

SPIRE INC
 Form 10-Q
 May 03, 2017
Table of Contents

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D. C. 20549

FORM 10-Q
 (Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT
 OF 1934

For the quarterly period ended March 31, 2017

OR

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

For the transition period from to

Commission File Number	Name of Registrant, Address of Principal Executive Offices and Telephone Number	State of Incorporation	I.R.S. Employer Identification Number
1-16681	Spire Inc. 700 Market Street St. Louis, MO 63101 314-342-0500	Missouri	74-2976504
1-1822	Laclede Gas Company 700 Market Street St. Louis, MO 63101 314-342-0500	Missouri	43-0368139
2-38960	Alabama Gas Corporation 2101 6th Avenue North Birmingham, Alabama 35203 205-326-8100	Alabama	63-0022000

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days.

Spire Inc. Yes No
 Laclede Gas Company Yes No
 Alabama Gas Corporation Yes No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Spire Inc. Yes No
 Laclede Gas Company Yes No
 Alabama Gas Corporation Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
Spire Inc.	X				
Laclede Gas Company			X		
Alabama Gas Corporation			X		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Spire Inc.	<input type="checkbox"/>
Laclede Gas Company	<input type="checkbox"/>
Alabama Gas Corporation	<input type="checkbox"/>

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Spire Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Laclede Gas Company	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Alabama Gas Corporation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

The number of shares outstanding of each registrant’s common stock as of April 28, 2017 was as follows:

Spire Inc.	Common Stock, par value \$1.00 per share	48,258,599
Laclede Gas Company	Common Stock, par value \$1.00 per share (all owned by Spire Inc.)	24,577
Alabama Gas Corporation	Common Stock, par value \$0.01 per share (all owned by Spire Inc.)	1,972,052

Laclede Gas Company and Alabama Gas Corporation meet the conditions set forth in General Instructions H(1)(a) and (b) to Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instructions H(2) to Form 10-Q.

This combined Form 10-Q represents separate filings by Spire Inc., Laclede Gas Company and Alabama Gas Corporation. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants, except that information relating to Laclede Gas Company and Alabama Gas Corporation are also attributed to Spire Inc.

Table of Contents

TABLE OF CONTENTS Page No.

GLOSSARY 2PART I. FINANCIAL INFORMATIONItem 1 Financial Statements(Unaudited):

Spire Inc.

Condensed
Consolidated
Statements of 4
IncomeCondensed
Consolidated
Statements of 5
Comprehensive
IncomeCondensed
Consolidated 6
Balance SheetsCondensed
Consolidated
Statements of 8
Common
Shareholders'
EquityCondensed
Consolidated
Statements of 9
Cash FlowsLaclede Gas
CompanyCondensed
Statements of 10
IncomeCondensed
Statements of 11
Comprehensive
IncomeCondensed 12
Balance SheetsCondensed
Statements of 14
Common
Shareholder's
EquityCondensed 15
Statements of

<u>Cash Flows</u>	
Alabama Gas Corporation	
<u>Condensed Statements of Income</u>	<u>16</u>
<u>Condensed Balance Sheets</u>	<u>17</u>
<u>Condensed Statements of Common Shareholder's Equity</u>	<u>19</u>
<u>Condensed Statements of Cash Flows</u>	<u>20</u>
Notes to Financial Statements	
<u>Note 1. Summary of Significant Accounting Policies</u>	<u>21</u>
<u>Note 2. Earnings Per Common Share</u>	<u>25</u>
<u>Note 3. Regulatory Matters</u>	<u>26</u>
<u>Note 4. Financing Arrangements and Long-term Debt</u>	<u>29</u>
<u>Note 5. Fair Value of Financial Instruments</u>	<u>30</u>
<u>Note 6. Fair Value Measurements</u>	<u>31</u>
<u>Note 7. Concentrations of Credit Risk</u>	<u>35</u>
<u>Note 8. Pension Plans and Other Postretirement Benefits</u>	<u>35</u>
<u>Note 9. Information by Operating</u>	<u>38</u>

	<u>Segment</u>	
	<u>Note 10.</u>	
	<u>Commitments</u>	<u>41</u>
	<u>and</u>	
	<u>Contingencies</u>	
	<u>Note 11.</u>	
	<u>Subsequent</u>	<u>44</u>
	<u>Events</u>	
<u>Item 2</u>	<u>Management's Discussion</u> <u>and Analysis of Financial</u> <u>Condition and Results of</u> <u>Operations</u>	<u>45</u>
<u>Item 3</u>	<u>Quantitative and</u> <u>Qualitative Disclosures</u> <u>About Market Risk</u>	<u>63</u>
<u>Item 4</u>	<u>Controls and Procedures</u>	<u>63</u>
	<u>PART II. OTHER</u> <u>INFORMATION</u>	
<u>Item 1</u>	<u>Legal Proceedings</u>	<u>64</u>
<u>Item 2</u>	<u>Unregistered Sales of</u> <u>Equity Securities and</u> <u>Use of Proceeds</u>	<u>65</u>
<u>Item 6</u>	<u>Exhibits</u>	<u>65</u>
	<u>SIGNATURES</u>	<u>66</u>
	<u>EXHIBIT INDEX</u>	<u>67</u>

Table of Contents

GLOSSARY OF KEY TERMS AND ABBREVIATIONS

Alabama Utilities	Alagasco and Mobile Gas, the utilities serving the Alabama region	MDNR	Missouri Department of Natural Resources
Alagasco	Alabama Gas Corporation	MGE	Missouri Gas Energy
AOCI	Accumulated other comprehensive income or loss	MGP	Manufactured gas plant
APSC	Alabama Public Service Commission	Missouri Utilities	Laclede Gas Company (including MGE), the utilities serving the Missouri region
ASC	Accounting Standards Codification	MMBtu	Million British thermal units
ASU	Accounting Standards Update	Mobile Gas	Mobile Gas Service Corporation
Bcf	Billion cubic feet	MoPSC	Missouri Public Service Commission
BVCP	Brownfields/Voluntary Cleanup Program	MSPSC	Mississippi Public Service Commission
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980	NYMEX	New York Mercantile Exchange, Inc.
Degree days	The average of a day's high and low temperature below 65, subtracted from 65, multiplied by the number of days impacted	NYSE	New York Stock Exchange
EnergySouth	EnergySouth, Inc.	O&M	Operation and maintenance expense
EPA	US Environmental Protection Agency	OPC	Missouri Office of the Public Counsel
EPS	Earnings per share	OTCBB	Over-the-Counter Bulletin Board
FASB	Financial Accounting Standards Board	PGA	Purchased Gas Adjustment
FERC	Federal Energy Regulatory Commission	PRP	Potentially responsible party
GAAP	Accounting principles generally accepted in the United States of America	RSE	Rate Stabilization and Equalization
Gas Marketing	Operating segment including Spire Marketing, which is engaged in the non-regulated marketing of natural gas and related activities	SEC	US Securities and Exchange Commission
Gas Utility	Segment including the regulated operations of the Utilities	Spire Marketing	Spire Marketing Inc. (formerly known as Laclede Energy Resources, Inc., or LER)
GSA	Gas Supply Adjustment	US	United States
ICE	Intercontinental Exchange	Utilities	Laclede Gas, Alagasco, and the subsidiaries of EnergySouth
ISRS	Infrastructure System Replacement Surcharge	Willmut Gas	Willmut Gas & Oil Company
Laclede Gas	Laclede Gas Company, or Missouri Utilities		

Table of Contents

PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by three separate registrants — Spire Inc. (Spire or the Company), Laclede Gas Company (Laclede Gas or Missouri Utilities) and Alabama Gas Corporation (Alagasco) — without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the financial statements and the notes thereto included in each registrant’s respective Form 10-K for the fiscal year ended September 30, 2016.

The Financial Information in this Part I includes separate financial statements (i.e., balance sheets, statements of income and comprehensive income, statements of common shareholders’ equity and statements of cash flows) for Spire, Laclede Gas and Alagasco. The Notes to Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations are also included and presented herein on a combined basis for Spire, Laclede Gas and Alagasco.

3

Table of Contents

Item 1. Financial Statements

SPIRE INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Operating Revenues:				
Gas Utility	\$641.1	\$611.5	\$1,113.4	\$1,010.3
Gas Marketing and other	22.3	(2.2)	45.1	(1.6)
Total Operating Revenues	663.4	609.3	1,158.5	1,008.7
Operating Expenses:				
Gas Utility				
Natural and propane gas	254.3	261.1	448.1	409.6
Operation and maintenance	98.4	94.3	197.8	185.9
Depreciation and amortization	37.9	33.8	75.6	67.3
Taxes, other than income taxes	48.3	43.9	81.7	72.1
Total Gas Utility Operating Expenses	438.9	433.1	803.2	734.9
Gas Marketing and other	44.1	8.5	85.8	19.1
Total Operating Expenses	483.0	441.6	889.0	754.0
Operating Income	180.4	167.7	269.5	254.7
Other Income	3.6	0.8	4.1	2.2
Interest Charges:				
Interest on long-term debt	19.2	16.7	38.3	33.6
Other interest charges	3.5	2.6	6.5	4.7
Total Interest Charges	22.7	19.3	44.8	38.3
Income Before Income Taxes	161.3	149.2	228.8	218.6
Income Tax Expense	53.3	48.4	75.6	70.9
Net Income	\$108.0	\$100.8	\$153.2	\$147.7
Weighted Average Number of Common Shares Outstanding:				
Basic	45.6	43.3	45.6	43.3
Diluted	45.7	43.5	45.7	43.5
Basic Earnings Per Share of Common Stock	\$2.36	\$2.32	\$3.35	\$3.40
Diluted Earnings Per Share of Common Stock	\$2.36	\$2.31	\$3.34	\$3.39
Dividends Declared Per Share of Common Stock	\$0.53	\$0.49	\$1.05	\$0.98

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)

(In millions)	Three Months		Six Months	
	Ended March 31, 2017	2016	Ended March 31, 2017	2016
Net Income	\$108.0	\$100.8	\$153.2	\$147.7
Other Comprehensive Income, Before Tax:				
Cash flow hedging derivative instruments:				
Net hedging gains (losses) arising during the period	1.0	(0.6)	12.5	(1.3)
Reclassification adjustment for (gains) losses included in net income	(0.1)	0.5	0.1	1.7
Net unrealized gains (losses) on cash flow hedging derivative instruments	0.9	(0.1)	12.6	0.4
Net gains on defined benefit pension and other postretirement plans	—	—	0.1	0.1
Net unrealized losses (gains) on available for sale securities	—	0.1	(0.1)	—
Other Comprehensive Income, Before Tax	0.9	—	12.6	0.5
Income Tax Expense Related to Items of Other Comprehensive Income	0.4	—	4.7	0.2
Other Comprehensive Income, Net of Tax	0.5	—	7.9	0.3
Comprehensive Income	\$108.5	\$100.8	\$161.1	\$148.0

