of one Common Share Purchase Right for each outstanding share of common stock as of May 1, 1996, each of which common share purchase rights gives the Rightholder the right to purchase one common share for a purchase price of $60, subject to adjustment. The rights expire on May 1, 2006, and may be redeemed by the Company for one cent each at any time before they become exercisable. The rights will not be exercisable or transferable apart from the common stock, until ten days after a person or group acquires or obtains the right to acquire 20% or more of the common stock, or commences or announces its intention to commence a tender or exchange offer for 20% or more of the common stock. Following the former event, a right will entitle its holder to purchase, at the purchase price, the number of shares equal to the purchase price (initially $60 per share) divided by one-half of the market price. Alternatively, the Company may exchange each Right for one share of Company common stock. A total of 18,877,987 rights were outstanding at September 30, 2000.

5. REDEEMABLE PREFERRED STOCK

The preferred stock, which is non-voting except in certain circumstances, may be redeemed at the option of the Board of Directors. The redemption price is equal to par of $25.00 a share.

During 2000, 5,808 shares of 5% Series B preferred stock and 3 shares of 4.56% Series C preferred stock were reacquired; in 1999, 70 shares of 5% Series B preferred stock were reacquired.

Any default in a sinking fund payment must be cured before the Company may pay dividends on or acquire any common stock. Sinking fund requirements on preferred stock for the five years subsequent to September 30, 2000 are: 2001, $50,300; 2002-2005, $160,000 per year.

6. LONG-TERM DEBT

Maturities or sinking fund requirements on long-term debt for the five fiscal years subsequent to September 30, 2000 are as follows: 2001-2002, none; 2003, $25 million; 2004, none; 2005, $25 million.

On June 29, 2000, the Company filed a registration statement with the Securities and Exchange Commission on Form S-3 relative to the sale of up to $350 million of first mortgage bonds, debt securities and common stock. On August 10, 2000 the MoPSC provided authorization to issue debt and equity up to this amount.

On September 21, 2000, the Company issued $30 million of first mortgage bonds under this authorization with an interest rate of 7.90%, at an overall cost to the Company of 7.987%. The bonds were dated September 15, 2000 and mature September 15, 2030. The proceeds were used to repay short-term debt. The amount, timing and type of financing remaining to be issued under this shelf registration will depend on cash requirements and market conditions.

On April 8, 1999 the Company received approval from the MoPSC for a two-year extension, to April 21, 2001, of its previously granted authority to sell additional first mortgage bonds. The original authorization was for $100 million of first mortgage bonds of which $75 million had already been issued and sold. On June 2, 1999, the Company issued the remaining $25 million of first mortgage bonds with an interest rate of 7%, at an overall cost to the Company of 7.04%. The proceeds were used to repay short-term debt.

On May 15, 1998, the Company redeemed, at its first opportunity, $25 million of 9-5/8% first mortgage bonds due May 15, 2013. The funds for this redemption were supplied by short-term borrowing agreements.

Substantially all of the Company's utility plant is subject to the liens of its mortgage.

The Company's mortgage contains provisions which restrict retained earnings from declaration or payment of cash dividends. As of September 30, 2000, all of the Company's consolidated retained earnings were free from such restrictions.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial instruments at September 30, 2000 and 1999 are as follows:

(Thousands of Dollars)	Carrying Amount	Fair Value
2000:		
Cash and cash equivalents	$ 4,215	$ 4,215
Short-term debt	127,000	127,000
Long-term debt	234,408	233,676
Redeemable preferred stock	1,813	1,640
1999:		
Cash and cash equivalents	$ 9,352	$ 9,352
Short-term debt	84,700	84,700
Long-term debt	204,323	201,659
Redeemable preferred stock	1,958	1,812
Non-utility financial instruments	131	86

The carrying amounts for cash and cash equivalents and short-term debt approximate fair value due to the short maturity of these investments. Fair value of long-term debt and preferred stock is estimated based on market prices for similar issues. The fair value of non-utility financial instruments reflects trading prices at September 30, 1999.

8. INCOME TAXES

Net provisions for income taxes were charged during the years ended September 30, 2000, 1999 and 1998 as shown on the Schedule of Income Taxes. The effective income tax rate varied from the federal statutory income tax rate for each year due to the following:

	2000	1999	1998
Federal income tax statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefits	3.6	3.4	3.7
Certain expenses capitalized on books and deducted on tax return	(2.5)	(3.2)	(2.0)
Taxes related to prior years	.2	.5	(1.2)
Other items - net	(1.1)	(.2)	.1
Effective income tax rate	35.2%	35.5%	35.6%

The significant items comprising the Company's net deferred tax liability recognized in the consolidated balance sheets as of September 30 are as follows:

(Thousands of Dollars)	2000	1999
Deferred tax assets:		
Reserves not currently deductible	$ 18,100	$ 16,777
Deferred gas cost	—	3,679
Unamortized investment tax credits	3,946	4,147
Other	2,779	2,339
Total deferred tax assets	24,825	26,942
Deferred tax liabilities:		
Relating to utility property	107,604	102,870
Pension	36,384	30,196
Deferred gas cost	4,598	—
Other	8,698	8,416
Total deferred tax liabilities	157,284	141,482
Net deferred tax liability	132,459	114,540
Net deferred tax asset - current	2,485	10,216
Net deferred tax liability - non-current	$134,944	$124,756

9. NOTES PAYABLE AND CREDIT AGREEMENTS

In January 2000, the Company renewed three lines of bank credit under which it may borrow up to an aggregate of $30 million prior to January 31, 2001, with repayment of any loans outstanding on that date permitted from April 30, 2001 to June 30, 2001. The borrowings may be repaid at any time without penalty. This, along with $160 million of supplemental lines of credit, provided the Company total lines of credit of up to $190 million for fiscal year 2000. At this writing, the Company has aggregate lines of credit totaling $210 million.

Alternatively, the Company has an agreement for the issuance of commercial paper which is supported by the bank lines of credit. During fiscal year 2000, the Company's short-term borrowing requirements, which peaked at $158.2 million, were met by the sale of commercial paper. The Company had $127.0 million in commercial paper outstanding as of September 30, 2000 at a weighted average interest rate of 6.6%, and $84.7 million outstanding as of September 30, 1999 at a weighted average interest rate of 5.4%.

10. OTHER INCOME AND INCOME DEDUCTIONS – NET

(Thousands of Dollars)	2000	1999	1998
Investment Losses	$ —	$(3,409)	$ —
Gains on Sale of Property	—	2,275	—
Allowance for Funds Used During Construction	397	739	609
Other Income	1,209	1,530	1,346
Other Income Deductions	(844)	(1,338)	(672)
Other Income and Income Deductions – Net	$ 762	$ (203)	$1,283

In fiscal 1999, the Company recorded a $3.2 million pretax investment loss. This non-recurring loss resulted from the Company's minority participation in Clark Enterprises, an entity comprised of a group of civic-minded St. Louis firms that owned the St. Louis Blues Hockey team and also financed and operated the Kiel Center in downtown St. Louis, the sale of which was negotiated and completed during September 1999.

A pretax gain of $1.9 million was recognized in fiscal 1999 by the Company's wholly-owned subsidiary, Laclede Development Company, on the November 1998 sale of property known as Centre Park 40. Laclede Development Company owned its interest in Centre Park 40 through a real estate partnership.

11. INFORMATION BY OPERATING SEGMENT

Laclede Gas Company is a public utility engaged in the retail distribution of natural gas. The Company serves an area of eastern Missouri, with a population of approximately 2.0 million. As an adjunct to its gas distribution business, Laclede operates underground natural gas storage fields and stores liquid propane and is engaged in the transportation of liquid propane through its wholly-owned subsidiary, Laclede Pipeline Company.

