

Modernization of Infrastructure

Steve Lindsey

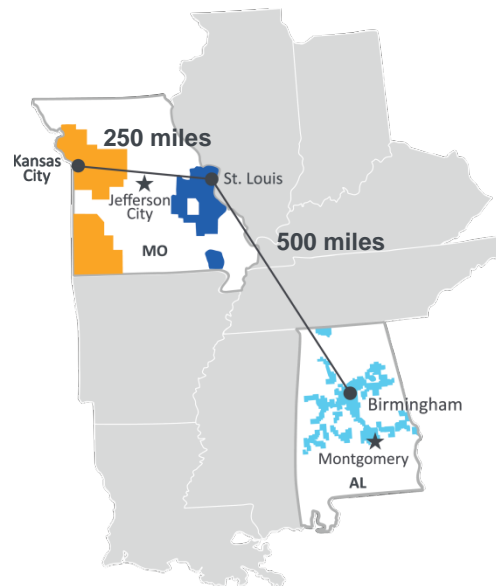
CEO & President – Laclede Gas and Missouri Gas Energy

March 24th, 2016



The Laclede Group

- Three gas utilities with comparable service areas, customers and distribution systems
- Shared focus on providing safe, reliable service
- Similar cultures and community philosophies
- Constructive working relationships with regulators



Founded	1857	1867	1852
Corporate Offices	St. Louis, MO	Kansas City, MO	Birmingham, AL
Employees	1,680	640	990
Customers	636,200	492,300	422,300
Pipeline Miles	~16,000	~14,000	~23,200
Metro Population	2.8M	2.3M	1.1M
State Population	6.0M	6.0M	4.8M

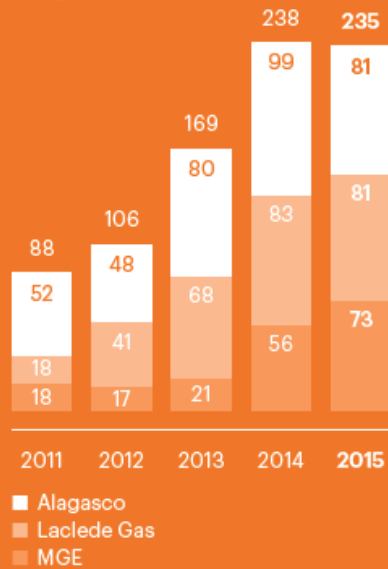
Laclede Gas and MGE information as of September 30, 2013; Alagasco information as of December 31, 2013

The Laclede Group system overview

	Laclede Gas	Missouri Gas Energy (MGE)	Alagasco
Transmission Line Miles	231	46	224
Distribution Mains Miles	8,588	8,514	11,021
Cast Iron Miles	622	293	706
Bare Steel Miles	25	1,053	558
Distribution Services	613,911	502,391	548,342
Total Distribution Customers	646,845	498,685	419,447