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

	March 31, 2017	September 30, 2016	March 31, 2016
(Dollars in millions, except per share amounts)			
ASSETS			
Utility Plant	\$4,978.8	\$4,793.6	\$4,271.3
Less: Accumulated depreciation and amortization	1,585.9	1,506.4	1,286.1
Net Utility Plant	3,392.9	3,287.2	2,985.2
Non-utility Property (net of accumulated depreciation and amortization of \$8.3, \$8.1 and \$7.8 at March 31, 2017, September 30, 2016, and March 31, 2016, respectively)	26.6	13.7	13.8
Goodwill	1,163.9	1,164.9	946.0
Other Investments	63.2	62.1	61.1
Total Other Property and Investments	1,253.7	1,240.7	1,020.9
Current Assets:			
Cash and cash equivalents	19.6	5.2	8.7
Accounts receivable:			
Utility	238.5	127.8	217.1
Other	127.9	113.4	66.8
Allowance for doubtful accounts	(20.8)	(20.5)	(18.9)
Delayed customer billings	11.6	1.6	10.1
Inventories:			
Natural gas	117.6	174.0	97.5
Propane gas	12.0	12.0	12.0
Materials and supplies	16.8	16.3	14.5
Natural gas receivable	7.8	9.7	19.5
Derivative instrument assets	8.2	11.4	7.6
Unamortized purchased gas adjustments	61.0	49.7	8.9
Other regulatory assets	64.8	44.2	32.4
Prepayments and other	19.3	24.8	27.6
Total Current Assets	684.3	569.6	503.8
Deferred Charges:			
Regulatory assets	827.7	838.0	732.6
Other	98.1	128.9	65.0
Total Deferred Charges	925.8	966.9	797.6
Total Assets	\$6,256.7	\$6,064.4	\$5,307.5

Table of Contents

SPIRE INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
 (UNAUDITED)

	March 31, 2017	September 30, 2016	March 31, 2016
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock (par value \$1.00 per share; 70.0 million shares authorized; 45.7 million, 45.6 million, and 43.4 million shares issued and outstanding at March 31, 2017, September 30, 2016 and March 31, 2016, respectively)	\$ 45.7	\$ 45.6	\$ 43.4
Paid-in capital	1,177.7	1,175.9	1,040.3
Retained earnings	655.9	550.9	599.4
Accumulated other comprehensive income (loss)	3.7	(4.2)	(1.7)
Total Common Stock Equity	1,883.0	1,768.2	1,681.4
Long-term debt (less current portion)	1,925.3	1,820.7	1,839.3
Total Capitalization	3,808.3	3,588.9	3,520.7
Current Liabilities:			
Current portion of long-term debt	—	250.0	—
Notes payable	567.4	398.7	253.6
Accounts payable	218.6	210.9	127.1
Advance customer billings	14.5	70.2	31.7
Wages and compensation accrued	29.0	39.8	26.6
Dividends payable	24.9	23.5	22.1
Customer deposits	35.7	34.9	33.0
Interest accrued	15.3	14.8	14.3
Taxes accrued	46.7	55.2	36.8
Unamortized purchased gas adjustments	1.6	1.7	4.3
Other regulatory liabilities	29.7	28.9	33.8
Other	31.9	32.7	35.5
Total Current Liabilities	1,015.3	1,161.3	618.8
Deferred Credits and Other Liabilities:			
Deferred income taxes	690.6	607.3	564.2
Pension and postretirement benefit costs	308.1	303.7	254.8
Asset retirement obligations	212.4	206.4	162.8
Regulatory liabilities	144.1	130.7	110.7
Other	77.9	66.1	75.5
Total Deferred Credits and Other Liabilities	1,433.1	1,314.2	1,168.0
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$ 6,256.7	\$ 6,064.4	\$ 5,307.5

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(UNAUDITED)

(Dollars in millions)	Common Stock Outstanding		Paid-in Capital	Retained Earnings	AOCI*	Total
	Shares	Amount				
Balance at September 30, 2015	43,335,012	\$ 43.3	\$1,038.1	\$ 494.2	\$(2.0)	\$1,573.6
Net income	—	—	—	147.7	—	147.7
Dividend reinvestment plan	12,704	—	0.7	—	—	0.7
Stock-based compensation costs	—	—	2.7	—	—	2.7
Stock issued under stock-based compensation plans	127,496	0.1	0.5	—	—	0.6
Employee's tax withholding for stock-based compensation	(29,227)) —	(1.7)) —	—	(1.7)
Dividends declared	—	—	—	(42.5)) —	(42.5)
Other comprehensive income, net of tax	—	—	—	—	0.3	0.3
Balance at March 31, 2016	43,445,985	\$ 43.4	\$1,040.3	\$ 599.4	\$(1.7)	\$1,681.4
Balance at September 30, 2016	45,650,642	\$ 45.6	\$1,175.9	\$ 550.9	\$(4.2)	\$1,768.2
Net income	—	—	—	153.2	—	153.2
Dividend reinvestment plan	11,820	—	0.8	—	—	0.8
Stock-based compensation costs	—	—	3.3	—	—	3.3
Stock issued under stock-based compensation plans	122,094	0.1	(0.1)) —	—	—
Employee's tax withholding for stock-based compensation	(34,589)) —	(2.2)) —	—	(2.2)
Dividends declared	—	—	—	(48.2)) —	(48.2)
Other comprehensive income, net of tax	—	—	—	—	7.9	7.9
Balance at March 31, 2017	45,749,967	\$ 45.7	\$1,177.7	\$ 655.9	\$ 3.7	\$1,883.0

* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

(In millions)	Six Months Ended March 31,	
	2017	2016
Operating Activities:		
Net Income	\$153.2	\$147.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	75.8	67.6
Deferred income taxes and investment tax credits	75.4	71.0
Changes in assets and liabilities:		
Accounts receivable	(123.0)	(53.5)
Unamortized purchased gas adjustments	0.2	(11.0)
Accounts payable	28.3	(15.4)
Delayed/advance customer billings – net	(65.7)	(20.1)
Taxes accrued	(13.8)	(14.7)
Inventories	55.9	91.4
Other assets and liabilities	36.7	(19.6)
Other	3.1	(0.4)
Net cash provided by operating activities	226.1	243.0
Investing Activities:		
Capital expenditures	(187.3)	(121.8)
Settlement for acquisition of EnergySouth	3.8	—
Other	0.6	(0.7)
Net cash used in investing activities	(182.9)	(122.5)
Financing Activities:		
Issuance of long-term debt	250.0	80.0
Repayment of long-term debt	(393.8)	(80.0)
Issuance (repayment) of short-term debt - net	168.7	(84.4)
Issuance of common stock	0.1	2.1
Dividends paid	(46.8)	(41.6)
Other	(7.0)	(1.7)
Net cash used in financing activities	(28.8)	(125.6)
Net Increase (Decrease) in Cash and Cash Equivalents	14.4	(5.1)
Cash and Cash Equivalents at Beginning of Period	5.2	13.8
Cash and Cash Equivalents at End of Period	\$19.6	\$8.7
Supplemental disclosure of cash paid for:		
Interest	\$(41.8)	\$(36.2)
Income taxes	(0.9)	(0.2)

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

(In millions)	Three Months		Six Months	
	Ended March 31, 2017	2016	Ended March 31, 2017	2016
Operating Revenues:				
Utility	\$447.2	\$446.7	\$810.8	\$763.9
Total Operating Revenues	447.2	446.7	810.8	763.9
Operating Expenses:				
Utility				
Natural and propane gas	241.2	242.8	432.5	392.6
Operation and maintenance	57.5	61.5	118.0	120.3
Depreciation and amortization	23.0	21.9	45.7	43.7
Taxes, other than income taxes	35.3	33.5	59.9	55.2
Total Operating Expenses	357.0	359.7	656.1	611.8
Operating Income	90.2	87.0	154.7	152.1
Other Income	1.9	0.4	2.0	1.2
Interest Charges:				
Interest on long-term debt	8.2	8.2	16.5	16.6
Other interest charges	1.5	1.3	2.9	2.2
Total Interest Charges	9.7	9.5	19.4	18.8
Income Before Income Taxes	82.4	77.9	137.3	134.5
Income Tax Expense	25.4	23.6	42.3	40.8
Net Income	\$57.0	\$54.3	\$95.0	\$93.7

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)

(In millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Net Income	\$57.0	\$54.3	\$95.0	\$93.7
Other Comprehensive (Loss) Income, Net of Tax	(0.2)	0.1	—	0.2
Comprehensive Income	\$56.8	\$54.4	\$95.0	\$93.9

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY
 CONDENSED BALANCE SHEETS
 (UNAUDITED)

	March 31, 2017	September 30, 2016	March 31, 2016
(Dollars in millions, except per share amounts)			
ASSETS			
Utility Plant	\$2,855.0	\$2,718.5	\$2,612.5
Less: Accumulated depreciation and amortization	659.6	604.5	580.7
Net Utility Plant	2,195.4	2,114.0	2,031.8
Goodwill	210.2	210.2	210.2
Other Property and Investments	58.3	57.3	56.2
Total Other Property and Investments	268.5	267.5	266.4
Current Assets:			
Cash and cash equivalents	3.7	2.1	3.8
Accounts receivable:			
Utility	166.4	87.9	159.8
Associated companies	22.7	2.2	1.2
Other	12.0	11.4	17.0
Allowance for doubtful accounts	(16.5)	(16.1)	(14.7)
Delayed customer billings	11.6	1.6	10.1
Inventories:			
Natural gas	75.8	127.3	60.1
Propane gas	12.0	12.0	12.0
Materials and supplies	9.9	9.2	8.9
Derivative instrument assets	2.9	4.9	—
Unamortized purchased gas adjustments	17.1	43.1	3.9
Other regulatory assets	38.2	23.9	23.7
Prepayments and other	10.5	14.5	15.3
Total Current Assets	366.3	324.0	301.1
Deferred Charges:			
Regulatory assets	569.4	589.8	563.8
Other	2.6	1.1	5.8
Total Deferred Charges	572.0	590.9	569.6
Total Assets	\$3,402.2	\$3,296.4	\$3,168.9