The Company has also made investments in some non-utility businesses as part of a diversification program, none of which are reportable segments. These non-regulated operations are conducted through five wholly-owned subsidiaries which are engaged in gas marketing, the sale of insurance products through an insurance agency in the State of Missouri, real estate development, the compression of natural gas, and financial investments in other enterprises. These subsidiaries have the same accounting policies as those described in the summary of significant accounting policies in Note 1. There are no material intersegment revenues.

12. COMMITMENTS AND CONTINGENCIES

The Company estimates fiscal year 2001 utility construction expenditures at $40 million. The lease agreement covering the Company's general office space extends through February 2005 with options to renew for up to 15 additional years. The aggregate rental expense for fiscal years 2000, 1999 and 1998 was $821,000, $812,000 and $803,000, respectively. The annual minimum rental payment for fiscal year 2001 is anticipated to be approximately $830,000 with a maximum annual rental payment escalation of $8,800 per year for each year through fiscal 2005. The Company has other rental arrangements that provide for minimum rental payments that are relatively minor. The Company has entered into various contracts, which in the aggregate require it to pay approximately $76 million on an annual basis, at present rate levels, for the reservation of gas supplies and pipeline transmission and storage capacity. These costs are recovered from customers in accordance with the Purchased Gas Adjustment Clause of the Company's tariff. The contracts have various expiration dates ranging from 2001 to 2005.

A consolidated subsidiary is a general partner in an unconsolidated partnership, which invests in real estate partnerships. The subsidiary and third parties are jointly and severally liable for the payment of mortgage loans in the aggregate outstanding amount of approximately $2.6 million incurred in connection with various real estate ventures. The Company has no reason to believe that the other principal liable parties will not be able to meet their proportionate share of these obligations. The Company further believes that the asset values of the real estate properties are sufficient to support these mortgage loans.

Laclede Pipeline Company, Laclede Gas Company's wholly-owned subsidiary, operates a propane pipeline that connects Laclede Gas Company's propane storage facilities in St. Louis County, Missouri, to propane supply

(Thousands of Dollars)	Gas Utility	All Other (Non-Utility)	Eliminations	Consolidated
Fiscal 2000				
Operating revenues	**$531,152**	**$34,976**	**$ —**	**$566,128**
Depreciation & amortization	**24,774**	**—**	**—**	**24,774**
Interest charges	**24,326**	**—**	**(318)**	**24,008**
Income tax expense	**13,755**	**350**	**—**	**14,105**
Net income	**25,474**	**491**	**—**	**25,965**
Total assets	**928,298**	**18,324**	**(14,882)**	**931,740**
Construction expenditures	**51,635**	**—**	**—**	**51,635**
Fiscal 1999				
Operating revenues	$473,710	$17,608	$ —	$491,318
Depreciation & amortization	21,490	—	—	21,490
Interest charges	20,593	—	—	20,593
Income tax expense	13,670	691	—	14,361
Net income	25,012	1,050	—	26,062
Total assets	831,036	13,774	(7,146)	837,664
Construction expenditures	48,698	7	—	48,705
Fiscal 1998				
Operating revenues	$548,192	$13,651	$ —	$561,843
Depreciation & amortization	25,310	—	—	25,310
Interest charges	21,270	—	—	21,270
Income tax expense	15,019	422	—	15,441
Net income	27,201	691	—	27,892
Total assets	774,167	10,298	(7,174)	777,291
Construction expenditures	47,254	185	—	47,439

terminal facilities located at Wood River and Cahokia, Illinois. In June 1999, Laclede Pipeline Company purchased from Phillips Pipe Line Company for approximately $1.4 million a section of existing propane pipeline, which completed Laclede Gas Company's control of all facets of its propane peak shaving assets allowing greater access to supply markets. Laclede Gas Company vaporizes the propane to supplement its natural gas supply and meet the peak demands on the distribution system. Laclede Pipeline Company's previous contract arrangement with Phillips Petroleum Company, to provide transportation of propane on an annual basis and that expired on March 31, 1999, is no longer needed.

The Company is subject to various environmental laws and regulations. To date they have not materially affected the Company's financial position and results of operations.

In the past, the Company operated various manufactured gas plants which produced certain by-products and residuals. With regard to the Company's former manufactured gas plant site located in Shrewsbury, Missouri, the Company and the state and federal environmental regulatory agencies have agreed upon the actions needed at this site. Those actions are nearing completion. In the course of recent site grading called for by the agreement, some site materials that proved to be manufactured gas wastes were released into an adjacent stream. The release was contained and appropriate authorities notified. The Company is dealing with this development as part of the remaining work being done at the site. The Company currently estimates the overall costs of these actions will be approximately $1,521,000. As of September 30, 2000, the Company has paid $1,000,000 and reserved $521,000 for these actions. If the regulatory agencies require any additional actions, Laclede will incur additional costs.

The Company also applied to place the site of a different former manufactured gas plant in the City of St. Louis, Missouri into the Missouri Voluntary Cleanup Program (VCP). Laclede ceased its operations at and sold this site in 1950. Subsequent owners of this site used it as a coke manufacturing facility. The Missouri Department of Natural Resources (MoDNR) accepted the Company's VCP application. Acceptance provides opportunities to minimize costs of remediation while maximizing possibilities for site development. The Company submitted a site characterization report (SCR) to MoDNR on June 25, 1999. The SCR was accepted subject to the Company's development of a Remedial Action Plan (RAP) due MoDNR in early calendar year 2001. The RAP will include plans to continue to monitor groundwater. Surface water sampling and the performance of other remedial measures will likely occur during site redevelopment. The Company will continue to inform MoDNR of site development possibilities as well. The Company currently estimates that the cost of the site investigations, agency oversight and related legal and engineering consulting may be approximately $528,000. Currently, the Company has paid $438,000 and reserved an additional $90,000. The Company has requested that other former site owners and operators participate in the cost of any site investigation. One former owner and operator agreed to participate in these costs and has reimbursed the Company to date for $150,000. The Company anticipates additional reimbursement from this party of approximately $39,000. The Company plans to seek proportionate reimbursement of all costs relative to this site from any other potentially responsible parties if practicable.

While the scope of costs relative to the site in Shrewsbury will not be significant, the scope of costs relative to the City of St. Louis site are unknown and may be material. The Company has notified its insurers that it intends to seek reimbursement from them of its costs at both these sites. None of the Company's insurers have agreed that its insurance covers the costs for which the Company intends to seek reimbursement. The majority of the insurers have sent Laclede letters reserving their rights with respect to the manufactured gas plant issues addressed in the Company's notices to them. While some of the insurers have denied coverage with respect to these issues, the Company continues to seek reimbursement from them. With regard to the Shrewsbury site, the denial of coverage will not have any significant impact on the Company. With regard to the City of St. Louis site, since the scope of costs relative to this site are unknown and may be material, the denial of coverage may have a material impact on the Company.

Previously, the MoPSC approved the Company's use of a cost deferral mechanism for these costs. Deferral of such costs terminated July 31, 1999. The Commission authorized previously deferred costs to be included in rates without return on investment and amortized over a fifteen-year period, effective with the implementation of new rates on December 27, 1999. Any subsequent costs are being charged to expense, the effects of which are offset, more or less, by a predetermined level of costs included in the new rates.

