

SPIRE INC
 Form 10-Q
 August 03, 2018
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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
 [X] OF 1934

For the quarterly period ended June 30, 2018

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	Spire Missouri Inc. 700 Market Street St. Louis, MO 63101 314-342-0500	Missouri	43-0368139
2-38960	Spire Alabama Inc. 2101 6th Avenue North Birmingham, AL 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 [X] No []

Spire Missouri Inc. Yes [X] No []

Spire Alabama Inc. Yes [X] 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 [X] No []

Spire Missouri Inc. Yes [X] No []

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Spire Alabama Inc. Yes No

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				
Spire Missouri Inc.			X		
Spire Alabama Inc.			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.
Spire Missouri Inc.
Spire Alabama Inc.

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

Spire Inc. Yes No
Spire Missouri Inc. Yes No
Spire Alabama Inc. Yes No

The number of shares outstanding of each registrant’s common stock as of July 30, 2018, was as follows:

Spire Inc.	Common Stock, par value \$1.00 per share	50,669,092
Spire Missouri Inc.	Common Stock, par value \$1.00 per share (all owned by Spire Inc.)	24,577
Spire Alabama Inc.	Common Stock, par value \$0.01 per share (all owned by Spire Inc.)	1,972,052

Spire Missouri Inc. and Spire Alabama Inc. 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., Spire Missouri Inc., and Spire Alabama Inc. 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 Spire Missouri Inc. and Spire Alabama Inc. are also attributed to Spire Inc.

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GLOSSARY OF KEY TERMS AND ABBREVIATIONS

APSC	Alabama Public Service Commission	O&M	Operation and maintenance expense
ASC	Accounting Standards Codification	PGA	Purchased Gas Adjustment
Degree days	The average of a day's high and low temperature below 65, subtracted from 65, multiplied by the number of days impacted	RSE	Rate Stabilization and Equalization
FASB	Financial Accounting Standards Board	SEC	US Securities and Exchange Commission
FERC	Federal Energy Regulatory Commission	Spire	Spire Inc.
GAAP	Accounting principles generally accepted in the United States of America	Spire Alabama	Spire Alabama Inc.
Gas Marketing	Segment including Spire Marketing, which is engaged in the non-regulated marketing of natural gas and related activities	Spire EnergySouth	Spire EnergySouth Inc., the parent of Spire Gulf and Spire Mississippi
Gas Utility	Segment including the regulated operations of the Utilities	Spire Gulf	Spire Gulf Inc.
GSA	Gas Supply Adjustment	Spire Marketing	Spire Marketing Inc.
ISRS	Infrastructure System Replacement Surcharge	Spire Mississippi	Spire Mississippi Inc.
Missouri Utilities	Spire Missouri, including Spire Missouri East and Spire Missouri West, the utilities serving Missouri	Spire Missouri	Spire Missouri Inc.
MMBtu	Million British thermal units	Spire Missouri East	Spire Missouri's eastern service territory
MoPSC	Missouri Public Service Commission	Spire Missouri West	Spire Missouri's western service territory
MSPSC	Mississippi Public Service Commission	TCJA	The Tax Cuts and Jobs Act of 2017
NYSE	New York Stock Exchange	US	United States
		Utilities	Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth

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PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by three separate registrants — Spire Inc. (Spire or the Company), Spire Missouri Inc. (Spire Missouri or Missouri Utilities) and Spire Alabama Inc. (Spire Alabama) — without audit, pursuant to the rules and regulations of the United States (US) Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the financial statements and the notes thereto included in the registrants' combined Form 10-K for the fiscal year ended September 30, 2017.

The Financial Information in this Part I includes separate financial statements (i.e., balance sheets, statements of income and comprehensive income, statements of shareholders' equity and statements of cash flows) for Spire, Spire Missouri and Spire Alabama. 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, Spire Missouri and Spire Alabama.

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Item 1. Financial Statements

SPIRE INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)