Table of Contents

LACLEDE GAS COMPANY
 CONDENSED BALANCE SHEETS (Continued)
 (UNAUDITED)

	March 31, 2017	September 30, 2016	March 31, 2016
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value \$1.00 per share; 50,000 authorized; 24,577 shares issued and outstanding)	\$753.9	\$752.0	\$750.0
Retained earnings	398.6	318.3	342.4
Accumulated other comprehensive loss	(1.8)	(1.8)	(1.5)
Total Common Stock Equity	1,150.7	1,068.5	1,090.9
Long-term debt	804.3	804.1	803.7
Total Capitalization	1,955.0	1,872.6	1,894.6
Current Liabilities:			
Notes payable	—	243.7	169.6
Notes payable – associated companies	282.2	—	—
Accounts payable	57.8	67.6	51.0
Accounts payable – associated companies	5.1	5.4	1.9
Advance customer billings	0.2	49.1	16.1
Wages and compensation accrued	21.8	29.9	21.0
Dividends payable	—	14.0	21.3
Customer deposits	13.1	13.5	12.9
Interest accrued	7.9	7.7	7.6
Taxes accrued	23.8	29.1	19.1
Unamortized purchased gas adjustments	—	—	4.3
Other regulatory liabilities	2.7	1.3	1.3
Other	8.7	9.9	16.2
Total Current Liabilities	423.3	471.2	342.3
Deferred Credits and Other Liabilities:			
Deferred income taxes	607.7	556.9	538.0
Pension and postretirement benefit costs	213.5	211.8	200.8
Asset retirement obligations	77.0	75.2	74.1
Regulatory liabilities	84.5	67.3	69.3
Other	41.2	41.4	49.8
Total Deferred Credits and Other Liabilities	1,023.9	952.6	932.0
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$3,402.2	\$3,296.4	\$3,168.9

See the accompanying Notes to Financial Statements.

Table of Contents

LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
 (UNAUDITED)

(Dollars in millions)	Common Stock		Paid-in Capital	Retained Earnings	AOCI*	Total
	Outstanding Shares	Amount				
Balance at September 30, 2015	24,577	\$ 0.1	\$ 748.2	\$ 291.2	\$(1.7)	\$1,037.8
Net income	—	—	—	93.7	—	93.7
Stock-based compensation costs	—	—	1.7	—	—	1.7
Dividends declared	—	—	—	(42.5)	—	(42.5)
Other comprehensive income, net of tax	—	—	—	—	0.2	0.2
Balance at March 31, 2016	24,577	\$ 0.1	\$ 749.9	\$ 342.4	\$(1.5)	\$1,090.9
Balance at September 30, 2016	24,577	\$ 0.1	\$ 751.9	\$ 318.3	\$(1.8)	\$1,068.5
Net income	—	—	—	95.0	—	95.0
Stock-based compensation costs	—	—	1.9	—	—	1.9
Dividends declared	—	—	—	(14.7)	—	(14.7)
Balance at March 31, 2017	24,577	\$ 0.1	\$ 753.8	\$ 398.6	\$(1.8)	\$1,150.7

* Accumulated other comprehensive income
 (loss)

See the accompanying Notes to Financial
 Statements.

Table of Contents

LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

	Six Months Ended March 31,	
(In millions)	2017	2016
Operating Activities:		
Net Income	\$95.0	\$93.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45.7	43.7
Deferred income taxes and investment tax credits	42.3	40.8
Changes in assets and liabilities:		
Accounts receivable	(99.2)	(42.2)
Unamortized purchased gas adjustments	37.5	22.2
Accounts payable	(4.5)	(9.3)
Delayed/advance customer billings – net	(58.9)	(16.6)
Taxes accrued	(5.3)	(6.3)
Inventories	50.8	78.5
Other assets and liabilities	10.3	(12.7)
Other	0.8	0.2
Net cash provided by operating activities	114.5	192.0
Investing Activities:		
Capital expenditures	(122.2)	(85.6)
Other	0.5	0.3
Net cash used in investing activities	(121.7)	(85.3)
Financing Activities:		
Repayment of short-term debt - net	(243.7)	(63.4)
Borrowings from Spire - net	282.2	—
Dividends paid	(28.7)	(41.2)
Other	(1.0)	—
Net cash provided by (used in) financing activities	8.8	(104.6)
Net Increase in Cash and Cash Equivalents	1.6	2.1
Cash and Cash Equivalents at Beginning of Period	2.1	1.7
Cash and Cash Equivalents at End of Period	\$3.7	\$3.8
Supplemental disclosure of cash paid for:		
Interest	\$(19.0)	\$(18.6)
Income taxes	—	—

See the accompanying Notes to Financial Statements.

Table of ContentsALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In millions)	Three Months		Six Months	
	Ended		Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Operating Revenues:				
Utility	\$158.8	\$166.0	\$245.5	\$248.3
Total Operating Revenues	158.8	166.0	245.5	248.3
Operating Expenses:				
Utility				
Natural gas	25.8	30.2	42.6	42.3
Operation and maintenance	31.5	33.1	62.7	66.2
Depreciation and amortization	12.3	11.9	24.6	23.6
Taxes, other than income taxes	10.3	10.4	16.9	16.9
Total Operating Expenses	79.9	85.6	146.8	149.0
Operating Income	78.9	80.4	98.7	99.3
Other Income	1.1	0.5	1.5	1.0
Interest Charges:				
Interest on long-term debt	2.8	2.7	5.6	5.7
Other interest charges	0.7	0.8	1.5	1.3
Total Interest Charges	3.5	3.5	7.1	7.0
Income Before Income Taxes	76.5	77.4	93.1	93.3
Income Tax Expense	28.9	29.3	35.2	35.3
Net Income	\$47.6	\$48.1	\$57.9	\$58.0

See the accompanying Notes to Financial Statements.

Table of ContentsALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS
(UNAUDITED)

	March 31,	September 30,	March 31,
(Dollars in millions, except per share amounts)	2017	2016	2016
ASSETS			
Utility Plant	\$1,776.1	\$1,729.6	\$1,658.8
Less: Accumulated depreciation and amortization	779.1	756.6	705.4
Net Utility Plant	997.0	973.0	953.4
Current Assets:			
Cash and cash equivalents	—	—	2.3
Accounts receivable:			
Utility	62.0	34.0	57.3
Associated companies	0.4	—	—
Other	5.7	7.2	5.2
Allowance for doubtful accounts	(2.3)	(3.3)	(4.2)
Inventories:			
Natural gas	26.5	34.6	30.3
Materials and supplies	5.8	5.9	5.5
Unamortized purchased gas adjustments	43.9	5.6	5.0
Other regulatory assets	11.2	14.9	8.7
Prepayments and other	4.1	5.1	8.1
Total Current Assets	157.3	104.0	118.2
Deferred Charges:			
Regulatory assets	229.3	230.7	168.1
Deferred income taxes	186.2	221.4	214.7
Other	62.0	60.8	56.9
Total Deferred Charges	477.5	512.9	439.7
Total Assets	\$1,631.8	\$1,589.9	\$1,511.3

Table of ContentsALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS (Continued)
(UNAUDITED)

	March 31, 2017	September 30, 2016	March 31, 2016
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value \$0.01 per share; 3.0 million shares authorized; 2.0 million shares issued and outstanding)	\$ 420.9	\$ 451.9	\$ 451.9
Retained earnings	462.8	415.4	436.2
Total Common Stock Equity	883.7	867.3	888.1
Long-term debt	247.7	247.6	247.6
Total Capitalization	1,131.4	1,114.9	1,135.7
Current Liabilities:			
Notes payable	—	82.0	41.0
Notes payable – associated companies	109.3	—	—
Accounts payable	42.8	34.3	28.6
Accounts payable – associated companies	1.5	0.4	0.4
Advance customer billings	14.3	21.1	15.6
Wages and compensation accrued	5.2	7.8	5.6
Customer deposits	18.9	18.2	20.1
Interest accrued	3.4	3.3	3.4
Taxes accrued	16.9	21.6	17.8
Regulatory liabilities	25.1	22.7	32.5
Other	4.8	6.3	4.7
Total Current Liabilities	242.2	217.7	169.7
Deferred Credits and Other Liabilities:			
Pension and postretirement benefit costs	76.6	74.3	54.0
Asset retirement obligations	124.1	120.1	88.5
Regulatory liabilities	35.9	41.7	41.4
Other	21.6	21.2	22.0
Total Deferred Credits and Other Liabilities	258.2	257.3	205.9
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$ 1,631.8	\$ 1,589.9	\$ 1,511.3

See the accompanying Notes to Financial Statements.

Table of Contents

ALABAMA GAS CORPORATION
 CONDENSED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
 (UNAUDITED)

(Dollars in millions)	Common Stock		Paid-in Capital	Retained Earnings	Total
	Outstanding Shares	Amount			
Balance at September 30, 2015	1,972,052	\$	—\$480.9	\$ 393.7	\$874.6
Net income	—	—	—	58.0	58.0
Return of capital to Spire	—	—	(29.0)	—	(29.0)
Dividends declared	—	—	—	(15.5)	(15.5)
Balance at March 31, 2016	1,972,052	\$	—\$451.9	\$ 436.2	\$888.1
Balance at September 30, 2016	1,972,052	\$	—\$451.9	\$ 415.4	\$867.3
Net income	—	—	—	57.9	57.9
Return of capital to Spire	—	—	(31.0)	—	(31.0)
Dividends declared	—	—	—	(10.5)	(10.5)
Balance at March 31, 2017	1,972,052	\$	—\$420.9	\$ 462.8	\$883.7

See the accompanying Notes to Financial Statements.