On October 26, 2000, the Company announced its intention, subject to receipt of the necessary approvals, to reorganize its corporate structure to form a holding company known as The Laclede Group, Inc. As a result of the reorganization, The Laclede Group, Inc. would become a holding company under the Public Utility Holding Company Act of 1935 but would be exempt from all provisions of the Act except Section 9(a)(2) thereof. Laclede Gas is taking the necessary steps to obtain regulatory and shareholder approvals and filed a registration statement on Form S-4 with the Securities and Exchange Commission on October 27, 2000. Under the new structure, Laclede Gas Company as the regulated utility, and the subsidiaries it currently holds, would become subsidiaries of The Laclede Group, Inc. Even after forming a holding company, the profile of Laclede Gas' regulated distribution business is expected to remain substantially the same. At the January 25, 2001 annual meeting, shareholders of record on December 11, 2000 will vote on this proposal.

In October 1999, the staff of the MoPSC recommended that the Company credit ratepayers with $2.5 million of pretax income the Company had realized in fiscal 1997 and fiscal 1998 in connection with its treatment of a gas supply contract under the operation of the Company's Gas Supply Incentive Plan. On August 1, 2000, the MoPSC issued its report and order in which it rejected staff's proposal and determined that no adjustment should be made to the amounts retained by the Company under its Gas Supply Incentive Plan.

On October 30, 1998, the MoPSC issued an order opening a docket addressing the adequacy of Laclede's copper service line replacement program. On February 18, 2000, the staff of the MoPSC, the office of Public Counsel in the State of Missouri and the Company filed a joint settlement setting forth a replacement schedule recommendation. Such settlement was approved by the MoPSC on May 18, 2000. The Company currently has completed one phase and continues to proceed in compliance with the approved program. Costs associated with the program are either being deferred through a deferral mechanism approved by the MoPSC or capitalized through the normal course of business. One lawsuit involving a claim for wrongful death and punitive damages has been settled, the effect of which is not significant and has been fully provided for in the current year.

In January 2000, Laclede Energy Resources, Inc., (LER) finalized a multi-year arrangement with UtiliCorp United, Inc. (UtiliCorp) to provide a significant portion of the gas supply for a natural gas fired power plant currently under construction in Pleasant Hill, Missouri. The four-year agreement is scheduled to go into effect June 1, 2001. LER will provide UtiliCorp with up to 5 billion cubic feet of natural gas annually – the equivalent of about 5% of the annual sendout of Laclede Gas Company in a normal year – and will manage fluctuations in UtiliCorp's gas-purchase requirements on an as-needed basis to satisfy summer power needs.

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.

13. INTERIM FINANCIAL INFORMATION (UNAUDITED)

In the opinion of the Company, the quarterly information presented in the Schedule of Interim Financial Information for fiscal years 2000 and 1999 includes all adjustments, consisting of normal recurring adjustments necessary for a fair statement of the results of operations for such periods. Variations in operations reported on a quarterly basis reflect the seasonal nature of the Company's business.

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

RESULTS OF OPERATIONS

Laclede's earnings for fiscal 2000 were adversely impacted by warmer-than-normal weather, resulting from temperatures that were the third warmest over the last 100 years. In fact, earnings for all three fiscal years reported were significantly impacted by the effects of warmer-than-normal temperatures in our service area. However, the Company was successful in mitigating the impact of weather on its financial results through, among other factors, ongoing efforts to become more effective and efficient. Earnings applicable to common stock for the fiscal year ended September 30, 2000 were $25.9 million, compared with $26.0 million for fiscal 1999 and $27.8 million for fiscal 1998. Earnings per share were $1.37 in 2000 (on average shares outstanding of 18,877,987), compared with $1.43 in 1999 (on average shares outstanding of 18,138,261) and $1.58 in 1998 (on average shares outstanding of 17,597,591). The slight decrease in earnings in fiscal 2000 (from fiscal 1999) was primarily due to lower system sales volumes arising from weather that was 5% warmer than the prior year and 16% warmer than normal, higher pension and group insurance costs and higher depreciation expense. Largely offsetting these factors were the benefit of the Company's general rate increase which became effective December 27, 1999, higher income related to the Gas Supply Incentive Plan and off system sales, and a lower provision for uncollectible accounts. The decrease in earnings in fiscal 1999 (from fiscal 1998) was primarily due to lower system sales volumes arising from weather that was 6% warmer than 1998 and 12% warmer than normal, as well as a non-recurring investment loss recorded in 1999. These factors were partially offset by reduced expenses largely attributable to effective cost-control efforts in 1999 and expense reductions attributable to regulatory accounting changes instituted July 1, 1998 as part of the settlement of the Company's 1998 rate case. The settlement of that rate case authorized, among other things, lower depreciation rates and changes in the regulatory accounting treatment for pension costs.

Utility operating revenues for fiscal year 2000 increased $57.4 million, or 12.1%, above fiscal 1999, and in 1999 decreased $74.5 million, or 13.6%, below fiscal 1998. The 2000 increase in utility operating revenues was primarily due to: higher wholesale gas costs of $47.4 million (which are passed on to customers in accordance with the Purchased Gas Adjustment Clause), higher off system sales and other incentive plan revenues of $23.9 million, and higher revenues of $7.3 million attributable to the partial year effect of the 1999 general rate increase. These factors were partially offset by lower gas sales volumes arising from the warmer weather and other variations, which combined total $21.2 million. The 1999 decrease in utility operating revenues versus the prior year was mainly attributable to: lower wholesale gas costs of $38.5 million, reduced gas sales volumes (due to warmer weather) and other variations, which combined total $22.4 million, and decreased incentive plan revenues of $13.6 million. Total therms sold and transported in 2000 were 1,035.2 million compared with 1,025.9 million in 1999 and 1,121.3 million in 1998.

Non-utility operating revenues increased $17.4 million in fiscal 2000 (from 1999) and $4.0 million in fiscal 1999 (from 1998). The increase each year was primarily due to higher gas marketing sales in both periods by Laclede Energy Resources, Inc., a wholly-owned non-utility subsidiary of the Company.

Utility operating expenses in fiscal 2000 increased $55.7 million, or 13.5%, from fiscal 1999, and in 1999 decreased $73.0 million, or 15.0%, from fiscal 1998. Natural and propane gas expense increased $48.9 million in fiscal 2000 from fiscal 1999 primarily due to higher rates charged by our suppliers and higher off system sales gas expense, partially offset by lower volumes purchased for sendout. In 1999, natural and propane gas expense decreased $65.5 million from 1998 primarily due to lower rates charged by our suppliers, reduced volumes purchased for sendout, and lower incentive plan gas costs. Other operation and maintenance expenses in 2000 increased $2.4 million, or 2.3%, over 1999 principally due to increased net pension costs, higher group insurance charges, and increased wage rates. These increases were partially offset by lower provisions for uncollectible accounts and injuries and damages, reduced charges for maintenance and distribution and successful ongoing cost-control efforts. Other operation and maintenance expenses in 1999 decreased $1.6 million, or 1.5%, from 1998 principally due to lower net pension costs resulting from the effects of the settlement reached in the 1998 rate case and cost cutting reductions. These factors were partially offset by higher wage rates, lower gains applicable to lump sum pension settlements, and higher provisions for uncollectible accounts and injuries and damages. Depreciation and amortization expense in 2000 increased $3.3 million, or 15.3%, primarily due to additional depreciable property and an increased proportion of amortization related to shorter-lived property. In 1999, depreciation and amortization expense decreased $3.8 million, or 15.1%, from 1998 as a result of lower depreciation rates effective July 1, 1998, authorized in the 1998 rate case. The effect of lower depreciation rates was partially offset by additional depreciable property. Taxes, other than income taxes, increased 2.7% in 2000 compared with 1999 and decreased 4.8% in 1999 compared with 1998. The increase in 2000 was principally attributable to higher gross receipts taxes (mainly reflecting increased gas sales revenues). The decrease in 1999 (from 1998) was principally attributable to lower gross receipts taxes (mainly reflecting decreased gas sales revenues), the effect of which was partially offset by higher property taxes.