(In millions, except per share amounts)	Three Months		Nine Months Ended	
	Ended June 30, 2018	2017	2018	2017
Operating Revenues:				
Gas Utility	\$334.8	\$305.1	\$1,667.3	\$1,419.1
Gas Marketing and other	15.8	18.4	58.5	62.9
Total Operating Revenues	350.6	323.5	1,725.8	1,482.0
Operating Expenses:				
Gas Utility				
Natural and propane gas	107.2	76.7	731.7	524.8
Operation and maintenance	105.6	100.8	347.1	298.6
Depreciation and amortization	40.5	38.4	121.9	114.0
Taxes, other than income taxes	33.5	30.5	128.2	112.2
Total Gas Utility Operating Expenses	286.8	246.4	1,328.9	1,049.6
Gas Marketing and other	11.4	26.8	97.6	112.6
Total Operating Expenses	298.2	273.2	1,426.5	1,162.2
Operating Income	52.4	50.3	299.3	319.8
Other Income - Net	3.4	1.5	6.3	5.6
Interest Charges:				
Interest on long-term debt	20.8	19.0	62.5	57.3
Other interest charges	3.4	2.4	11.5	8.9
Total Interest Charges	24.2	21.4	74.0	66.2
Income Before Income Taxes	31.6	30.4	231.6	259.2
Income Tax Expense (Benefit)	5.7	8.7	(8.5) 84.3
Net Income	\$25.9	\$21.7	\$240.1	\$174.9
Weighted Average Number of Shares Outstanding:				
Basic	49.6	48.1	48.7	46.4
Diluted	49.7	48.2	48.8	46.6
Basic Earnings Per Share	\$0.52	\$0.45	\$4.92	\$3.76
Diluted Earnings Per Share	\$0.52	\$0.45	\$4.91	\$3.75
Dividends Declared Per Share	\$0.5625	\$0.525	\$1.6875	\$1.575

See the accompanying Notes to Financial Statements.

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

(In millions)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Net Income	\$25.9	\$21.7	\$240.1	\$174.9
Other Comprehensive Income, Before Tax:				
Cash flow hedging derivative instruments:				
Net hedging gains (losses) arising during the period	0.6	(1.0)	2.5	11.5
Reclassification adjustment for (gains) losses included in net income	(0.3)	—	(1.1)	0.1
Net unrealized gains (losses) on cash flow hedging derivative instruments	0.3	(1.0)	1.4	11.6
Net gains on defined benefit pension and other postretirement plans	—	0.1	0.1	0.2
Net unrealized losses on available for sale securities	—	—	(0.1)	(0.1)
Other Comprehensive Income (Loss), Before Tax	0.3	(0.9)	1.4	11.7
Income Tax (Benefit) Expense Related to Items of Other Comprehensive Income	—	(0.4)	0.2	4.3
Other Comprehensive Income (Loss), Net of Tax	0.3	(0.5)	1.2	7.4
Comprehensive Income	\$26.2	\$21.2	\$241.3	\$182.3

See the accompanying Notes to Financial Statements.

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SPIRE INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

	June 30, 2018	September 30, 2017	June 30, 2017
(Dollars in millions, except per share amounts)			
ASSETS			
Utility Plant	\$5,501.6	\$5,278.4	\$5,071.4
Less: Accumulated depreciation and amortization	1,669.8	1,613.2	1,609.6
Net Utility Plant	3,831.8	3,665.2	3,461.8
Non-utility Property (net of accumulated depreciation and amortization of \$9.7, \$8.6 and \$8.4 at June 30, 2018, September 30, 2017, and June 30, 2017, respectively)	143.5	52.0	39.9
Goodwill	1,171.6	1,171.6	1,163.9
Other Investments	71.0	64.2	63.8
Total Other Property and Investments	1,386.1	1,287.8	1,267.6
Current Assets:			
Cash and cash equivalents	6.9	7.4	8.3
Accounts receivable:			
Utility	159.8	140.5	141.9
Other	111.6	149.2	124.0
Allowance for doubtful accounts	(24.7)	(18.3)	(17.7)
Delayed customer billings	32.8	3.4	7.0
Inventories:			
Natural gas	119.8	194.9	144.4
Propane gas	12.0	12.0	12.0
Materials and supplies	21.4	18.9	18.4
Natural gas receivable	2.7	1.9	6.5
Derivative instrument assets	8.4	5.9	7.3
Unamortized purchased gas adjustments	14.6	102.6	73.9
Other regulatory assets	82.1	72.9	70.7
Prepayments and other	37.5	34.2	32.4
Total Current Assets	584.9	725.5	629.1
Deferred Charges:			
Regulatory assets	695.1	791.1	840.5
Other	87.0	77.1	99.2
Total Deferred Charges	782.1	868.2	939.7
Total Assets	\$6,584.9	\$6,546.7	\$6,298.2