Table of ContentsALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
(In millions)	2017	2016
Operating Activities:		
Net Income	\$57.9	\$58.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24.6	23.6
Deferred income taxes and investment tax credits	35.2	35.3
Changes in assets and liabilities:		
Accounts receivable	(25.8)	(21.7)
Unamortized purchased gas adjustments	(38.3)	(33.2)
Accounts payable	10.3	6.2
Advance customer billings	(6.8)	(3.5)
Taxes accrued	(4.7)	(8.2)
Inventories	8.2	10.0
Other assets and liabilities	2.0	0.3
Other	0.3	(0.4)
Net cash provided by operating activities	62.9	66.4
Investing Activities:		
Capital expenditures	(48.3)	(35.8)
Other	—	(1.2)
Net cash used in investing activities	(48.3)	(37.0)
Financing Activities:		
Issuance of long-term debt	—	80.0
Redemption and maturity of long-term debt	—	(80.0)
(Repayment) issuance of short-term debt - net	(82.0)	10.0
Borrowings from Spire - net	109.3	0.2
Return of capital to Spire	(31.0)	(29.0)
Dividends paid	(10.5)	(15.5)
Other	(0.4)	—
Net cash (used in) financing activities	(14.6)	(34.3)
Net Decrease in Cash and Cash Equivalents	—	(4.9)
Cash and Cash Equivalents at Beginning of Period	—	7.2
Cash and Cash Equivalents at End of Period	\$—	\$2.3
Supplemental disclosure of cash paid for:		
Interest	\$(6.3)	\$(6.4)
Income taxes	—	—

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC., LACLEDE GAS COMPANY AND ALABAMA GAS CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (UNAUDITED)
 (Dollars in millions, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION – These notes are an integral part of the accompanying unaudited financial statements of Spire Inc. (Spire or the Company), as well as Laclede Gas Company (Laclede Gas or the Missouri Utilities) and Alabama Gas Corporation (Alagasco). Laclede Gas, which includes the operations of Missouri Gas Energy (MGE), and Alagasco are wholly owned subsidiaries of the Company. Laclede Gas, Alagasco and the subsidiaries of EnergySouth, Inc. (EnergySouth) are collectively referred to as the Utilities. The subsidiaries of EnergySouth are Mobile Gas Service Corporation (Mobile Gas) and Willmut Gas & Oil Company (Willmut Gas).

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information with the instructions to Form 10-Q and Rule 10-01 of Regulation S X. Accordingly, they do not include all of the disclosures required for complete financial statements. In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of only normal recurring adjustments) necessary for the fair presentation of the results of operations for the periods presented. This Form 10-Q should be read in conjunction with the Notes to Financial Statements contained in Spire's, Laclede Gas', and Alagasco's Annual Reports on Form 10-K for the fiscal year ended September 30, 2016.

The consolidated financial position, results of operations, and cash flows of Spire are primarily derived from the financial position, results of operations, and cash flows of the Utilities. In compliance with GAAP, transactions between Laclede Gas and Alagasco and their affiliates, as well as intercompany balances on their balance sheets, have not been eliminated from their separate financial statements. Results of operations of EnergySouth are included in Spire's results of operations since the September 12, 2016 acquisition and impact the comparability of financial statement periods presented for the Company.

NATURE OF OPERATIONS – Spire Inc. (NYSE: SR), headquartered in St. Louis, Missouri, is a public utility holding company. The Company has two reportable segments: Gas Utility and Gas Marketing. The Gas Utility segment consists of the regulated natural gas distribution operations of the Company and is the core business segment of Spire in terms of revenue and earnings generation. The Gas Utility segment is comprised of the operations of: the Missouri Utilities, serving St. Louis and eastern Missouri, Kansas City and western Missouri (through MGE); Alagasco, serving central and northern Alabama; and the subsidiaries of EnergySouth, serving southern Alabama and south-central Mississippi. Spire's primary non-utility business, Spire Marketing Inc. (Spire Marketing) was formerly known as Laclede Energy Resources, Inc., which changed its name on December 12, 2016. Spire Marketing is included in the Gas Marketing segment and provides non-regulated natural gas services. The activities of other subsidiaries are described in Note 9, Information by Operating Segment, and are reported as Other. Laclede Gas and Alagasco each have a single reportable segment.

The Company's earnings are primarily derived from its Gas Utility segment. Due to the seasonal nature of the Utilities' business, earnings are typically concentrated during the heating season of November through April each fiscal year. As a result, the interim statements of income for Spire, Laclede Gas and Alagasco are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year.

GOODWILL – Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. The changes in the carrying amount of goodwill by reportable segment are shown below, reflecting the effect of a \$3.8 cash payment to Spire related to the EnergySouth acquisition, offset by net adjustments to acquired insurance receivable and prepaid assets.

	Gas Utility	Gas Marketing	Other	Total
Balance as of September 30, 2016	\$210.2	\$	—\$954.7	\$1,164.9
Adjustments related to the acquisition of EnergySouth	—	—	(1.0)	(1.0)

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Balance as of March 31, 2017	\$210.2	\$	—\$953.7	\$1,163.9
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21

Table of Contents

REVENUE RECOGNITION – The Utilities read meters and bill customers on monthly cycles. The Missouri Utilities record their gas utility revenues from gas sales and transportation services on an accrual basis that includes estimated amounts for gas delivered but not yet billed. The accruals for unbilled revenues are reversed in the subsequent accounting period when meters are actually read and customers are billed. The amounts of accrued unbilled revenues for Laclede Gas at March 31, 2017, September 30, 2016, and March 31, 2016 were \$66.7, \$26.1, and \$57.4, respectively.

Alagasco records natural gas distribution revenues in accordance with the tariff established by the Alabama Public Service Commission (APSC). Unbilled revenues for Alagasco, which are not recorded as revenue until billed, at March 31, 2017, September 30, 2016, and March 31, 2016 were \$13.5, \$5.9, and \$14.9, respectively.

The subsidiaries of EnergySouth record natural gas revenues in accordance with tariffs established by the APSC and the Mississippi Public Service Commission (MSPSC). Their unbilled revenues are accrued as described for Laclede Gas above.

Spire’s other subsidiaries, including Spire Marketing, record revenues when earned, either when the product is delivered or when services are performed.

In the course of its business, Spire Marketing enters into commitments associated with the purchase or sale of natural gas. Certain of their derivative natural gas contracts are designated as normal purchases or normal sales and, as such, are excluded from the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, “Derivatives and Hedging.” Those contracts are accounted for as executory contracts and recorded on an accrual basis. Revenues and expenses from such contracts are recorded using a gross presentation. Contracts not designated as normal purchases or normal sales are recorded as derivatives with changes in fair value recognized in earnings in the periods prior to physical delivery. Certain of Spire Marketing’s wholesale purchase and sale transactions are classified as trading activities for financial reporting purposes. Under GAAP, revenues and expenses associated with trading activities are presented on a net basis in Gas Marketing Operating Revenues in the Condensed Consolidated Statements of Income. This net presentation has no effect on operating income or net income.

GROSS RECEIPTS TAXES – Gross receipts taxes associated with the Company’s natural gas utility services are imposed on the Utilities and billed to their customers. The revenue and expense amounts are recorded gross in the “Operating Revenues” and “Taxes, other than income taxes” lines, respectively, in the statements of income. The following table presents gross receipts taxes recorded as revenues.

	Three Months Ended March 31, 2017		Six Months Ended March 31, 2016	
Spire	\$34.3	\$32.3	\$53.7	\$50.2
Laclede Gas	25.5	24.7	39.6	38.6
Alagasco	7.7	7.6	11.9	11.6

REGULATED OPERATIONS – The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, “Regulated Operations.” This topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance 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. In addition, 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). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process.

As authorized by the Missouri Public Service Commission (MoPSC), MSPSC and APSC, the Purchased Gas Adjustment (PGA) clauses and Gas Supply Adjustment (GSA) riders allow the Utilities to pass through to customers

the cost of purchased gas supplies. Regulatory assets and liabilities related to the PGA clauses and the GSA rider are both labeled Unamortized Purchased Gas Adjustments herein. See additional information about regulatory assets and liabilities in Note 3, Regulatory Matters.

22

Table of Contents

TRANSACTIONS WITH AFFILIATES – Transactions between affiliates of the Company have been eliminated from the consolidated financial statements of Spire. Other than borrowings from Spire reflected in Alagasco’s Condensed Balance Sheets and Condensed Statements of Cash Flows and normal intercompany shared services transactions, there were no transactions between Alagasco and affiliates during the six months ended March 31, 2017 and March 31, 2016. Laclede Gas’ transactions with affiliates included:

	Three Months Ended March 31, 2017		Six Months Ended March 31, 2016	
Purchases of natural gas from Spire Marketing	\$21.0	\$11.6	\$41.5	\$24.8
Sales of natural gas to Spire Marketing	2.7	1.0	6.3	1.7
Transportation services received from Laclede Pipeline Company	0.2	0.2	0.5	0.5
Insurance services received from Laclede Insurance Risk Services	1.0	0.3	2.1	0.5

UTILITY PLANT – Accrued capital expenditures are shown in the following table. Accrued capital expenditures are excluded from the capital expenditures shown in the statements of cash flows.

	March 31, 2017	September 30, 2016	March 31, 2016
Spire	\$ 9.2	\$ 21.6	\$ 9.0
Laclede Gas	3.3	14.8	5.3
Alagasco	5.3	6.8	3.7

RECLASSIFICATIONS – Certain prior period amounts have been reclassified to conform to the current period presentation. Net income and total equity were not affected by these reclassifications.

NEW ACCOUNTING PRONOUNCEMENTS – In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. Under prior GAAP, debt issuance costs were recorded as a deferred charge (asset), while debt discount and debt premium costs were recorded as a liability adjustment. This amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Spire, Laclede Gas and Alagasco adopted this ASU as of December 31, 2016. Retrospective adjustments have been made to the previous year balance sheets as of September 30, 2016 and March 31, 2016. The amounts reclassified from other deferred charges to reduce long-term debt are shown in the following table. The ASU does not address the presentation of debt issuance costs related to line-of-credit arrangements, and those continue to be reported as deferred charges.

	March 31, 2017	September 30, 2016	March 31, 2016
Spire	\$ 14.8	\$ 13.0	\$ 12.3
Laclede Gas	4.1	4.2	4.5
Alagasco	2.3	2.4	2.4

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. Under the new standard, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies may need to use more judgment and make more estimates than under current guidance. ASU No. 2014-09 also requires disclosures that will enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Entities have the option of using either a full retrospective or modified retrospective approach to adopting this guidance. In August 2015, the FASB issued ASU No. 2015-14, which made the guidance in ASU No. 2014-09 effective for fiscal years beginning after December 15, 2017 and interim periods within those years. In 2016, the FASB issued related ASU Nos. 2016-08,

2016-10, 2016-11, 2016-12, and 2016-20 which further modified the standards for accounting for revenue. The Company, Laclede Gas and Alagasco are currently evaluating their sources of revenue and assessing the available transition methods and the potential impacts of the updates, which must be adopted by the first quarter of fiscal year 2019. The conclusions of these assessments are contingent, in part, upon the completion of deliberations currently in progress by the power and utilities industry, notably in connection with efforts to produce an accounting guide being developed by the American Institute of Certified Public Accountants (AICPA). In association with this undertaking, the AICPA formed a number of industry task forces, including a Power & Utilities

23

Table of Contents

Task Force. Industry representatives and organizations, the largest auditing firms, the AICPA's Revenue Recognition Working Group and its Financial Reporting Executive Committee have undertaken, and continue to undertake, consideration of several items relevant to our industry as further discussed below. Where applicable or necessary, the FASB's Transition Resource Group is also participating.