Non-utility operating expenses increased $17.0 million in fiscal 2000 (compared with 1999), and increased $4.6 million in fiscal 1999 (compared with 1998). The increase in both periods was primarily due to higher gas expense associated with gas marketing sales by Laclede Energy Resources, Inc.

Other income and income deductions-net increased $1.0 million from 1999 and decreased by $1.5 million in 1999 compared with 1998. The changes from year to year mainly reflect the effect of a one-time $3.2 million pretax charge recognized in fiscal 1999 resulting from the Company's minority participation in Clark Enterprises. Clark Enterprises was comprised of a group of civic-minded St. Louis firms that owned the St. Louis Blues Hockey team and also financed and operated the Kiel Center in downtown St. Louis, the sale of which was negotiated and completed in September, 1999. This non-recurring charge was partially offset by a pretax gain of approximately $1.9 million recognized in 1999 by the Company's wholly-owned subsidiary, Laclede Development Company, on the sale of property known as Centre Park 40. Laclede Development Company owned its interest in Centre Park 40 through a real estate partnership.

Interest expense increased $3.4 million, or 16.6%, in fiscal 2000 from 1999 and decreased 3.2% in fiscal year 1999 from 1998. The 2000 increase was mainly due to increased short-term interest expense (reflecting higher average borrowings and increased rates) and the issuance of $25 million of 7% first mortgage bonds in June 1999. The 3.2% decrease in interest expense in 1999 (from 1998) was due principally to lower interest charges on long-term debt reflecting the net effect of the May 1998 redemption of a 9-5/8% first mortgage bond issue of $25 million and the issuance of $25 million of 7% first mortgage bonds in June 1999. This decrease was partially offset by increased short-term interest expense due to higher average borrowings.

The reductions in income tax expenses for all periods reported are mainly due to lower pretax income.

On July 30, 2000, the Company and Union representatives reached a new four-year labor agreement replacing the prior agreement which was to expire July 31, 2000. The new contract extends through July 31, 2004. The settlement resulted in wage increases of 2.75% in all four years, along with lump-sum payment provisions and other benefit improvements.

REGULATORY MATTERS

At the state level, there have been several important developments during the fiscal year affecting Laclede, some of which are still pending.

On December 14, 1999 the Missouri Public Service Commission (MoPSC or Commission) issued its report and order in the Company's 1999 rate case, in which the MoPSC: (1) approved a partial settlement reached earlier in the year by the parties on some issues (2) determined certain contested issues and (3) authorized the Company to increase its rates for gas service by $11.24 million on an annual basis. The new rates and settlement became effective for service rendered on and after December 27, 1999. Under the partial settlement, the Company discontinued deferring certain costs for future recovery. As approved by the MoPSC, previously deferred costs are being recovered, without return on investment, effective with implementation of the new rates on December 27, 1999. The deferral of certain costs was eliminated going forward, as expenses associated with those specific areas are included in the newly approved rates. On May 11, 2000, the Company appealed to the Circuit Court of Cole County, Missouri the MoPSC's decision on one of the contested issues mentioned in item (2) above relating to the calculation of the Company's depreciation rates. The Company believes that any decision on this appeal would not adversely impact the $11.24 million increase in rates or the Company's earnings; however, a favorable decision, when recognized in the Company's rates, would be expected to benefit the Company's cash flow.

Settlement of the Company's 1998 general rate case provided that rates charged to the vast majority of the Company's customers, including all residential customers, remained unchanged. Also, the settlement allowed the Company to record, beginning July 1, 1998, substantially reduced expense levels resulting from the authorization of lower depreciation rates and changes in the regulatory accounting treatment for the recovery of pension costs. The MoPSC authorized the continued use of certain cost deferral mechanisms under which the Company subsequently applied for future rate recovery of certain costs. In addition, the MoPSC approved a similar cost deferral mechanism by which the Company subsequently applied for future rate recovery of certain costs related to the Company's Year 2000 readiness program.

On July 21, 1999, the MoPSC approved a Price Stabilization Program for the fiscal 2000-2002 heating seasons that authorizes the Company to purchase certain financial instruments to protect itself and its customers from unusually large increases in the unregulated cost of natural gas. Because of unforeseen increases in the cost of such financial instruments, the Company notified the MoPSC on June 2, 2000, that it would not be participating this year in one of the program's provisions to share in gains achieved under the program. Laclede also made a filing on July 7, 2000 requesting the approval of certain temporary revisions to the program to enhance its opportunity to obtain price protection for the Company and its customers under current market conditions. These changes included a proposed increase in the amount of funds authorized to purchase financial instruments and a reduction in the amount of coverage required by the program. The Company entered into a Stipulation and Agreement with the staff of the MoPSC and the Office of the Public Counsel in the State of Missouri that would allow the Company to exercise its discretion as to the amount of coverage to obtain, but would not result in an increase in authorized funds. All other provisions of the program currently in effect would remain unchanged. On September 28, 2000, the MoPSC approved this Agreement.

Under the Company's Gas Supply Incentive Plan as modified and approved by the MoPSC effective October 1, 1999 for a one-year period, the Company continues to share with its customers certain gains and losses related to the acquisition of its gas supply assets. Also, effective October 1, 1999, Laclede is also permitted to retain all income resulting from sales made outside its traditional service area. These activities continue to provide benefits to both the Company's customers and shareholders. Overall cost savings for Laclede and its customers were $28.9 million in 2000, $28.4 million in 1999, and $31.0 million in 1998. Those efforts resulted in pretax income to shareholders of $9.6 million in 2000, $5.4 million in 1999, and $6.4 million in 1998. On February 1, 2000, the Company submitted a filing with the MoPSC requesting that the Plan be extended beyond September 30, 2000. On June 8, 2000, the MoPSC issued an order approving a recommendation made by the Company, staff of the MoPSC and other parties to extend the Gas Supply Incentive Plan as modified for another year. As a result, the term of the Plan now runs through September 30, 2001. The parties who recommended an extension of the Gas Supply Incentive Plan also agreed to cooperate on the development of a mutually acceptable, multi-year incentive plan that includes a fixed price mechanism for implementation once the current plan expires. For additional information on the Gas Supply Incentive Plan, see Note 3 of Notes to Consolidated Financial Statements on page 28.

ACCOUNTING CHANGES

The Company has adopted Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", issued by the American Institute of Certified Public Accountants (AICPA). SOP No. 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use, including criteria for capitalization of certain costs. Its adoption in fiscal 2000 did not have a significant effect on the Company's financial position or results of operations.

The Company also adopted Emerging Issues Task Force (EITF) 98-10, "Accounting for Energy Trading and Risk Management Activities." EITF 98-10 requires energy contracts associated with trading activities to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings. The fiscal 2000 adoption of EITF 98-10 had no effect on the Company's financial position or results of operations.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedge accounting. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 requires that changes in the fair value of a derivative be recognized currently in earnings, unless specific hedge accounting criteria are met. SFAS No. 133 would have been effective in fiscal 2000, however, its effective date was delayed until fiscal 2001 as a result of the issuance of SFAS No. 137. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". This statement amends portions of SFAS No. 133. Among other things, SFAS No. 138 provides an exception for contracts intended for the normal purchase and normal sale of something other than a financial instrument or derivative instrument, for which physical delivery is probable. Some of the Company's gas supply and transportation contracts are derivative instruments as defined under SFAS No. 133; however, all of these contracts qualify for the normal purchases and normal sales exception provided by SFAS No. 138. The financial instruments purchased by Laclede under its Price Stabilization Program are derivative instruments under SFAS No. 133. These financial instruments are purchased as hedges against significant increases in the price of natural gas, as approved by the MoPSC, and are accounted for in accordance with the Company's Purchased Gas Adjustment Clause. The effect of the Company's adoption of these statements on October 1, 2000 did not have a significant impact on the Company's financial position and results of operations as of that date.

