

THE LACLEDE GROUP, INC.
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CHIEF FINANCIAL OFFICER

March 29, 2011

Via E-mail (to:Rule-comments@sec.gov)

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F. Street N.E.
Washington DC 20549-1090

Re: File No. S7-18-08
Securities and Exchange Commission Release No. 33-9186, Security
Ratings

Ladies and Gentlemen,

The Laclede Group, Inc. ("Laclede") appreciates the opportunity to comment on the Securities and Exchange Commission's (SEC's) proposed amendments to the eligibility requirements for Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"). The proposed amendments would eliminate the provision that currently allows issuers of investment grade debt securities to use Form S-3. Instead, only those entities that have issued \$1 billion or more in debt securities over a three-year period would be permitted to use it. This proposal is similar to that proposed by the SEC in 2008 in Release No. 33-8940.

Laclede is a holding company based in St. Louis, Missouri with fiscal year 2010 consolidated revenues of \$1.7 billion and consolidated assets of \$1.8 billion, \$1.7 billion of which are utility assets. It was created by Laclede Gas Company in 2001 to serve as its holding company parent and now qualifies as a well-known seasoned issuer (WKSI). Laclede Gas Company, the largest natural gas distribution company in the State of Missouri with over with 630,000 customers, remains its primary subsidiary. The stock of Laclede, and previously Laclede Gas Company, has been listed on the NYSE continuously for over 120 years.

Background on Gas Utility Use of Form S-3

Laclede Gas Company, like many other gas utilities, is part of a corporate structure where the parent holding company has its outstanding common stock publicly held, the parent holds 100% of the utility's common stock and the utility subsidiary issues its own public debt to meet its financing needs. Many of these regulated utility subsidiaries are public reporting entities but do not have the equity float otherwise required for S-3 eligibility because all of their equity is owned by the parent holding company.

Laclede Gas Company has been issuing first mortgage bonds to the public since 1945. Its most recent offering was a public retail offering registered on Form S-3 in September 2008, with Edward Jones as the lead underwriter. Laclede Gas successfully accessed the public debt market and completed this retail offering with favorable terms at the same time that the credit crisis was precluding other entities from accessing the marketplace. As evident from its most recent offering, investors in Laclede Gas public debt offerings have included not only insurance companies, banks and other corporations, but also individuals.

Like most utilities, Laclede Gas carefully manages its outstanding debt obligations and the need to access the debt markets so as to maintain investment grade credit ratings. Because of its prudent approach to the use of debt, Laclede Gas will not meet the proposed \$1 billion threshold for continued use of the S-3, thereby impacting its continued ability to efficiently and effectively access the debt markets.

Laclede generally endorses the comments submitted by the American Gas Association on behalf of the natural gas utility industry on March 28, 2011 and Edison Electric Institute on behalf of the electric utility industry on September 5, 2008 and December 3, 2009. Members of the natural gas and electric utility industries will be negatively impacted by the proposed rule changes. The utility industry is one of the most capital-intensive; annually investing billions of dollars in the reliability and safety of our nation's energy infrastructure. Utilities' use of the Form S-3 has provided efficient and ready access to capital to fund these investments. Given their history of issuances under Form S-3 and the investment quality of their securities, utilities are well-known debt issuers followed by market analysts and the public. Further, the utilities are reporting entities under the Exchange Act, providing public access to substantial information about the utilities.

Impact of the Proposal

Laclede Gas Company has relied and continues to rely on the Form S-3 to offer debt securities to the public as needed, timing the issuances of those securities so as to benefit from favorable interest rates and market conditions. The Form S-3 has allowed us to keep our cost of financing and cost of capital low with corresponding benefits for our customers. The proposed eligibility standard of \$1 billion in non-convertible securities issued in public offerings over 3 years would prevent Laclede Gas Company, as well as

many other utilities, from continuing to use the Form S-3. Without the ability to continue relying on the Form S-3 or its equivalent, Laclede Gas would incur significant additional costs and delays involved in using the Form S-1, or in relying on private funding. We encourage the SEC to continue to allow Laclede Gas Company, and other regulated utilities, to rely on the Form S-3 or an equivalent approach that avoids the delays in utilizing the public markets to issue debt securities.

If the Form S-3 is amended as proposed, it will likely encourage many utilities to increase their use of private placement debt since the remaining available Form S-1 will not allow quick reactions to capital market conditions. The Form S-1 does not incorporate future filings, as permitted under the Form S-3, resulting in the need to file an amendment to the registration statement for each offering and then awaiting SEC review and comment. With utilities using the private placement market instead, there would be less transparency and competition in the debt marketplace for utilities. The transition to the private marketplace could have several consequences. First, investment worthy opportunities for retail investors would be fewer as most retail investors would not meet the eligibility standards to participate in private placements. Also, the increased costs to the utilities would flow through to their customers resulting in higher costs for them as well. Further, all of this would occur at a time of increasing national focus on promoting increased investment in infrastructure. The ability to use the Form S-3 and react quickly to capital market conditions is crucial to containing costs for the utilities and their customers.

Utility Subsidiaries Subject to State Regulation Should Remain Eligible

Utilities are subject to regulation at the state and federal levels with oversight of their capital structure, rates, revenues, assets and costs. Further, utilities have substantial assets and long track records of income and payment of debt. As part of this regulation, utilities typically must maintain certain debt to equity ratios and receive prior authorization from the state public service commission to issue debt with a term of over 1 year. These authorizations generally include certain restrictions on the amount, type and costs of debt as well as the uses for such debt. As suggested by others, regulation by a state commission would provide a better metric for eligibility to issue debt on Form S-3 than the \$1 billion threshold.

WKSI Subsidiaries in Good Standing Should Remain Eligible

Laclede Gas, like many other utilities, is a separate reporting entity that files regular reports, including Forms 10-K, 10-Q, and 8-K, with the SEC. These reports are subject to review and comment of the SEC. As such, Laclede Gas must comply with the various public reporting requirements, including making its disclosures readily available to the public. We would also endorse the alternative proposed by Dominion Resources, Inc. on September 5, 2008 to the \$1 billion criteria, that a subsidiary i) all of whose shares are held by a WKSI parent, ii) who is subject to the reporting requirements of the Exchange Act, and iii) who has timely filed all required periodic reports for the prior 12

months; be eligible to continue to use the Form S-3 for non-convertible debt and preferred stock issuances.

Other Eligibility Alternatives

There are other alternatives that have been suggested in the SEC's proposal as well as by other commenters: eligible to use the Form S-3 if entity has \$1 billion in assets, a debt float equal to the equity float required to use the Form S-3 (\$75 million), or grandfathered uses of Form S-3. Laclede would support any of these alternatives as well.

While Laclede understands that the SEC must replace the credit rating references with other criteria, the \$1 billion in public debt offerings over a three-year period is not the appropriate replacement.

If the Commission has any questions about these comments, please contact me or Mary Kullman at mkullman@lacledegas.com or (314) 342-0503.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark D. Waltermire', written in a cursive style.

Mark D. Waltermire