Currently, the industry is working to address several items including 1) the evaluation of collectability from customers if a utility has regulatory mechanisms to help assure recovery of uncollected accounts from ratepayers; 2) the accounting for funds received from third parties to partially or fully reimburse the cost of construction of an asset 3) the accounting for alternative revenue programs, such as performance-based ratemaking, and 4) application of series guidance to storable commodities. Existing alternative revenue program guidance, though excluded by the FASB in updating specific guidance associated with revenue from contracts with customers, was relocated without substantial modification to accounting guidance for rate-regulated entities. It will require separate presentation of such revenues (subject to the above-noted deliberations) in the statement of income. Currently, a timeline for the resolution of these deliberations has not been established. Given the uncertainty with respect to the conclusions that might arise from these deliberations, the Company, Laclede Gas and Alagasco are currently unable to determine the effect the new guidance will have on their financial position, results of operations, cash flows, business processes or the transition method they will utilize to adopt the new guidance.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which provides revised guidance concerning certain matters involving the recognition, measurement, and disclosure of financial instruments. It is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Entities will record a cumulative-effect adjustment as of the beginning of the fiscal year in which the guidance is adopted, which requires amounts reported in accumulated other comprehensive income for equity securities that exist as of the date of adoption previously classified as available-for-sale to be reclassified to retained earnings. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted in the first quarter of fiscal year 2019.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires lessees to recognize a right-of-use asset and lease liability for almost all lease contracts based on the present value of lease payments. There is an exemption for short-term leases. The ASU provides new guidelines for identifying and classifying a lease, and classification affects the pattern and income statement line item for the related expense. This update will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2020.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The amendments in this update are to be applied prospectively except for changes impacting the presentation of the cash flow statement, which can be applied prospectively or retrospectively. The ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and early adoption is permitted. The Company, Laclede Gas and Alagasco expect to adopt this standard in the current fiscal year with no material impact.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The standard introduces new guidance for the accounting for credit losses on instruments within its scope, including trade receivables. It is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and may be adopted a year earlier. The new guidance will be initially applied through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2021.

Table of Contents

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amended guidance requires that the service cost component of pension and postretirement benefit costs be presented within the same line item in the income statement as other compensation costs (except for the amount being capitalized), while other components are to be presented outside the subtotal of operating income and are no longer eligible for capitalization. The ASU is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The amended guidance will be applied retrospectively for income statement presentation and prospectively for capitalization. The Company, Laclede Gas and Alagasco are currently assessing the regulatory and other impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2019.

2. EARNINGS PER COMMON SHARE

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Basic EPS:				
Net Income	\$108.0	\$100.8	\$153.2	\$147.7
Less: Income allocated to participating securities	0.2	0.3	0.4	0.5
Net Income Available to Common Shareholders	\$107.8	\$100.5	\$152.8	\$147.2
Weighted Average Shares Outstanding (in millions)	45.6	43.3	45.6	43.3
Basic Earnings Per Share of Common Stock	\$2.36	\$2.32	\$3.35	\$3.40
Diluted EPS:				
Net Income	\$108.0	\$100.8	\$153.2	\$147.7
Less: Income allocated to participating securities	0.2	0.3	0.4	0.5
Net Income Available to Common Shareholders	\$107.8	\$100.5	\$152.8	\$147.2
Weighted Average Shares Outstanding (in millions)	45.6	43.3	45.6	43.3
Dilutive Effect of Restricted Stock, Restricted Stock Units, and Stock Options (in millions)*	0.1	0.2	0.1	0.2
Weighted Average Diluted Shares (in millions)	45.7	43.5	45.7	43.5
Diluted Earnings Per Share of Common Stock	\$2.36	\$2.31	\$3.34	\$3.39

* Calculation excludes certain outstanding shares (shown in millions by period at the right) attributable to stock units subject to performance or market conditions and restricted stock, which could have a dilutive effect in the future

Spire's 2014 2.0% Series Equity Units issued in June 2014 were anti-dilutive for the three and six months ended March 31, 2017 and 2016; accordingly, they were excluded from the calculation of weighted average diluted shares for those periods. On April 3, 2017, the purchase contracts underlying the equity units were settled and approximately 2.5 million common shares were issued. See additional detail under <u>Note 11</u> , Subsequent Events.	0.5	0.4	0.5	0.4
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Table of Contents

3. REGULATORY MATTERS

As explained in Note 1, Summary of Significant Accounting Policies, Laclede Gas and Alagasco account for regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." The following regulatory assets and regulatory liabilities, including purchased gas adjustments, were reflected in the balance sheets of the Company and the Utilities as of March 31, 2017, September 30, 2016 and March 31, 2016.

	March 31, 2017	September 30, 2016	March 31, 2016
Spire			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 41.7	\$ 27.0	\$26.9
Unamortized purchased gas adjustments	61.0	49.7	8.9
Other	23.1	17.2	5.5
Total Regulatory Assets (current)	125.8	93.9	41.3
Non-current:			
Future income taxes due from customers	159.7	151.3	142.3
Pension and postretirement benefit costs	461.8	487.9	441.0
Cost of removal	133.9	130.6	80.2
Unamortized purchased gas adjustments	1.1	12.6	15.1
Energy efficiency	27.0	25.5	23.7
Other	44.2	30.1	30.3
Total Regulatory Assets (non-current)	827.7	838.0	732.6
Total Regulatory Assets	\$ 953.5	\$ 931.9	\$773.9
Regulatory Liabilities:			
Current:			
Rate Stabilization and Equalization (RSE) adjustment	\$ 1.1	\$ 7.5	\$5.9
Unbilled service margin	13.5	5.9	14.9
Refundable negative salvage	8.1	9.3	9.2
Unamortized purchased gas adjustments	1.6	1.7	4.3
Other	7.0	6.2	3.8
Total Regulatory Liabilities (current)	31.3	30.6	38.1
Non-current:			
Pension and postretirement benefit costs	27.6	28.9	27.8
Refundable negative salvage	4.9	9.4	10.1
Accrued cost of removal	75.3	74.8	58.3
Other	36.3	17.6	14.5
Total Regulatory Liabilities (non-current)	144.1	130.7	110.7
Total Regulatory Liabilities	\$ 175.4	\$ 161.3	\$148.8

Table of Contents

	March 31, 2017	September 30, 2016	March 31, 2016
Laclede Gas			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 34.8	\$ 20.2	\$20.2
Unamortized purchased gas adjustments	17.1	43.1	3.9
Other	3.4	3.7	3.5
Total Regulatory Assets (current)	55.3	67.0	27.6
Non-current:			
Future income taxes due from customers	159.7	151.3	142.3
Pension and postretirement benefit costs	358.3	375.7	357.1
Unamortized purchased gas adjustments	1.1	12.6	15.1
Energy efficiency	27.0	25.5	23.7
Other	23.3	24.7	25.6
Total Regulatory Assets (non-current)	569.4	589.8	563.8
Total Regulatory Assets	\$ 624.7	\$ 656.8	\$591.4
Regulatory Liabilities:			
Current:			
Unamortized purchased gas adjustments	\$ —	\$ —	\$4.3
Other	2.7	1.3	1.3
Total Regulatory Liabilities (current)	2.7	1.3	5.6
Non-current:			
Accrued cost of removal	55.6	55.1	58.3
Other	28.9	12.2	11.0
Total Regulatory Liabilities (non-current)	84.5	67.3	69.3
Total Regulatory Liabilities	\$ 87.2	\$ 68.6	\$74.9

Table of Contents

	March 31, 2017	September 30, 2016	March 31, 2016
Alagasco			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 6.8	\$ 6.8	\$6.7
Unamortized purchased gas adjustments	43.9	5.6	5.0
Other	4.4	8.1	2.0
Total Regulatory Assets (current)	55.1	20.5	13.7
Non-current:			
Pension and postretirement benefit costs	94.4	98.9	83.9
Cost of removal	133.9	130.6	80.2
Other	1.0	1.2	4.0
Total Regulatory Assets (non-current)	229.3	230.7	168.1
Total Regulatory Assets	\$ 284.4	\$ 251.2	\$181.8

Regulatory Liabilities:

Current:			
RSE adjustment	\$ 1.1	\$ 5.0	\$5.9
Unbilled service margin	13.5	5.9	14.9
Refundable negative salvage	8.1	9.3	9.2
Other	2.4	2.5	2.5
Total Regulatory Liabilities (current)	25.1	22.7	32.5
Non-current:			
Pension and postretirement benefit costs	27.6	28.9	27.8
Refundable negative salvage	4.9	9.4	10.1
Other	3.4	3.4	3.5
Total Regulatory Liabilities (non-current)	35.9	41.7	41.4
Total Regulatory Liabilities	\$ 61.0	\$ 64.4	\$73.9

A portion of the Company's and Laclede Gas' regulatory assets are not earning a return, as shown in the schedule below:

	Spire			Laclede Gas		
	March 31, 2017	September 30, 2016	March 31, 2016	March 31, 2017	September 30, 2016	March 31, 2016
Future income taxes due from customers	\$159.7	\$ 151.3	\$142.3	\$159.7	\$ 151.3	\$142.3
Pension and postretirement benefit costs	241.0	240.6	211.5	241.0	240.6	211.5
Other	11.8	12.9	13.6	11.8	12.9	13.6
Total Regulatory Assets Not Earning a Return	\$412.5	\$ 404.8	\$367.4	\$412.5	\$ 404.8	\$367.4

Like all the Company's regulatory assets, these regulatory assets are expected to be recovered from customers in future rates. The Company and Laclede Gas expect these items to be recovered over a period not to exceed 15 years, consistent with precedent set by the MoPSC. Alagasco does not have any regulatory assets that are not earning a return.