INFLATION

The accompanying Financial Statements reflect the historical costs of events and transactions, regardless of the purchasing power of the dollar at the time. Due to the capital-intensive nature of the Company's business, the most significant impact of inflation is on the Company's depreciation of utility plant. Rate regulation to which the Company is subject allows recovery through its rates of only the historical cost of utility plant as depreciation. While no plans exist to undertake replacements of plant in service other than normal replacements and those under existing replacement programs, the Company believes that any higher costs experienced upon replacement of existing facilities would be recovered through the normal regulatory process.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations, net of dividend payments, has generally provided the principal liquidity to meet operating requirements and to fund the majority of the Company's construction program. Any remaining funding requirements for construction or other needs have been provided by long-term and short-term financing. The issuance of long-term financing is dependent on management's evaluation of need, financial market conditions, and other factors. Short-term financing is used to meet seasonal cash requirements and/or to defer long-term financing until market conditions are favorable.

Short-term borrowing requirements typically peak during colder months when the Company borrows money to cover the gap between when the Company purchases its natural gas and when the Company's customers pay for that gas. These short-term cash requirements have traditionally been met through the sale of commercial paper supported by lines of credit with banks.

During fiscal year 2000, the Company had lines of credit in place of up to $190 million. The Company sold commercial paper aggregating to a maximum of $158.2 million at any one time during the fiscal year, but did not borrow from the banks under the aforementioned agreements. At this writing, the Company has aggregate lines of credit totaling $210 million. Short-term borrowings outstanding at September 30, 2000 were $127.0 million at a weighted average interest rate of 6.6%. Based on short-term borrowings at September 30, 2000, a change in interest rates of 100 basis points would increase or decrease pretax earnings and cash flows by approximately $1,270,000 on an annual basis.

On June 29, 2000, the Company filed a registration statement with the Securities and Exchange Commission on Form S-3 relative to the sale of up to $350 million of first mortgage bonds, debt securities and common stock. On August 10, 2000, the MoPSC provided authorization to issue debt and equity up to this amount. On September 21, 2000, the Company issued $30 million of first mortgage bonds under this authorization with an interest rate of 7.90%, at an overall cost to the Company of 7.987%. The bonds were dated September 15, 2000 and mature September 15, 2030. The proceeds were used to repay short-term debt. The bonds were rated Aa3 by Moody's, AA- by Standard & Poor's, and A+ by Fitch. The ratings also apply to the Company's other outstanding bonds. The amount, timing, and type of securities under this shelf registration in the future will depend on cash requirements and market conditions.

On June 2, 1999, the Company issued $25 million of first mortgage bonds with an interest rate of 7%, at an overall cost to the Company of 7.04%. The bonds were dated June 1, 1999 and mature June 1, 2029. The proceeds were used to repay short-term debt. This issuance exhausted the Company's shelf registration initially filed in 1993.

On October 21, 1997, the Company issued $25 million of first mortgage bonds, at an overall cost to the Company of 6.675%. The bonds were dated October 15, 1997 and mature October 15, 2012. The proceeds were used to repay short-term debt.

On May 15, 1998, the Company redeemed, at its first opportunity, $25 million of 9-5/8% first mortgage bonds due May 15, 2013. The funds for this redemption were supplied by short-term borrowing agreements.

At September 30, 2000, the Company had fixed-rate long-term debt totaling $235 million. While these long-term debt issues are fixed-rate, they are subject to changes in fair value as market interest rates change. However, increases or decreases in fair value would impact earnings and cash flows only if the Company were to reacquire any of these issues in the open market prior to maturity.

On May 5, 1999, the Company issued and sold 1,250,000 shares of its common stock to the public. Net proceeds of $24.1 million were used to repay short-term debt.

Laclede Pipeline Company, Laclede Gas Company's wholly-owned subsidiary, operates a propane pipeline that connects Laclede Gas Company's propane storage facilities in St. Louis County, Missouri, to propane supply terminal facilities located at Wood River and Cahokia, Illinois. In June 1999, Laclede Pipeline Company purchased from Phillips Pipe Line Company for approximately $1.4 million a section of existing propane pipeline, which completed Laclede Gas Company's control of all facets of its propane peak shaving assets allowing greater access to supply markets. Laclede Gas Company vaporizes the propane to supplement its natural gas supply and meet the peak demands on the distribution system. Laclede Pipeline Company's previous contract arrangement with Phillips Petroleum Company, to provide transportation of propane on an annual basis and that expired on March 31, 1999, is no longer needed.

Construction expenditures for utility purposes were $51.6 million in fiscal 2000 compared with $48.7 million in fiscal 1999 and $47.3 million in fiscal 1998. The Company expects fiscal 2001 utility construction expenditures to approximate $40 million.

Capitalization at September 30, 2000, consisted of 54.5% common stock equity, .3% preferred stock and 45.2% long-term debt.

The Company's ratio of earnings to fixed charges was 2.6 for 2000, 2.9 for 1999 and 2.9 for 1998.

It is management's view that the Company has adequate access to capital markets and will have sufficient capital resources, both internal and external, to meet anticipated capital requirements.

ENVIRONMENTAL MATTERS

The Company is subject to various environmental laws and regulations. To date they have not materially affected the Company's financial position and results of operations.

In the past, the Company operated various manufactured gas plants which produced certain by-products and residuals. With regard to the Company's former manufactured gas plant site located in Shrewsbury, Missouri, the Company and the state and federal environmental regulatory agencies have agreed upon the actions needed at this site. Those actions are nearing completion. In the course of recent site grading called for by the agreement, some site materials that proved to be manufactured gas wastes were released into an adjacent stream. The release was contained and appropriate authorities notified. The Company is dealing with this development as part of the remaining work being done at the site. The Company currently estimates the overall costs of these actions will be approximately $1,521,000. As of September 30, 2000, the Company has paid $1,000,000 and reserved $521,000 for these actions. If the regulatory agencies require any additional actions, Laclede will incur additional costs.

The Company also applied to place the site of a different former manufactured gas plant in the City of St. Louis, Missouri into the Missouri Voluntary Cleanup Program (VCP). Laclede ceased its operations at and sold this site in 1950. Subsequent owners of this site used it as a coke manufacturing facility. The Missouri Department of Natural Resources (MoDNR) accepted the Company's VCP application. Acceptance provides opportunities to minimize costs of remediation while maximizing possibilities for site development. The Company submitted a site characterization report (SCR) to MoDNR on June 25, 1999. The SCR was accepted subject to the Company's development of a Remedial Action Plan (RAP) due MoDNR in early calendar year 2001. The RAP will include plans to continue to monitor groundwater. Surface water sampling and the performance of other remedial measures will likely occur during site redevelopment. The Company will continue to inform MoDNR of site development possibilities as well. The Company currently estimates that the cost of the site investigations, agency oversight and related legal and engineering consulting may be approximately $528,000. Currently, the Company has paid $438,000 and reserved an additional $90,000. The Company has requested that other former site owners and operators participate in the cost of any site investigation. One former owner and operator agreed to participate in these costs and has reimbursed the Company to date for $150,000. The Company anticipates additional reimbursement from this party of approximately $39,000. The Company plans to seek proportionate reimbursement of all costs relative to this site from any other potentially responsible parties if practicable.