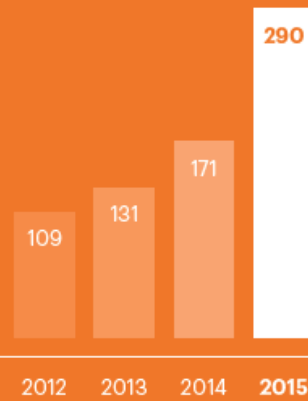
Laclede Group Annual Report Information

Miles of pipeline replaced



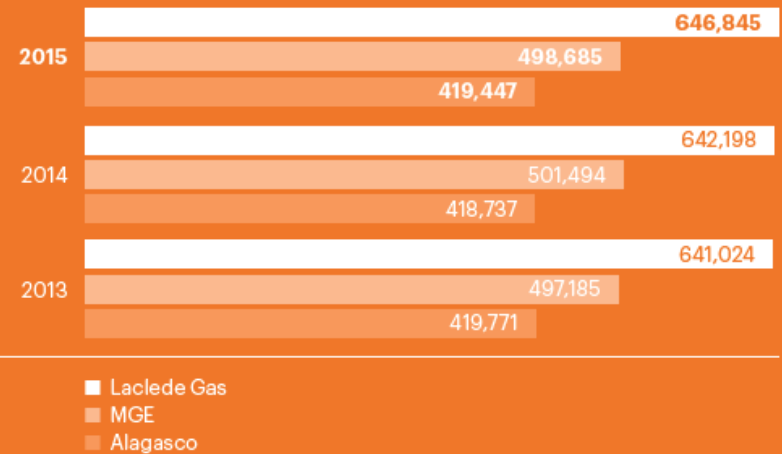
Capital Expenditures

(\$ millions) by fiscal year



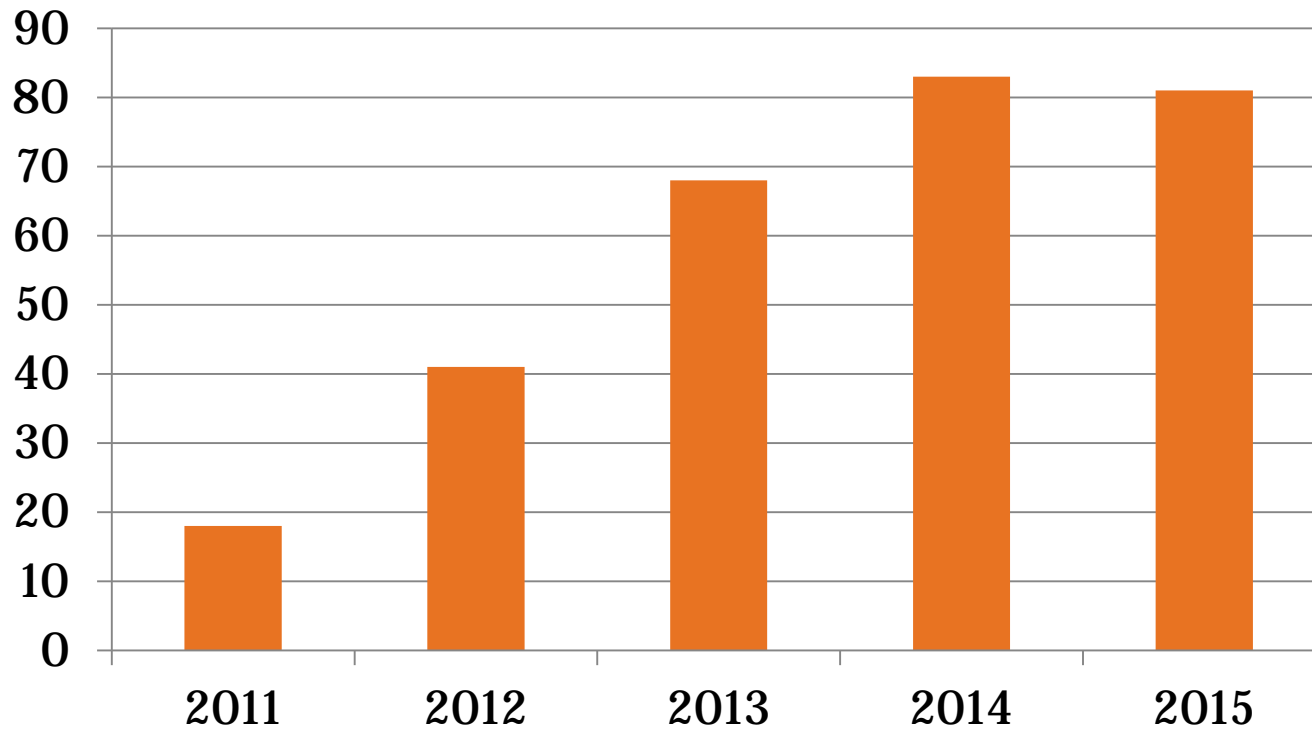
Distribution Customers

average per fiscal year



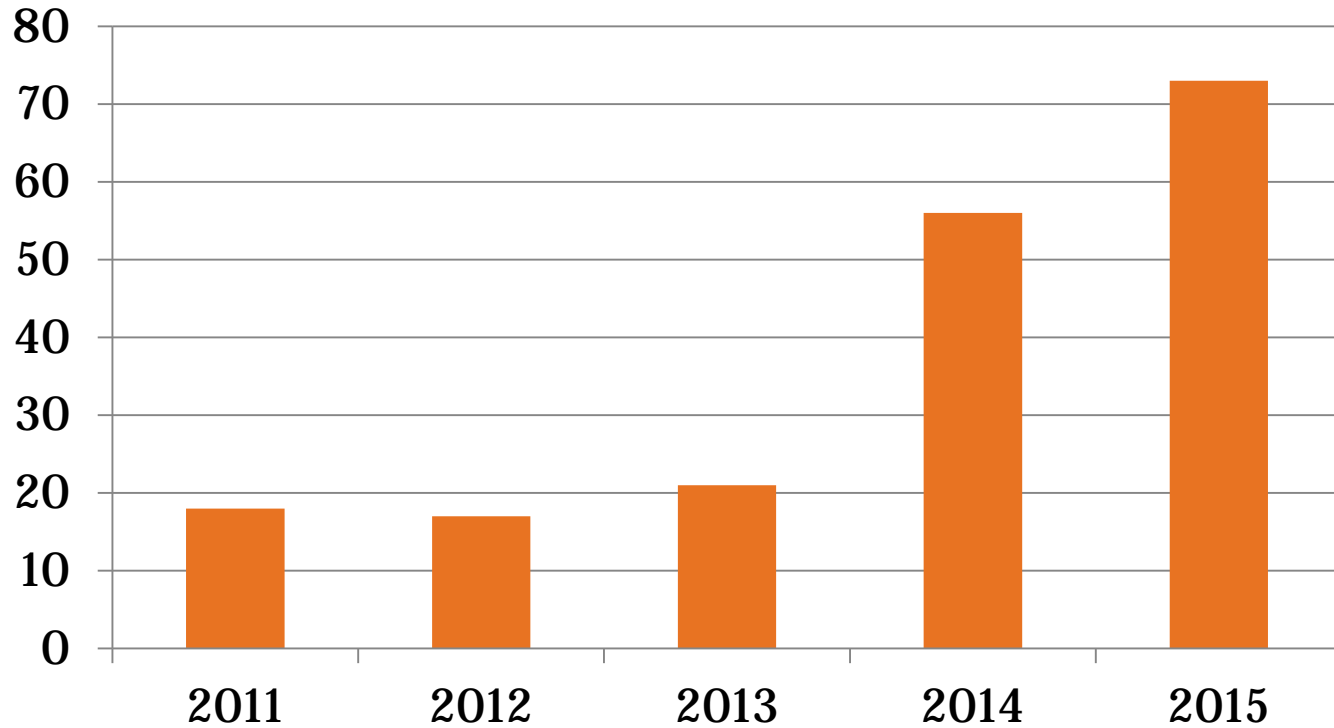
Laclede Gas

Annual Replacement Main (Miles)



Missouri Gas Energy

Annual Replacement Main (Miles)



Infrastructure upgrades – Overview

- Risk base approach for replacement of pipelines
 - Leak history
 - O&M issues
 - Reliability/pressure concerns
- Type of facilities to be replaced
 - Cast iron
 - Steel prone to corrosion
 - Vintage plastic
- Miles of main to be replaced – 4,000 (8% of system)
 - Laclede Gas – 650
 - MGE – 1,375
 - Alagasco – 1,975