Table of Contents

4. FINANCING ARRANGEMENTS AND LONG-TERM DEBT

On December 14, 2016, Spire, Laclede Gas, and Alagasco entered into a new syndicated revolving credit facility pursuant to a loan agreement with 11 banks, expiring December 14, 2021. The largest portion provided by a single bank under the line is 12.3%. The loan agreement replaces Spire's and Laclede Gas' existing loan agreements dated as of September 3, 2013 and amended September 3, 2014, which were set to expire on September 3, 2019, and Alagasco's existing loan agreement dated September 2, 2014, which was set to expire September 2, 2019. All three agreements were terminated on December 14, 2016.

The loan agreement has an aggregate credit commitment of \$975.0, including sublimits of \$300.0 for Spire, \$475.0 for Laclede Gas, and \$200.0 for Alagasco. These sublimits may be reallocated from time to time among the three borrowers within the \$975.0 aggregate commitment. Spire may use its line to provide for the funding needs of various subsidiaries. Spire, Laclede Gas, and Alagasco expect to use the loan agreement for general corporate purposes, including short-term borrowings and letters of credit. The agreement also contains financial covenants limiting each borrower's consolidated total debt, including short-term debt, to no more than 70% of its total capitalization. As defined in the line of credit, on March 31, 2017, total debt was 57% of total capitalization for the consolidated Company, 49% for Laclede Gas, and 29% for Alagasco.

On December 21, 2016, Spire established a commercial paper program (Program) pursuant to which Spire may issue short-term, unsecured commercial paper notes (Notes). Amounts available under the Program may be borrowed, repaid, and re-borrowed from time to time, with the aggregate face or principal amount of the Notes outstanding under the Program at any time not to exceed \$975.0. The Notes may have maturities of up to 365 days from date of issue. The net proceeds of the issuances of the Notes are expected to be used for general corporate purposes, including to provide working capital for both utility and non-utility subsidiaries. As of March 31, 2017, Notes outstanding under the Program totaled \$567.4. Of that amount, \$282.2 and \$109.3 were lent to Laclede Gas and Alagasco, respectively, at Spire's cost.

In 2014, Spire issued 2.875 million equity units as a portion of the financing of the Alagasco acquisition. The equity units were originally issued at \$50 per unit pursuant to the Purchase Contract and Pledge Agreement (purchase contract) dated as of June 11, 2014 between Spire and U.S. Bank National Association, as purchase contract agent, collateral agent, custodial agent and securities intermediary. These units consisted of \$143.8 aggregate principal amount of 2014 Series A 2.00% remarketable junior subordinated notes due 2022 (the Junior Notes) and the purchase contract obligating the holder to purchase common shares at a future settlement date (anticipated to be three years in the future and prior to the Junior Notes maturity).

The equity unit investments were effectively replaced as planned in a series of transactions outlined below:

On February 22, 2017, the selling securityholders (as defined below) agreed to purchase the Junior Notes in connection with the remarketing of the junior subordinated notes that comprised a component of the equity units.

On the same day, Spire entered two related agreements: (1) a Securities Purchase and Registration Rights Agreement (the SPRRA), among Spire and the several purchasers named therein (the selling securityholders), obligating the selling securityholders to sell the Junior Notes to Spire in exchange for \$143.8 aggregate principal amount of Spire's 3.543% Senior Notes due 2024 (the Senior Notes) and a cash payment, and (2) an underwriting agreement with the selling securityholders and the several underwriters named therein in connection with the public offering of \$150.0 aggregate principal amount of Senior Notes consisting of \$6.2 principal amount of the Senior Notes issued and sold by Spire and \$143.8 principal amount of the Senior Notes sold by the selling securityholders. The SPRRA granted the selling securityholders the right to offer the Senior Notes to the public in secondary public offerings.

The public offering was completed on February 27, 2017. Spire used its net proceeds from its sale of the Senior Notes to repay short-term debt. Spire did not receive any proceeds from the sale of the Senior Notes by the selling securityholders.

On April 3, 2017, Spire settled the purchase contracts underlying equity units, by issuing 2.5 million shares of its common stock at a purchase price of \$57.3921 per share. Under the contract terms, the equity units were converted to common stock at the rate of 0.8712, with a corresponding adjustment to purchase price. Spire received net cash proceeds of approximately \$142.0, which it used to repay short-term debt.

On March 10, 2017, Spire redeemed in full at par its \$250.0 floating rate notes due August 15, 2017, plus accrued and unpaid interest.

29

Table of Contents

On March 15, 2017, Spire completed the issuance and sale of \$100.0 in aggregate principal amount of Senior Notes due March 15, 2027. The notes bear interest at the rate of 3.93% per annum, payable semi-annually. The notes are senior unsecured obligations of the Company.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and short-term debt approximate fair value due to the short maturity of these instruments. The fair values of long-term debt are estimated based on market prices for similar issues. Refer to Note 6, Fair Value Measurements, for information on financial instruments measured at fair value on a recurring basis.

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis are shown below and classified according to the fair value hierarchy. There were no such instruments classified as Level 3 (significant unobservable inputs) as of March 31, 2017, September 30, 2016, or March 31, 2016.

Carrying Amount	Fair Value	Classification of Estimated Fair Value			
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)		
Spire					
As of March 31, 2017					
Cash and cash equivalents		\$ 19.6	\$ 19.6	\$ 19.6	\$ —
Short-term debt		567.4	567.4	—	567.4
Long-term debt		1,925.3	1,993.9	—	1,993.9
As of September 30, 2016					
Cash and cash equivalents		\$ 5.2	\$ 5.2	\$ 5.2	\$ —
Short-term debt		398.7	398.7	—	398.7
Long-term debt, including current portion		1,820.7	2,257.1	—	2,257.1
As of March 31, 2016					
Cash and cash equivalents		\$ 8.7	\$ 8.7	\$ 8.7	\$ —
Short-term debt		253.6	253.6	—	253.6
Long-term debt		1,839.3	1,960.4	—	1,960.4
Laclede Gas					
As of March 31, 2017					
Cash and cash equivalents	\$ 3.7	\$ 3.7	\$ 3.7	\$ —	
Short-term debt	282.2	282.2	—	282.2	
Long-term debt	804.3	870.1	—	870.1	
As of September 30, 2016					
Cash and cash equivalents	\$ 2.1	\$ 2.1	\$ 2.1	\$ —	
Short-term debt	243.7	243.7	—	243.7	
Long-term debt	804.1	900.4	—	900.4	
As of March 31, 2016					
Cash and cash equivalents	\$ 3.8	\$ 3.8	\$ 3.8	\$ —	
Short-term debt	169.6	169.6	—	169.6	
Long-term debt	803.7	885.9	—	885.9	

Table of Contents

Alagasco

	Carrying Amount	Fair Value	Classification of Estimated Fair Value Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)
As of March 31, 2017				
Short-term debt	109.3	109.3	—	109.3
Long-term debt	\$ 247.7	\$ 261.6	\$—	\$ 261.6
As of September 30, 2016				
Short-term debt	\$ 82.0	\$ 82.0	\$—	\$ 82.0
Long-term debt	247.6	275.5	—	275.5
As of March 31, 2016				
Cash and cash equivalents	\$ 2.3	\$ 2.3	\$ 2.3	\$ —
Short-term debt	41.0	41.0	—	41.0
Long-term debt	247.6	262.7	—	262.7

6. FAIR VALUE MEASUREMENTS

The information presented below categorizes the assets and liabilities in the balance sheets that are accounted for at fair value on a recurring basis in periods subsequent to initial recognition.

The mutual funds included in Level 1 are valued based on exchange-quoted market prices of individual securities. The mutual funds included in Level 2 are valued based on the closing net asset value per unit.

Derivative instruments included in Level 1 are valued using quoted market prices on the New York Mercantile Exchange (NYMEX) or the Intercontinental Exchange (ICE). Derivative instruments classified in Level 2 include physical commodity derivatives that are valued using Over-the-Counter Bulletin Board (OTCBB), broker, or dealer quotation services whose prices are derived principally from, or are corroborated by, observable market inputs. Also included in Level 2 are certain derivative instruments that have values that are similar to, and correlate with, quoted prices for exchange-traded instruments in active markets and derivative instruments with settlement dates more than one year into the future. Derivative instruments included in Level 3 are valued using generally unobservable inputs that are based upon the best information available and reflect management's assumptions about how market participants would price the asset or liability. The Level 3 balances as of March 31, 2017, September 30, 2016 and March 31, 2016 consisted of gas commodity contracts. The Company's and the Utilities' policy is to recognize transfers between the levels of the fair value hierarchy, if any, as of the beginning of the interim reporting period in which circumstances change or events occur to cause the transfer.

The mutual funds are included in "Other Investments" on the Company's balance sheets and in "Other Property and Investments" on Laclede Gas' balance sheets. Derivative assets and liabilities, including receivables and payables associated with cash margin requirements, are presented net in the balance sheets when a legally enforceable netting agreement exists between the Company, Laclede Gas, or Alagasco and the counterparty to a derivative contract.

Table of Contents

Spire

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of March 31, 2017					
ASSETS					
Gas Utility					
US stock/bond mutual funds	\$ 17.7	\$ 4.1	\$ —	\$ —	\$21.8
NYMEX/ICE natural gas contracts	4.5	—	—	(1.8)	2.7
Gasoline and heating oil contracts	0.2	—	—	—	0.2
Subtotal	22.4	4.1	—	(1.8)	24.7
Gas Marketing					
NYMEX/ICE natural gas contracts	1.0	3.6	—	(4.4)	0.2
Natural gas commodity contracts	—	6.2	0.2	(0.5)	5.9
Other					
Interest rate swaps	—	0.2	—	—	0.2
Total	\$ 23.4	\$ 14.1	\$ 0.2	\$ (6.7)	\$31.0
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	\$ 0.5	\$ —	\$ —	\$ (0.5)	\$—
Subtotal	0.5	—	—	(0.5)	—
Gas Marketing					
NYMEX/ICE natural gas contracts	2.1	3.9	—	(6.0)	—
Natural gas commodity contracts	—	6.5	—	(0.5)	6.0
Total	\$ 2.6	\$ 10.4	\$ —	\$ (7.0)	\$6.0