While the scope of costs relative to the site in Shrewsbury will not be significant, the scope of costs relative to the City of St. Louis site are unknown and may be material. The Company has notified its insurers that it intends to seek reimbursement from them of its costs at both these sites. None of the Company's insurers have agreed that its insurance covers the costs for

which the Company intends to seek reimbursement. The majority of the insurers have sent Laclede letters reserving their rights with respect to the manufactured gas plant issues addressed in the Company's notices to them. While some of the insurers have denied coverage with respect to these issues, the Company continues to seek reimbursement from them. With regard to the Shrewsbury site, the denial of coverage will not have any significant impact on the Company. With regard to the City of St. Louis site, since the scope of costs relative to this site are unknown and may be material, the denial of coverage may have a material impact on the Company.

Previously, the MoPSC approved the Company's use of a cost deferral mechanism for these costs. Deferral of such costs terminated July 31, 1999. The Commission authorized previously deferred costs to be included in rates without return on investment and amortized over a fifteen-year period, effective with the implementation of new rates on December 27, 1999. Any subsequent costs are being charged to expense, the effects of which are offset, more or less, by a predetermined level of costs included in the new rates.

OTHER MATTERS

On October 26, 2000, the Company announced its intention, subject to receipt of the necessary approvals, to reorganize its corporate structure to form a holding company known as The Laclede Group, Inc. As a result of the reorganization, The Laclede Group, Inc. would become a holding company under the Public Utility Holding Company Act of 1935 but would be exempt from all provisions of the Act except Section 9(a)(2) thereof. Laclede Gas is taking the necessary steps to obtain regulatory and shareholder approvals and filed a registration statement on Form S-4 with the Securities and Exchange Commission on October 27, 2000. Under the new structure, Laclede Gas Company as the regulated utility, and the subsidiaries it currently holds, would become subsidiaries of The Laclede Group, Inc. Even after forming a holding company, the profile of Laclede Gas' regulated distribution business is expected to remain substantially the same. At the January 25, 2001 annual meeting, shareholders of record on December 11, 2000 will vote on this proposal.

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On April 6, 1999, voters in Wentzville, Missouri, in western St. Charles County, granted Laclede, by a 3-to-1 margin, a 20-year non-exclusive franchise to provide natural gas service to much of the city south of Interstate 70, west of Lake St. Louis. This will allow Laclede to continue expansion of its service territory in areas where the Company anticipates significant growth to occur during the next few years. The Company received the MoPSC's approval to serve specifically this portion of Wentzville, as well as currently unincorporated adjacent areas.

In January 2000, Laclede Energy Resources, Inc., (LER) finalized a multi-year arrangement with UtiliCorp United, Inc. (UtiliCorp) to provide a significant portion of the gas supply for a natural gas fired power plant currently under construction in Pleasant Hill, Missouri. The four-year agreement is scheduled to go into effect June 1, 2001. LER will provide UtiliCorp with up to 5 billion cubic feet of natural gas annually – the equivalent of about 5% of the annual sendout of Laclede Gas Company in a normal year – and will manage fluctuations in UtiliCorp's gas-purchase requirements on an as-needed basis to satisfy summer power needs.

After more than three years of preparing for any potential year 2000 problems that threatened non-compliant computer programs and processes, the Company met the turn of the century without incident. Its computer-based systems operated normally and continue to do so. The Company incurred total costs of approximately $20.7 million through September 30, 2000 for replacements and modifications of various computer systems. Nearly all of this amount was capitalized. The Company used funds from internally generated cash flows and short-term borrowings to pay these costs. In the 1998 rate case, the MoPSC authorized Laclede to capitalize the expenses incurred in connection with making its information systems ready for year 2000 operations. The MoPSC also authorized Laclede to defer any interim property tax, depreciation or carrying cost expenses that it incurred in connection with these capitalized items. As a result of the 1999 rate case, however, deferral of these costs ceased December 27, 1999. In 1999, the Commission authorized previously deferred costs to be included in rates (without return on investment) and amortized over a fifteen-year period effective with the implementation of new rates on December 27, 1999.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are forward-looking statements made based upon the Company's expectations and beliefs concerning future developments and their potential effect on Laclede. These statements, however, do not include financial statements and other statements of historical fact. The forward-looking statements may be identified by the use of such terms as "anticipate," "believe," "estimate," "expect," "intend," "plan," "seek" and similar expressions. Future developments may not be in accordance with the Company's expectations or beliefs and the effect of future developments on Laclede may not be those anticipated. Among the factors that may cause actual results to differ materially from those contemplated in any forward-looking statements are:

- weather conditions and catastrophic events
- changes in transportation and gas supply costs or availability
- regulatory actions and initiatives of federal and state regulatory agencies, some of which could be retroactive, including those affecting:
  - financings
  - allowed rates of return
  - incentive regulation
  - industry and rate structure
  - purchased gas adjustment provisions
  - franchise renewal
  - environmental or safety requirements
- the effects of any industry or corporate restructuring
- the results of litigation
- conservation efforts of our customers
- economic factors such as changes in the conditions of capital markets, interest rates and rates of inflation
- inability to retain existing customers or to attract new customers
- ability to obtain funds from operations or the sale of debt or equity to finance necessary capital expenditures and other investments
- employee work force issues
- statutory or tax changes
- changes in accounting standards

The Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

CONSOLIDATED FINANCIAL DATA

(Thousands Except Per Share Amounts)

Fiscal Years Ended September 30	2000	1999	1998
Summary of Operations			
Operating Revenues:			
Utility operating revenues	**$531,152**	$473,710	$548,192
Non-utility operating revenues	**34,976**	17,608	13,651
Total operating revenues	**566,128**	491,318	561,843
Operating Expenses:			
Utility operating expenses:			
Natural and propane gas	**295,263**	246,350	311,869
Other operation expenses	**87,063**	83,762	86,183
Maintenance	**18,644**	19,583	18,720
Depreciation and amortization	**24,774**	21,490	25,310
Taxes, other than income taxes	**42,799**	41,669	43,782
Total utility operating expenses	**468,543**	412,854	485,864
Non-utility operating expenses	**34,269**	17,245	12,659
Total operating expenses	**502,812**	430,099	498,523
Operating Income	**63,316**	61,219	63,320
Allowance for Funds Used During Construction	**397**	739	609
Other Income and Income Deductions – Net	**365**	(942)	674
Income Before Interest and Income Taxes	**64,078**	61,016	64,603
Interest Charges:			
Interest on long-term debt	**15,164**	13,966	14,797
Other interest charges	**8,844**	6,627	6,473
Total interest charges	**24,008**	20,593	21,270
Income Before Income Taxes	**40,070**	40,423	43,333
Income Taxes *(Note 8)*	**14,105**	14,361	15,441
Income Before Cumulative Effect of Change in Accounting	**25,965**	26,062	27,892
Cumulative Effect of Change in Accounting	—	—	—
Net Income	**25,965**	26,062	27,892
Dividends on Preferred Stock	**93**	97	97
Earnings Applicable to Common Stock	**$ 25,872**	$ 25,965	$ 27,795
Earnings Per Share of Common Stock:			
Before Cumulative Effect of Change in Accounting	**$1.37**	$1.43	$1.58
Cumulative Effect of Change in Accounting	—	—	—
Total	**$1.37**	$1.43	$1.58
Dividends Declared – Common Stock	**$ 25,297**	$ 24,459	$ 23,229
Dividends Declared Per Share of Common Stock	**$1.34**	$1.34	$1.32
Utility Plant			
Gross Plant – End of Period	**$921,378**	$876,431	$835,923
Net Plant – End of Period	**548,833**	519,378	490,682
Construction Expenditures	**51,635**	48,698	47,254
Property Retirements	**6,663**	8,190	6,205
Total Assets	**$931,740**	$837,664	$777,291
Capitalization – *End of Period*			
Common Stock and Paid-In Capital	**$106,579**	$106,570	$ 82,460
Retained Earnings	**200,423**	199,848	198,342
Accumulated Other Comprehensive Income	—	(77)	—
Treasury Stock	**(24,017)**	(24,017)	(24,017)
Common stock equity	**282,985**	282,324	256,785
Redeemable Preferred Stock	**1,763**	1,923	1,960
Long-Term Debt	**234,408**	204,323	179,238
Total capitalization	**$519,156**	$488,570	$437,983
Shares of Common Stock Outstanding – End of Period	**18,878**	18,878	17,628
Book Value Per Share	**$14.99**	$14.96	$14.57