Infrastructure Upgrades – Benefits

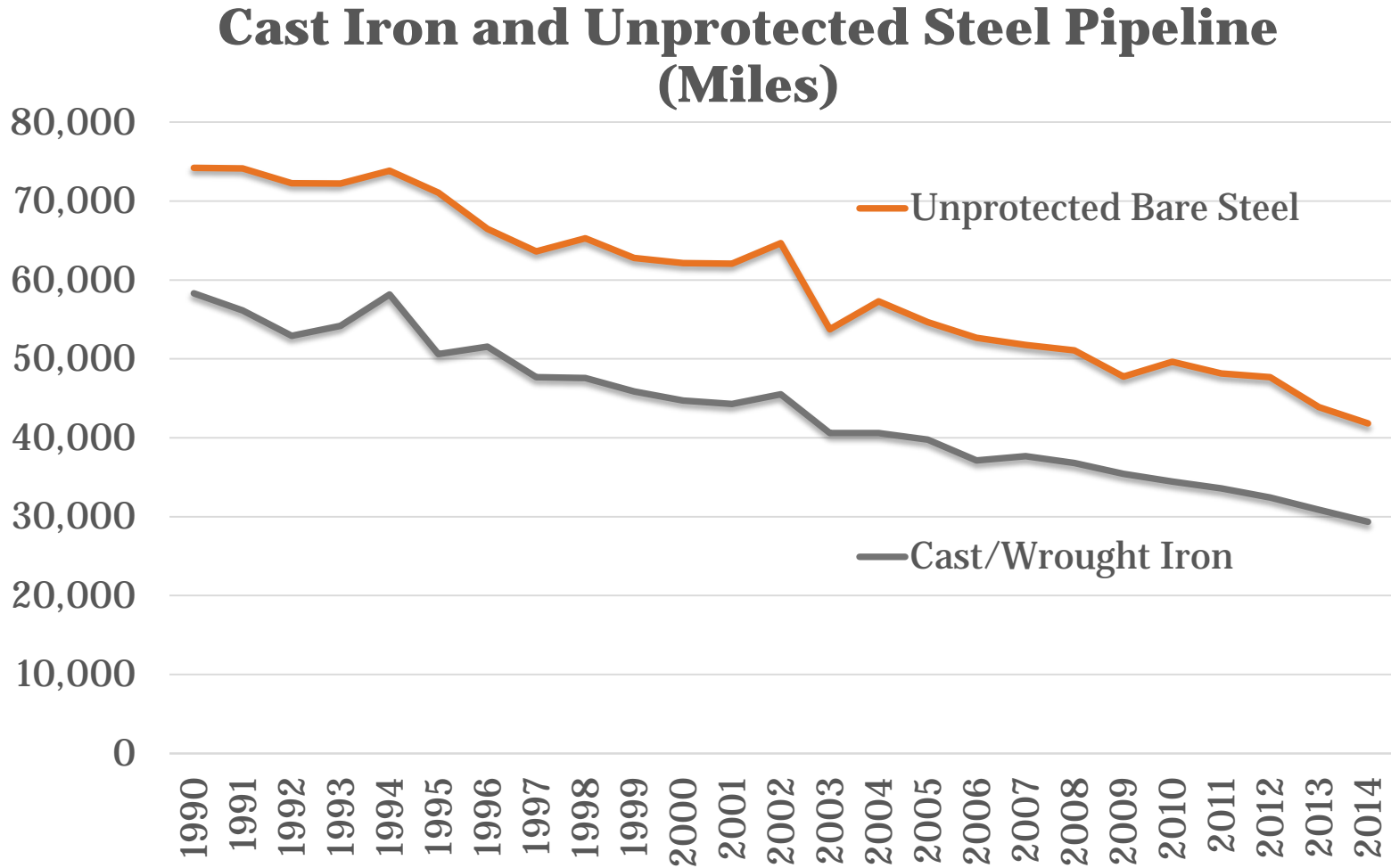
- **Improve pipeline safety**
 - Replacement of aging infrastructure
 - Reduction of pending and future leak volumes
 - Modernization of obsolete regulator stations
- **Enhance customer service**
 - Improve system reliability
 - Prevent water outages/freeze-ups
 - Minimize future customer disruptions
- **Reduce O&M**
 - Elimination of leaks and reduction of leak surveys
 - Cathodic protection upgrades
 - Lower paving and general maintenance costs