Table of Contents

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of September 30, 2016					
ASSETS					
Gas Utility					
US stock/bond mutual funds	\$ 16.8	\$ 4.1	\$ —	\$ —	\$20.9
NYMEX/ICE natural gas contracts	5.3	—	—	(0.4)	4.9
NYMEX gasoline and heating oil contracts	0.4	—	—	(0.3)	0.1
Subtotal	22.5	4.1	—	(0.7)	25.9
Gas Marketing					
NYMEX/ICE natural gas contracts	0.4	3.4	—	(3.4)	0.4
Natural gas commodity contracts	—	8.7	0.2	(0.9)	8.0
Total	\$ 22.9	\$ 16.2	\$ 0.2	\$ (5.0)	\$34.3
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	\$ 1.6	\$ —	\$ —	\$ (1.6)	\$—
OTCBB natural gas contracts	—	0.2	—	—	0.2
Subtotal	1.6	0.2	—	(1.6)	0.2
Gas Marketing					
NYMEX/ICE natural gas contracts	3.5	1.6	—	(5.1)	—
Natural gas commodity contracts	—	2.6	—	(0.9)	1.7
Other					
Interest rate swaps	—	3.0	—	—	3.0
Total	\$ 5.1	\$ 7.4	\$ —	\$ (7.6)	\$4.9
As of March 31, 2016					
ASSETS					
Gas Utility					
US stock/bond mutual funds	\$ 16.2	\$ 4.0	\$ —	\$ —	\$20.2
NYMEX gasoline and heating oil contracts	0.1	—	—	—	0.1
Subtotal	16.3	4.0	—	—	20.3
Gas Marketing					
NYMEX/ICE natural gas contracts	2.0	6.8	—	(5.1)	3.7
Natural gas commodity contracts	—	7.7	0.2	(0.8)	7.1
Total	\$ 18.3	\$ 18.5	\$ 0.2	\$ (5.9)	\$31.1
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	\$ 13.5	\$ —	\$ —	\$ (13.5)	\$—
OTCBB natural gas contracts	—	6.0	—	—	6.0
NYMEX gasoline and heating oil contracts	0.2	—	—	(0.2)	—
Subtotal	13.7	6.0	—	(13.7)	6.0
Gas Marketing					
NYMEX/ICE natural gas contracts	2.1	3.4	—	(5.5)	—
Natural gas commodity contracts	—	3.7	—	(0.8)	2.9

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Other					
Interest Rate Swaps	—	1.8	—	—	1.8
Total	\$ 15.8	\$ 14.9	\$ —	\$ (20.0)	\$ 10.7

33

Table of Contents

Laclede Gas

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of March 31, 2017					
ASSETS					
US stock/bond mutual funds	\$ 17.7	\$ 4.1	\$	—\$ —	\$21.8
NYMEX/ICE natural gas contracts	4.5	—	—	(1.8)	2.7
NYMEX gasoline and heating oil contracts	0.2	—	—	—	0.2
Total	\$ 22.4	\$ 4.1	\$	—\$ (1.8)	\$24.7
LIABILITIES					
NYMEX/ICE natural gas contracts	\$ 0.5	\$ —	\$	—\$ (0.5)	\$—
Total	\$ 0.5	\$ —	\$	—\$ (0.5)	\$—
As of September 30, 2016					
ASSETS					
US stock/bond mutual funds	\$16.8	\$4.1	\$—	\$20.9	
NYMEX/ICE natural gas contracts	5.3	—	—(0.4)	4.9	
NYMEX gasoline and heating oil contracts	0.3	—	—(0.3)	—	
Total	\$22.4	\$4.1	\$—(0.7)	\$25.8	
LIABILITIES					
NYMEX/ICE natural gas contracts	\$1.6	\$—	\$—(1.6)	\$—	
OTCBB natural gas contracts	—	0.2	—	0.2	
Total	\$1.6	\$0.2	\$—(1.6)	\$0.2	
As of March 31, 2016					
ASSETS					
US stock/bond mutual funds	\$16.2	\$4.0	\$—	\$20.2	
Total	\$16.2	\$4.0	\$—	\$20.2	
LIABILITIES					
NYMEX/ICE natural gas contracts	\$13.5	\$—	\$—(13.5)	\$—	
OTCBB natural gas contracts	—	6.0	—	6.0	
NYMEX gasoline and heating oil contracts	0.2	—	—(0.2)	—	
Total	\$13.7	\$6.0	\$—(13.7)	\$6.0	

Alagasco

During the fiscal second quarter of 2016 Alagasco commenced a gasoline derivative program to stabilize the cost of fuel used in operations. As of March 31, 2017, September 30, 2016, and March 31, 2016, the fair value of related gasoline contracts was not significant.

Table of Contents

7. CONCENTRATIONS OF CREDIT RISK

Other than in Spire Marketing, Spire has no significant concentrations of credit risk.

A significant portion of Spire Marketing's transactions are with (or are associated with) energy producers, utility companies, and pipelines. The concentration of transactions with these counterparties has the potential to affect the Company's overall exposure to credit risk, either positively or negatively, in that each of these three groups may be affected similarly by changes in economic, industry, or other conditions. To manage this risk, as well as credit risk from significant counterparties in these and other industries, Spire Marketing has established procedures to determine the creditworthiness of its counterparties. These procedures include obtaining credit ratings and credit reports, analyzing counterparty financial statements to assess financial condition, and considering the industry environment in which the counterparty operates. This information is monitored on an ongoing basis. In some instances, Spire Marketing may require credit assurances such as prepayments, letters of credit, or parental guarantees. In addition, they may enter into netting arrangements to mitigate credit risk with counterparties in the energy industry with whom Spire Marketing conducts both sales and purchases of natural gas. Sales are typically made on an unsecured credit basis with payment due the month following delivery. Accounts receivable amounts are closely monitored and provisions for uncollectible amounts are accrued when losses are probable. Spire Marketing records accounts receivable, accounts payable, and prepayments for physical sales and purchases of natural gas on a gross basis. The amount included in its accounts receivable attributable to energy producers and their marketing affiliates totaled \$15.1 at March 31, 2017 (\$8.8 reflecting netting arrangements). Spire Marketing's accounts receivable attributable to utility companies and their marketing affiliates were \$53.4 at March 31, 2017 (\$50.0 reflecting netting arrangements). Spire Marketing also has concentrations of credit risk with certain individually significant counterparties and with pipeline companies associated with its natural gas receivable amounts. At March 31, 2017, the amounts included in accounts receivable from its five largest counterparties (in terms of net accounts receivable exposure) totaled \$30.0 (\$27.7 reflecting netting arrangements). Four of these five counterparties are investment-grade rated companies. The fifth is not rated.

8. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Plans

The pension plans of Spire consist of plans for employees at the Missouri Utilities, plans covering employees of Alagasco, and plans for employees of EnergySouth since September 12, 2016.

The Missouri Utilities have non-contributory, defined benefit, trustee forms of pension plans covering the majority of their employees. Plan assets consist primarily of corporate and United States (US) government obligations and a growth segment consisting of exposure to equity markets, commodities, real estate and inflation-indexed securities, achieved through derivative instruments.

Alagasco has non-contributory, defined benefit, trustee forms of pension plans covering the majority of its employees. Qualified plan assets are comprised of US equities consisting of mutual and commingled funds with varying strategies, global equities consisting of mutual funds, alternative investments of commingled and mutual funds, and fixed income investments.

Table of Contents

The net periodic pension cost included the following components:

	Three Months Ended March 31, 2017		Six Months Ended March 31, 2016	
Spire				
Service cost – benefits earned during the period	\$5.2	\$3.8	\$10.5	\$7.7
Interest cost on projected benefit obligation	6.9	7.0	13.8	14.1
Expected return on plan assets	(9.7)	(8.8)	(19.6)	(17.7)
Amortization of prior service cost	0.3	0.1	0.5	0.2
Amortization of actuarial loss	3.2	2.0	6.6	4.0
Loss (gain) on lump-sum settlements	11.9	(2.2)	11.9	(2.2)
Special termination benefits	—	—	—	1.6
Subtotal	17.8	1.9	23.7	7.7
Regulatory adjustment	(7.4)	6.1	(2.8)	11.1
Net pension cost	\$10.4	\$8.0	\$20.9	\$18.8
Laclede Gas				
Service cost – benefits earned during the period	\$3.3	\$2.5	\$6.6	\$5.0
Interest cost on projected benefit obligation	4.9	5.4	9.7	10.8
Expected return on plan assets	(7.1)	(6.7)	(14.4)	(13.4)
Amortization of prior service cost	0.3	0.1	0.5	0.2
Amortization of actuarial loss	2.8	2.0	5.7	4.0
Loss on lump-sum settlements	11.5	—	11.5	—
Special termination benefits	—	—	—	1.6
Subtotal	15.7	3.3	19.6	8.2
Regulatory adjustment	(8.6)	2.3	(5.8)	5.8
Net pension cost	\$7.1	\$5.6	\$13.8	\$14.0
Alagasco				
Service cost – benefits earned during the period	\$1.5	\$1.3	\$3.1	\$2.7
Interest cost on projected benefit obligation	1.5	1.6	3.0	3.3
Expected return on plan assets	(1.8)	(2.1)	(3.6)	(4.3)
Amortization of actuarial loss	0.4	—	0.9	—
Loss (gain) on lump-sum settlements	0.4	(2.2)	0.4	(2.2)
Subtotal	2.0	(1.4)	3.8	(0.5)
Regulatory adjustment	1.1	3.8	2.7	5.3
Net pension cost	\$3.1	\$2.4	\$6.5	\$4.8

Pursuant to the provisions of the Missouri Utilities' and Alagasco's pension plans, pension obligations may be satisfied by monthly annuities, lump-sum cash payments, or special termination benefits. Lump-sum payments are recognized as settlements (which can result in gains or losses) only if the total of such payments exceeds 100% of the sum of service and interest costs in a specific year. Special termination benefits, when offered, are also recognized as settlements which can result in gains or losses. In the quarter ended March 31, 2017, the Laclede Gas plan and one of the Alagasco plans met the criteria for settlement recognition, resulting in the remeasurement of the obligation of the plans using updated census data and assumptions for discount and mortality. The total lump-sum payments recognized as settlements for plan remeasurement were \$36.3 and \$1.9 for the Laclede plan and Alagasco plan, respectively. The lump-sum settlements resulted in losses of \$11.5 and \$0.4 for the Laclede plan and Alagasco plan, respectively. In the quarter ended March 31, 2016, an Alagasco plan met the criteria for settlement recognition. The lump-sum payments recognized as settlements for the Alagasco remeasurement were \$11.8. The lump-sum settlement resulted in a gain of \$2.2. In the quarter ended December 31, 2015, the Laclede Gas pension plans provided qualified employees with

voluntary early retirement packages that qualified as special termination benefits, resulting in a charge of \$1.6. All gains and losses on lump-sum settlements were recorded with a regulatory adjustment and did not impact income.