1997	1996	1995	1994	1993	1992	1991	1990
$607,236	$560,684	$432,628	$525,788	$504,601	$418,731	$439,045	$476,205
8,494	32,494	2,780	2,489	2,318	2,140	1,289	1,705
615,730	593,178	435,408	528,277	506,919	420,871	440,334	477,910
357,755	319,595	221,533	309,979	291,167	235,646	254,373	297,112
90,778	84,956	80,655	84,979	81,108	73,615	73,887	71,751
18,273	18,232	17,547	18,406	16,724	15,416	14,329	14,919
25,890	25,015	23,676	19,332	18,704	18,033	17,048	16,399
46,543	44,995	40,537	42,634	41,068	35,340	35,295	36,964
539,239	492,793	383,948	475,330	448,771	378,050	394,932	437,145
7,547	30,587	2,000	2,086	2,001	2,025	1,556	1,626
546,786	523,380	385,948	477,416	450,772	380,075	396,488	438,771
68,944	69,798	49,460	50,861	56,147	40,796	43,846	39,139
367	17	247	203	186	377	156	126
597	(647)	(150)	185	1,112	1,160	1,690	(4,276)
69,908	69,168	49,557	51,249	57,445	42,333	45,692	34,989
14,169	13,939	12,544	12,626	14,415	13,803	13,062	12,222
4,919	4,008	5,983	3,768	1,798	1,811	1,524	1,081
19,088	17,947	18,527	16,394	16,213	15,614	14,586	13,303
50,820	51,221	31,030	34,855	41,232	26,719	31,106	21,686
18,354	18,397	10,129	12,638	16,065	8,445	11,076	4,783
32,466	32,824	20,901	22,217	25,167	18,274	20,030	16,903
—	—	—	—	—	—	—	1,650
32,466	32,824	20,901	22,217	25,167	18,274	20,030	18,553
97	97	97	97	97	97	97	99
$ 32,369	$ 32,727	$ 20,804	$ 22,120	$ 25,070	$ 18,177	$ 19,933	$ 18,454
$1.84	$1.87	$1.27	$1.42	$1.61	$1.17	$1.28	$1.08
—	—	—	—	—	—	—	.10
$1.84	$1.87	$1.27	$1.42	$1.61	$1.17	$1.28	$1.18
$ 22,825	$ 22,079	$ 20,538	$ 19,054	$ 18,938	$ 18,703	$ 18,703	$ 18,396
$1.30	$1.26	$1.24	$1.22	$1.21½	$1.20	$1.20	$1.18
$794,901	$782,235	$747,820	$711,712	$679,762	$645,736	$607,447	$574,359
467,678	452,270	434,384	411,683	390,832	367,293	339,323	316,284
42,842	41,267	45,847	39,193	40,880	44,660	38,291	29,215
6,241	6,506	9,199	6,757	6,135	5,693	5,196	3,171
$726,568	$695,204	$642,534	$613,799	$520,784	$475,662	$506,187	$441,732
$ 80,628	$ 80,628	$ 77,686	$ 45,638	$ 43,702	$ 43,702	$ 43,702	$ 43,701
193,776	184,232	173,584	173,318	170,252	164,120	164,646	163,416
—	—	—	—	—	—	—	—
(24,017)	(24,017)	(24,017)	(24,017)	(24,017)	(24,017)	(24,017)	(24,017)
250,387	240,843	227,253	194,939	189,937	183,805	184,331	183,100
1,960	1,960	1,960	1,960	1,960	1,960	1,960	1,966
154,413	179,346	154,279	154,211	165,745	146,640	164,822	129,813
$406,760	$422,149	$383,492	$351,110	$357,642	$332,405	$351,113	$314,879
17,558	17,558	17,420	15,670	15,586	15,586	15,586	15,586
$14.26	$13.72	$13.05	$12.44	$12.19	$11.79	$11.83	$11.75

STATISTICS

Fiscal Years Ended September 30	2000	1999	1998
Utility Operating Revenues *(Thousands of Dollars):*			
Residential	$346,159	$ 324,115	$365,768
Commercial and Industrial	123,578	112,890	132,504
Interruptible	1,922	1,808	2,254
Transportation	13,722	14,132	12,734
Off System and Other Incentive	40,163	16,216	29,852
Exploration and Development	—	—	—
Provisions for Refunds and Other	5,608	4,549	5,080
Total utility operating revenues	$531,152	$ 473,710	$548,192
Therms Sold and Transported *(Thousands):*			
Residential	495,494	530,919	560,732
Commercial and Industrial	228,311	245,138	259,205
Interruptible	4,428	5,643	5,838
Transportation	187,866	188,580	190,811
System therms sold and transported	916,099	970,280	1,016,586
Off System	119,053	55,655	104,763
Total therms sold and transported	1,035,152	1,025,935	1,121,349
Customers – *End of Period:*			
Residential	586,783	582,719	577,224
Commercial and Industrial	39,419	39,041	38,519
Interruptible	14	13	15
Transportation	154	155	149
Total customers	626,370	621,928	615,907
Average Use and Revenue *(Based on Average Monthly Use):*			
Use Per Customer – Therms:			
Residential, without heat	316	329	332
Residential, with heat	843	910	969
Revenue Per Customer:			
Residential, without heat	$ 316.63	$ 294.35	$ 313.79
Residential, with heat	587.51	554.53	630.64
Gas Statistics *(Millions of Therms):*			
Produced	.2	2.6	.3
Natural Gas Purchased and Received for Transportation	939.1	1,003.0	1,048.6
Withdrawn from Storage	231.7	240.1	221.2
Total system receipts	1,171.0	1,245.7	1,270.1
Less:			
Used by Company	.7	.9	.9
Delivered to Storage	234.0	250.0	234.3
Unaccounted For	20.2	24.5	18.3
System therms sold and transported	916.1	970.3	1,016.6
Peak Day System Sendout	8.4	10.5	8.8
Mean Temperature (F) on Peak Day	21°	3°	14°
Estimated System Sendout on Zero Day	11.1	11.3	11.4
Degree Days	3,933	4,140	4,404