Infrastructure Upgrades

Use of enhanced technology

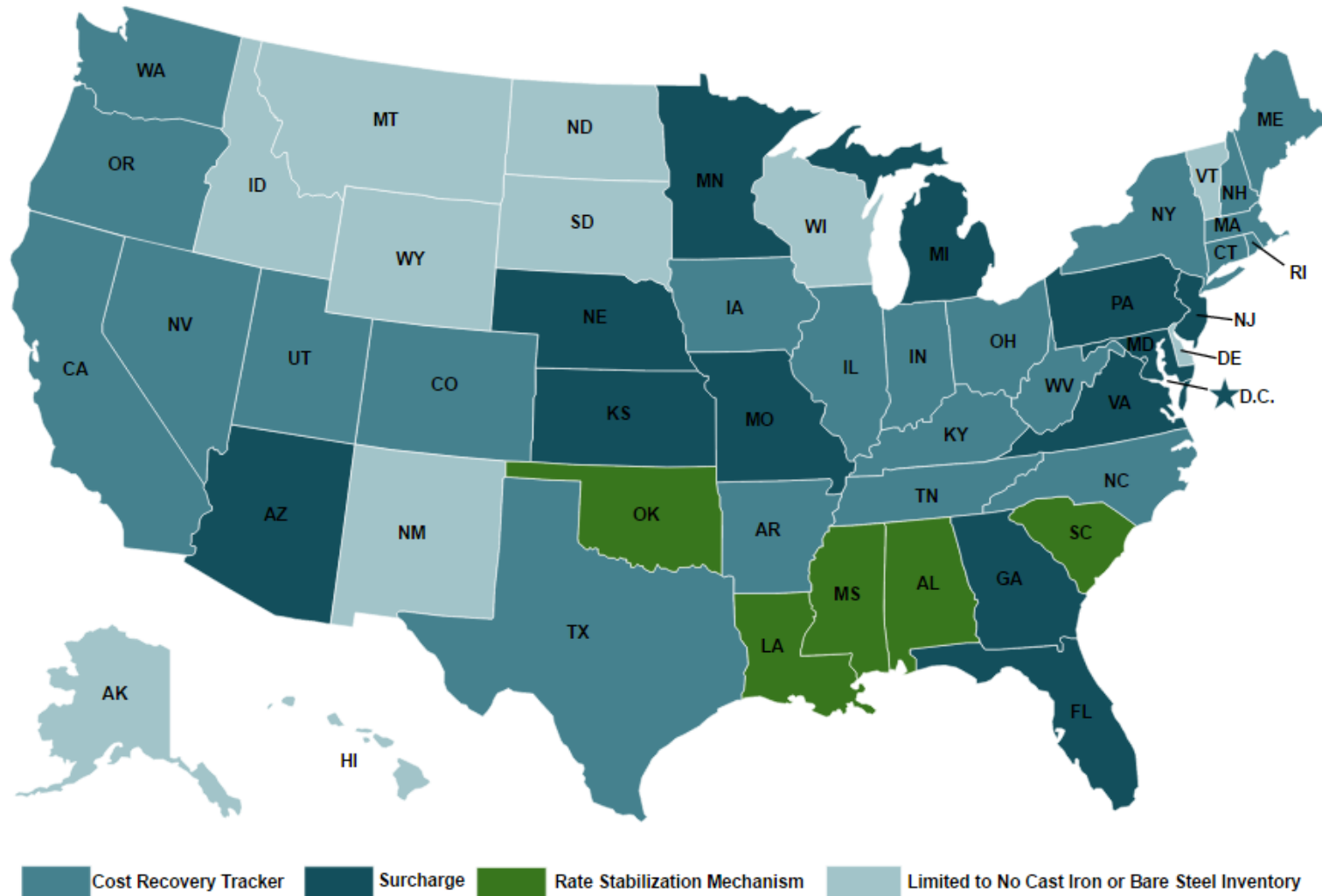
- Trenchless excavation – directional boring
- Current materials – polyethylene plastic pipe and valves
- Upgraded telemetry and SCADA equipment
- Improved engineering and design – GIS and other software
- Inline inspection tools for pipeline integrity – “smart pigs”
- Advanced leak survey and detection systems – Picarro Surveyor
- Innovative corrosion control techniques – remote monitoring