36

Table of Contents

The funding policy of the Utilities 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. Fiscal year 2017 contributions to Laclede Gas' pension plans through March 31, 2017 were \$12.3 to the qualified trusts and \$0.1 to non-qualified plans. There were no fiscal 2017 contributions to the Alagasco pension plans through March 31, 2017. Contributions to the Missouri Utilities' pension plans for the remainder of fiscal 2017 are anticipated to be \$16.7 to the qualified trusts and \$0.5 to the non-qualified plans. No contributions to Alagasco's pension plans are expected to be required for the remainder of fiscal 2017.

Postretirement Benefits

The Utilities provide certain life insurance benefits at retirement. Laclede Gas plans provide for medical insurance after early retirement until age 65. For retirements prior to January 1, 2015, the MGE plans provided medical insurance after retirement until death. For retirements after January 1, 2015, the MGE plans provide medical insurance after early retirement until age 65. Under the Alagasco plans, medical insurance is currently available upon retirement until death for certain retirees depending on the type of employee and the date the employee was originally hired.

Net periodic postretirement benefit cost for the Company consisted of the following components:

	Three Months Ended March 31, 2017		Six Months Ended March 31, 2016	
	2017	2016	2017	2016
Spire				
Service cost – benefits earned during the period	\$2.7	\$2.7	\$5.5	\$5.5
Interest cost on accumulated postretirement benefit obligation	2.2	2.5	4.3	5.0
Expected return on plan assets	(3.4)	(3.4)	(6.8)	(6.8)
Amortization of prior service credit	—	—	—	0.1
Amortization of actuarial loss	0.6	0.9	1.2	1.8
Special termination benefits	—	—	—	2.6
Subtotal	2.1	2.7	4.2	8.2
Regulatory adjustment	(0.8)	(1.7)	(1.6)	(5.9)
Net postretirement benefit cost	\$1.3	\$1.0	\$2.6	\$2.3
Laclede Gas				
Service cost – benefits earned during the period	\$2.6	\$2.6	\$5.2	\$5.3
Interest cost on accumulated postretirement benefit obligation	1.7	2.0	3.4	4.0
Expected return on plan assets	(2.2)	(2.2)	(4.5)	(4.3)
Amortization of prior service credit	—	—	0.1	0.1
Amortization of actuarial loss	0.7	0.9	1.3	1.9
Special termination benefits	—	—	—	2.6
Subtotal	2.8	3.3	5.5	9.6
Regulatory adjustment	(0.3)	(1.2)	(0.7)	(5.0)
Net postretirement benefit cost	\$2.5	\$2.1	\$4.8	\$4.6
Alagasco				
Service cost – benefits earned during the period	\$0.1	\$0.1	\$0.2	\$0.2
Interest cost on accumulated postretirement benefit obligation	0.4	0.5	0.8	1.0
Expected return on plan assets	(1.1)	(1.2)	(2.2)	(2.5)
Amortization of prior service credit	—	—	(0.1)	—
Amortization of actuarial gain	(0.1)	—	(0.1)	(0.1)
Subtotal	(0.7)	(0.6)	(1.4)	(1.4)
Regulatory adjustment	(0.5)	(0.5)	(0.9)	(0.9)
Net postretirement benefit income	\$(1.2)	\$(1.1)	\$(2.3)	\$(2.3)

Table of Contents

Missouri and Alabama state law provides for the recovery in rates of costs accrued pursuant to GAAP provided that such costs are funded through an independent, external funding mechanism. The Utilities have established Voluntary Employees' Beneficiary Association (VEBA) and Rabbi Trusts as external funding mechanisms. The assets of the VEBA and Rabbi Trusts consist primarily of money market securities and mutual funds invested in stocks and bonds. During the quarter ended December 31, 2015, the Laclede Gas postretirement plan offered qualified employees voluntary enhanced early retirement packages that resulted in a special termination benefits charge of \$2.6. The Utilities' funding policy is to contribute amounts to the trusts equal to the periodic benefit cost calculated pursuant to GAAP as recovered in rates. Year-to-date contributions to the postretirement plans through March 31, 2017 totaled \$6.2 for the Missouri Utilities. Contributions to the postretirement plans for the remainder of fiscal year 2017 are anticipated to be \$4.1 to the qualified trusts and \$0.4 paid directly to participants from the Missouri Utilities' funds. For Alagasco, there were no contributions to the postretirement plans during the six months of fiscal year 2017, and none are expected to be required for the remainder of the fiscal year.

9. INFORMATION BY OPERATING SEGMENT

The Company has two reportable segments: Gas Utility and Gas Marketing. The Gas Utility segment is the aggregation of the regulated operations of the Utilities. The Gas Marketing segment includes the results of Spire Marketing, a subsidiary engaged in the non-regulated marketing of natural gas and related activities, including utilizing natural gas storage contracts for providing natural gas sales. In addition, other non-utility activities of the Company include:

- unallocated corporate costs, including certain debt and associated interest costs;
- Spire STL Pipeline LLC, a subsidiary of Spire planning construction of a proposed 65-mile Federal Energy Regulatory Commission (FERC)-regulated pipeline to deliver natural gas into eastern Missouri; and
- Spire's subsidiaries engaged in the operation of a propane pipeline, compression of natural gas and risk management, among other activities. All subsidiaries are wholly owned.

Accounting policies are described in Note 1, Summary of Significant Accounting Policies. Intersegment transactions include sales of natural gas from Spire Marketing to Laclede Gas and from Laclede Gas to Spire Marketing, insurance services provided by Laclede Insurance Risk Services to Laclede Gas, and propane transportation services provided by Laclede Pipeline Company to Laclede Gas.

Management evaluates the performance of the operating segments based on the computation of net economic earnings. Net economic earnings exclude from reported net income the after-tax impacts of net unrealized gains and losses and other timing differences associated with energy-related transactions. Net economic earnings also exclude the after-tax impacts related to acquisition, divestiture, and restructuring activities.

Table of Contents

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended March 31, 2017					
Operating Revenues:					
Revenues from external customers	\$641.1	\$ 22.2	\$0.1	\$ —	\$ 663.4
Intersegment revenues	2.6	—	1.7	(4.3)	—
Total Operating Revenues	643.7	22.2	1.8	(4.3)	663.4
Operating Expenses:					
Gas Utility					
Natural and propane gas	275.6	—	—	(21.3)	254.3
Operation and maintenance	99.3	—	—	(0.9)	98.4
Depreciation and amortization	37.9	—	—	—	37.9
Taxes, other than income taxes	48.3	—	—	—	48.3
Total Gas Utility Operating Expenses	461.1	—	—	(22.2)	438.9
Gas Marketing and Other	—	23.9	2.3	17.9	44.1
Total Operating Expenses	461.1	23.9	2.3	(4.3)	483.0
Operating Income (Loss)	\$182.6	\$ (1.7)	\$(0.5)	\$ —	\$ 180.4
Net Economic Earnings (Loss)	\$112.2	\$ —	\$(3.2)	\$ —	\$ 109.0
Three Months Ended March 31, 2016					
Operating Revenues:					
Revenues from external customers	\$611.5	\$ (2.6)	\$0.4	\$ —	\$ 609.3
Intersegment revenues	1.2	10.6	0.5	(12.3)	—
Total Operating Revenues	612.7	8.0	0.9	(12.3)	609.3
Operating Expenses:					
Gas Utility					
Natural and propane gas	273.0	—	—	(11.9)	261.1
Operation and maintenance	94.6	—	—	(0.3)	94.3
Depreciation and amortization	33.8	—	—	—	33.8
Taxes, other than income taxes	43.9	—	—	—	43.9
Total Gas Utility Operating Expenses	445.3	—	—	(12.2)	433.1
Gas Marketing and Other	—	5.5	3.1	(0.1)	8.5
Total Operating Expenses	445.3	5.5	3.1	(12.3)	441.6
Operating Income (Loss)	\$167.4	\$ 2.5	\$(2.2)	\$ —	\$ 167.7
Net Economic Earnings (Loss)	\$102.5	\$ 3.0	\$(2.0)	\$ —	\$ 103.5

Table of Contents

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Six Months Ended March 31, 2017					
Operating Revenues:					
Revenues from external customers	\$1,113.4	\$ 43.9	\$1.2	\$ —	\$ 1,158.5
Intersegment revenues	7.0	—	2.4	(9.4)	—
Total Operating Revenues	1,120.4	43.9	3.6	(9.4)	1,158.5
Operating Expenses:					
Gas Utility					
Natural and propane gas	490.1	—	—	(42.0)	448.1
Operation and maintenance	199.8	—	—	(2.0)	197.8
Depreciation and amortization	75.6	—	—	—	75.6
Taxes, other than income taxes	81.7	—	—	—	81.7
Total Gas Utility Operating Expenses	847.2	—	—	(44.0)	803.2
Gas Marketing and Other	—	46.9	4.3	34.6	85.8
Total Operating Expenses	847.2	46.9	4.3	(9.4)	889.0
Operating Income (Loss)	\$273.2	\$ (3.0)	\$(0.7)	\$ —	\$ 269.5
Net Economic Earnings (Loss)	\$164.0	\$ 1.4	\$(8.9)	\$ —	\$ 156.5

Six Months Ended March 31, 2016

Operating Revenues:					
Revenues from external customers	\$1,010.3	\$ (2.4)	\$0.8	\$ —	\$ 1,008.7
Intersegment revenues	1.9	23.2	0.9	(26.0)	—
Total Operating Revenues	1,012.2	20.8	1.7	(26.0)	1,008.7
Operating Expenses:					
Gas Utility					
Natural and propane gas	434.9	—	—	(25.3)	409.6
Operation and maintenance	186.5	—	—	(0.6)	185.9
Depreciation and amortization	67.3	—	—	—	67.3
Taxes, other than income taxes	72.1	—	—	—	72.1
Total Gas Utility Operating Expenses	760.8	—	—	(25.9)	734.9
Gas Marketing and Other	—	14.5	4.7	(0.1)	19.1
Total Operating Expenses	760.8	14.5	4.7	(26.0)	754.0
Operating Income (Loss)	\$251.4	\$ 6.3	\$(3.0)	\$ —	\$ 254.7
Net Economic Earnings (Loss)	\$152.5	\$ 2.7	\$(6.6)	\$ —	\$ 148.6

The Company's total assets by segment were as follows:

	March 31, 2017	September 30, 2016	March 31, 2016
Total Assets:			
Gas Utility	\$ 5,290.8	 	