1997	1996	1995	1994	1993	1992	1991	1990
$395,250	$376,818	$302,770	$363,058	$348,494	$281,325	$300,112	$297,269
152,222	145,466	109,270	142,042	136,462	117,744	128,919	150,440
2,098	2,035	1,655	1,966	2,455	2,684	3,937	11,193
13,042	15,375	13,211	14,898	11,437	12,431	16,517	9,782
34,288	11,640	—	—	—	—	—	—
1,273	856	1,447	1,600	1,488	1,392	1,451	1,262
9,063	8,494	4,275	2,224	4,265	3,155	(11,891)	6,259
$607,236	$560,684	$432,628	$525,788	$504,601	$418,731	$439,045	$476,205
606,327	642,367	541,781	610,858	619,055	547,964	547,458	562,963
296,222	309,477	256,905	289,168	293,211	275,983	275,005	333,060
5,718	5,766	5,692	5,760	6,803	7,848	11,173	30,585
176,622	186,400	173,735	164,318	161,041	139,697	130,886	68,441
1,084,889	1,144,010	978,113	1,070,104	1,080,110	971,492	964,522	995,049
126,149	33,101	—	—	—	—	—	—
1,211,038	1,177,111	978,113	1,070,104	1,080,110	971,492	964,522	995,049
572,794	569,818	566,421	559,225	555,467	552,141	547,322	545,344
37,985	37,735	37,409	36,684	36,514	36,241	35,975	35,696
16	16	16	14	13	17	19	28
142	130	129	124	115	107	102	89
610,937	607,699	603,975	596,047	592,109	588,506	583,418	581,157
356	372	323	353	354	329	316	315
1,055	1,124	957	1,090	1,112	994	998	1,032
$ 328.10	$ 312.04	$ 271.46	$ 289.85	$ 281.67	$ 236.41	$ 241.20	$ 219.66
685.82	657.59	533.45	646.37	624.93	508.86	545.62	544.01
7.5	7.9	.3	3.9	.3	.3	.3	11.3
1,098.2	1,184.8	1,012.9	1,295.8	1,105.4	996.8	995.5	1,005.0
272.8	284.5	250.8	59.0	41.3	32.5	45.8	60.8
1,378.5	1,477.2	1,264.0	1,358.7	1,147.0	1,029.6	1,041.6	1,077.1
1.2	1.3	1.0	.9	.9	.6	.8	1.1
267.6	300.9	258.1	256.9	40.0	34.7	52.5	61.9
24.8	31.0	26.8	30.8	26.0	22.8	23.8	19.1
1,084.9	1,144.0	978.1	1,070.1	1,080.1	971.5	964.5	995.0
10.8	11.7	9.4	11.1	9.0	9.1	9.3	11.9
0*	-3*	12*	-1*	11*	12*	7*	-9*
11.4	11.2	11.2	11.1	11.1	11.1	11.1	11.0
4,953	4,880	4,005	4,694	4,838	4,083	4,024	4,260

Board of Directors

ANDREW B. CRAIG, III
Retired, Chairman of the Board
NationsBank Corporation
St. Louis (Banking)

DR. HENRY GIVENS, JR.
President
Harris-Stowe State College
St. Louis (Education)

C. RAY HOLMAN
Chairman of the Board and
Chief Executive Officer
Mallinckrodt Inc.
St. Louis (Global medical
products company)

ROBERT C. JAUDES
Retired, Chairman of the Board
and Chief Executive Officer

MARY ANN KREY VAN LOKEREN
Chairman and Chief Executive Officer
Krey Distributing Co.
St. Louis
(Wholesaler of beverage products)

W. STEPHEN MARITZ
Vice Chairman, President and
Chief Executive Officer
Maritz Inc.
St. Louis (Performance
improvement, marketing research
and travel services)

WILLIAM E. NASSER
Chairman of the Board
Enchira Biotechnology Corp.
Woodlands, Texas
(Biotechnology for the refining
and oil production industries)

ROBERT P. STUPP
President and
Chief Executive Officer
Stupp Bros., Inc.
St. Louis
(Fabricators of iron and steel)

H. EDWIN TRUSHEIM
Retired, Chairman of the Board
General American Life Insurance Co.
St. Louis (Insurance)

DOUGLAS H. YAEGER
Chairman of the Board,
President and Chief Executive Officer

Chairman Emeritus

LEE M. LIBERMAN
Retired
Former Chairman of the Board

Officers

DOUGLAS H. YAEGER
Chairman of the Board,
President and Chief Executive Officer

GERALD T. MCNEIVE, JR.
Senior Vice President
Finance and General Counsel

KENNETH J. NEISES
Senior Vice President
Energy and Administrative Services

RALPH L. RUSSELL
Senior Vice President
Chief Operations Officer

MUAWIYA A. HUNEIDI
Vice President
Information Systems

MARVIN E. MCMILLIAN
Vice President
Human Resources

JOHN MOTEN, JR.
Vice President
Community Relations

PETER J. PALUMBO, JR.
Vice President
Industrial Relations

JIM G. SMITH
Vice President
Operations

JAMES A. FALLERT
Controller

RONALD L. KRUTZMAN
Treasurer and Assistant Secretary

MARY CAOLA KULLMAN
Secretary and Associate Counsel

PAUL B. HUNKER, JR.
Assistant Vice President
Associate General Counsel

MICHAEL C. PENDERGAST
Assistant Vice President
Associate General Counsel

R. LAWRENCE SHERWIN
Assistant Vice President
Regulatory Administration

MICHAEL R. SPOTANSKI
Assistant Vice President
Finance

LYNN D. RAWLINGS
Assistant Treasurer

SHAREHOLDER INFORMATION

Annual Meeting

The annual meeting of shareholders of Laclede Gas Company will be held at Marriott's Pavilion Hotel, One Broadway, St. Louis, Missouri, 10 a.m. Thursday, January 25, 2001. In connection with this meeting, proxies will be solicited by the Management of the Company. A notice of the meeting, together with a proxy statement and a form of proxy, will be mailed on or about December 15, 2000 to shareholders of record December 11, 2000.

10-K Report Available

Shareholders may obtain a copy of the Company's current Annual Report filed with the Securities and Exchange Commission (SEC) on Form 10-K by writing to the Secretary, Laclede Gas Company, 720 Olive Street, St. Louis, Missouri 63101. Shareholders also may access it on the Company's website at *www.lacledegas.com.* There are no accounting differences between the financial statements presented in this Annual Report and those in the Form 10-K report, but the Form 10-K report does provide certain supplemental information as required by SEC regulations.

Executive Offices

720 Olive Street
St. Louis, Missouri 63101
Telephone: (314) 342-0500

Transfer Agent and Registrar

Transfer Agent and Registrar for Preferred Stock, Series B and C, and Common Stock:

UMB Bank, National Association
Securities Transfer Division
P.O. Box 410064
Kansas City, Missouri 64141-0064
1-800-884-4225

$1 Par Common Stock listed on New York Stock Exchange and Chicago Stock Exchange

Dividend Reinvestment and Stock Purchase Plan

The Company's Dividend Reinvestment and Stock Purchase Plan provides common shareholders the opportunity to purchase additional Laclede common stock by automatically reinvesting dividends and by making additional cash payments. Shareholders who are interested in obtaining more information, including an enrollment card, may write or call:

UMB Bank, National Association
Securities Transfer Division
P.O. Box 410064
Kansas City, Missouri 64141-0064
1-800-884-4225

Common Stock Market & Dividend Information

		PRICE RANGE		
		HIGH	LOW	DIVIDENDS DECLARED
FISCAL 2000	1st Quarter	23 7/16	20	$.33 1/2
	2nd Quarter	21 7/8	17 1/2	$.33 1/2
	3rd Quarter	20 5/8	18 3/4	$.33 1/2
	4th Quarter	22 11/16	19 3/16	$.33 1/2
FISCAL 1999	1st Quarter	27	23	$.33 1/2
	2nd Quarter	27	20 5/8	$.33 1/2
	3rd Quarter	23 5/8	20	$.33 1/2
	4th Quarter	23 3/4	21 1/4	$.33 1/2

LACLEDE GAS COMPANY
720 OLIVE STREET
SAINT LOUIS, MO 63101

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