System Modernization Has Been a Decades Long Process and Will Continue



Source: Department of Transportation

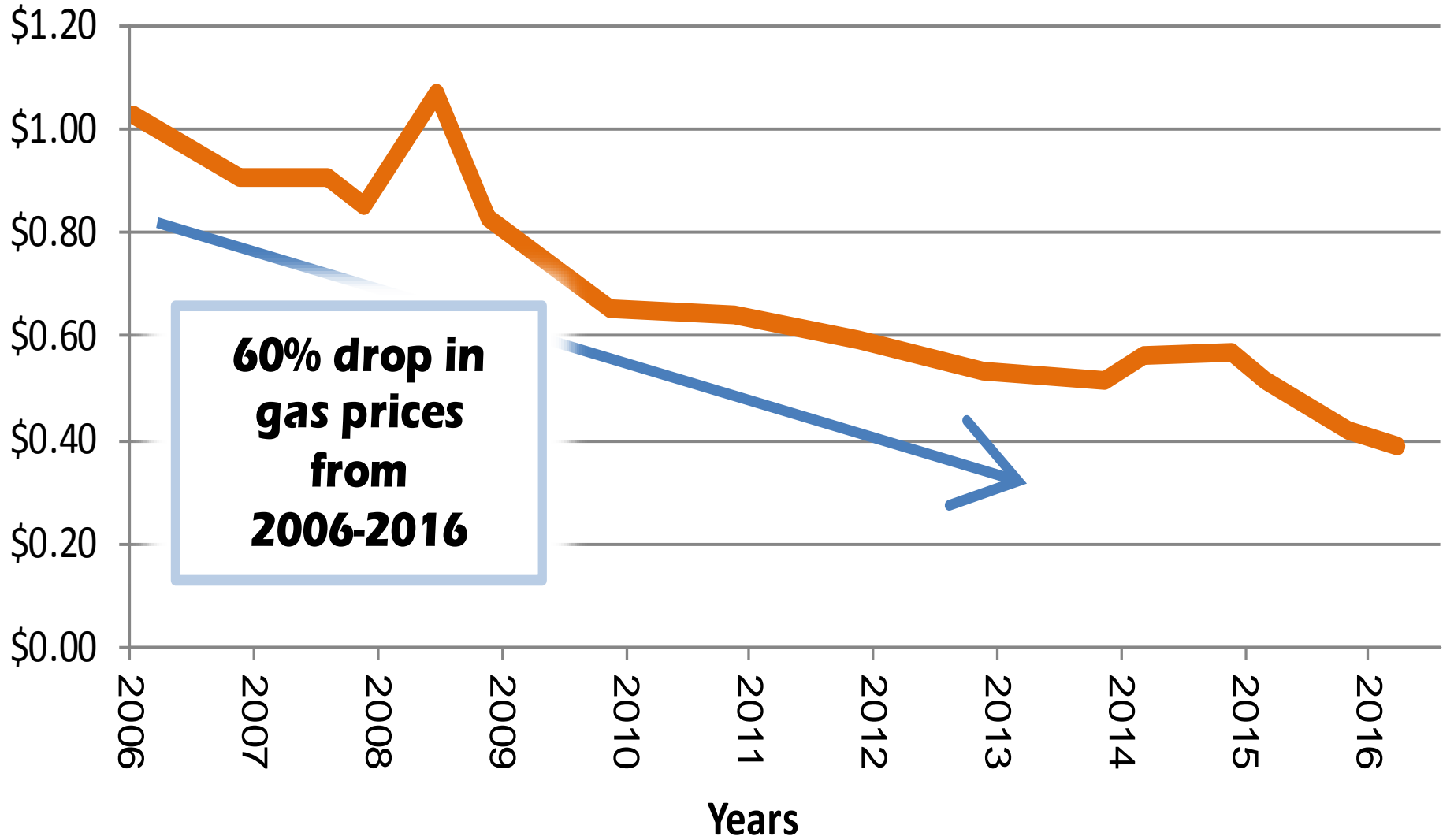
States with Accelerated Infrastructure Cost Recovery



ISRS – Infrastructure System Replacement Surcharge

- **Key provisions**
 - Allows timely recovery of capital replacement costs by utilities
 - ISRS was enacted into MO law in 2003
 - Regulated program by the Missouri PSC
 - Surcharge----Monthly line item on a customer's bill
 - Allows biannual ISRS rate change
 - Utility must file general rate case every three years to reset ISRS
 - ISRS revenue is capped at 10% of distribution revenue over a three-year period

Laclede Gas PGA Rates 2006 - 2016



Current Issue

- Update regulatory structure to reduce unnecessary expense on customers and company—statutory change
- Modify Rate Case filing requirement 3 – 5 years
- 39 States have similar program—only Utah has 3 yr requirement
- Internal focus on growth--3X size in last 3 years
- Good for Missouri customers---Good for Missouri, St Louis

Thank you