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

	June 30, 2018	September 30, 2017	June 30, 2017
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock (par value \$1.00 per share; 70.0 million shares authorized; 50.7 million, 48.3 million and 48.3 million shares issued and outstanding at June 30, 2018, September 30, 2017 and June 30, 2017, respectively)	\$50.7	\$48.3	\$48.2
Paid-in capital	1,480.2	1,325.6	1,323.7
Retained earnings	772.4	614.2	653.1
Accumulated other comprehensive income	4.4	3.2	3.2
Total Equity	2,307.7	1,991.3	2,028.2
Redeemable noncontrolling interest	6.5	—	—
Long-term debt (less current portion)	2,024.5	1,995.0	1,925.3
Total Capitalization	4,338.7	3,986.3	3,953.5
Current Liabilities:			
Current portion of long-term debt	155.5	100.0	—
Notes payable	191.0	477.3	450.7
Accounts payable	195.5	257.1	206.4
Advance customer billings	9.7	32.0	15.9
Wages and compensation accrued	39.6	38.7	38.9
Dividends payable	28.4	26.6	26.3
Customer deposits	35.4	34.9	35.0
Interest accrued	27.8	14.6	24.2
Taxes accrued	56.5	61.0	55.6
Unamortized purchased gas adjustments	1.1	1.0	1.0
Other regulatory liabilities	23.4	21.6	24.9
Other	50.2	33.1	30.9
Total Current Liabilities	814.1	1,097.9	909.8
Deferred Credits and Other Liabilities:			
Deferred income taxes	476.8	707.5	705.3
Pension and postretirement benefit costs	219.3	237.4	300.4
Asset retirement obligations	305.9	296.6	214.7
Regulatory liabilities	364.3	157.2	139.8
Other	65.8	63.8	74.7
Total Deferred Credits and Other Liabilities	1,432.1	1,462.5	1,434.9
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$6,584.9	\$6,546.7	\$6,298.2

See the accompanying Notes to Financial Statements.

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SPIRE INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(Dollars in millions)	Common Stock		Paid-in Capital	Retained Earnings	AOCI*	Total
	Outstanding Shares	Par				
Balance at September 30, 2016	45,650,642	\$45.6	\$1,175.9	\$ 550.9	\$(4.2)	\$1,768.2
Net income	—	—	—	174.9	—	174.9
Common stock offering	2,504,684	2.5	143.0	—	—	145.5
Dividend reinvestment plan	18,025	—	1.2	—	—	1.2
Stock-based compensation costs	—	—	5.9	0.9	—	6.8
Stock issued under stock-based compensation plans	119,660	0.1	(0.1)	—	—	—
Employee's tax withholding for stock-based compensation	(35,167)	—	(2.2)	—	—	(2.2)
Dividends declared	—	—	—	(73.6)	—	(73.6)
Other comprehensive income, net of tax	—	—	—	—	7.4	7.4
Balance at June 30, 2017	48,257,844	\$48.2	\$1,323.7	\$ 653.1	\$ 3.2	\$2,028.2
Balance at September 30, 2017	48,263,243	\$48.3	\$1,325.6	\$ 614.2	\$ 3.2	\$1,991.3
Net income	—	—	—	240.1	—	240.1
Common stock offering	2,300,000	2.3	150.7	—	—	153.0
Dividend reinvestment plan	16,952	—	1.2	—	—	1.2
Stock-based compensation costs	—	—	5.6	—	—	5.6
Stock issued under stock-based compensation plans	111,742	0.1	(0.1)	—	—	—
Employee's tax withholding for stock-based compensation	(33,777)	—	(2.8)	—	—	(2.8)
Dividends declared	—	—	—	(81.9)	—	(81.9)
Other comprehensive income, net of tax	—	—	—	—	1.2	1.2
Balance at June 30, 2018	50,658,160	\$50.7	\$1,480.2	\$ 772.4	\$ 4.4	\$2,307.7

* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

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

(In millions)	Nine Months Ended June 30,	
	2018	2017
Operating Activities:		
Net Income	\$240.1	\$174.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122.9	114.4
Deferred income taxes and investment tax credits	(9.5)	84.1
Changes in assets and liabilities:		
Accounts receivable	20.1	(33.1)
Unamortized purchased gas adjustments	133.0	(26.1)
Accounts payable	(53.0)	14.8
Delayed/advance customer billings – net	(51.6)	(59.7)
Taxes accrued	(4.4)	(4.8)
Inventories	72.6	27.5
Other assets and liabilities	(3.4)	24.2
Other	44.5	4.5
Net cash provided by operating activities	511.3	320.7
Investing Activities:		
Capital expenditures	(334.3)	(298.6)
Business acquisitions	(28.1)	3.8
Other	(8.9)	1.1
Net cash used in investing activities	(371.3)	(293.7)
Financing Activities:		
Issuance of long-term debt	75.0	250.0
Repayment of long-term debt	—	(393.8)
(Repayment) issuance of short-term debt – net	(286.3)	52.0
Issuance of common stock	154.2	146.4
Dividends paid	(80.2)	(70.9)
Other	(3.2)	(7.6)
Net cash used in financing activities	(140.5)	(23.9)
Net (Decrease) Increase in Cash and Cash Equivalents	(0.5)	3.1
Cash and Cash Equivalents at Beginning of Period	7.4	5.2
Cash and Cash Equivalents at End of Period	\$6.9	\$8.3
Supplemental disclosure of cash paid for:		
Interest, net of amounts capitalized	\$(60.6)	\$(54.5)
Income taxes	(0.9)	(0.7)

See the accompanying Notes to Financial Statements.

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SPIRE MISSOURI INC.
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

(In millions)	Three Months		Nine Months Ended	
	Ended June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues:				
Utility	\$215.5	\$198.5	\$1,141.0	\$1,009.3
Total Operating Revenues	215.5	198.5	1,141.0	1,009.3
Operating Expenses:				
Utility				
Natural and propane gas	81.1	61.9	598.5	494.4
Operation and maintenance	65.5	61.2	229.3	179.2
Depreciation and amortization	24.2	23.2	74.2	68.9
Taxes, other than income taxes	23.7	21.7	91.1	81.6
Total Operating Expenses	194.5	168.0	993.1	824.1
Operating Income	21.0	30.5	147.9	185.2
Other Income - Net	2.0	0.7	2.8	2.7
Interest Charges:				
Interest on long-term debt	9.6	8.0	29.3	24.5
Other interest charges	1.7	1.5	5.5	4.4
Total Interest Charges	11.3	9.5	34.8	28.9
Income Before Income Taxes	11.7	21.7	115.9	159.0
Income Tax Expense (Benefit)	0.2	6.2	(23.4) 48.5
Net Income	\$11.5	\$15.5	\$139.3	\$110.5

See the accompanying Notes to Financial Statements.

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

	Three		Nine Months	
	Months	Ended	Ended	June 30,
(In millions)	2018	2017	2018	2017
Net Income	\$11.5	\$15.5	\$139.3	\$110.5
Other Comprehensive Income, Net of Tax	0.1	—	—	—
Comprehensive Income	\$11.6	\$15.5	\$139.3	\$110.5

See the accompanying Notes to Financial Statements.

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SPIRE MISSOURI INC.
 CONDENSED BALANCE SHEETS
 (UNAUDITED)

	June 30, 2018	September 30, 2017	June 30, 2017
(Dollars in millions, except per share amounts)			
ASSETS			
Utility Plant	\$3,227.1	\$3,091.8	\$2,914.1
Less: Accumulated depreciation and amortization	697.6	681.6	670.3
Net Utility Plant	2,529.5	2,410.2	2,243.8
Goodwill	210.2	210.2	210.2
Other Property and Investments	56.7	59.4	58.9
Total Other Property and Investments	266.9	269.6	269.1
Current Assets:			
Cash and cash equivalents	3.5	2.5	2.6
Accounts receivable:			
Utility	110.5	101.7	94.4
Associated companies	3.2	3.3	1.7
Other	18.7	15.0	13.8
Allowance for doubtful accounts	(18.2)	(14.1)	(13.4)
Delayed customer billings	32.8	3.4	7.0
Inventories:			
Natural gas	76.8	138.2	93.6
Propane gas	12.0	12.0	12.0
Materials and supplies	12.4	11.3	11.3
Derivative instrument assets	—	0.1	0.7
Unamortized purchased gas adjustments	7.0	57.4	29.0
Other regulatory assets	48.1	38.2	38.2
Prepayments and other	20.3	19.6	21.3
Total Current Assets	327.1	388.6	312.2
Deferred Charges:			
Regulatory assets	473.8	557.8	583.4
Other	7.7	5.3	3.1
Total Deferred Charges	481.5	563.1	586.5
Total Assets	\$3,605.0	\$3,631.5	\$3,411.6

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

	June 30, 2018	September 30, 2017	June 30, 2017
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value \$1.00 per share; 50.0 million shares authorized; 24,577 shares issued and outstanding)	\$759.3	\$756.2	\$755.3
Retained earnings	519.8	416.5	414.0
Accumulated other comprehensive loss	(1.7)	(1.7)	(1.8)
Total Equity	1,277.4	1,171.0	1,167.5
Long-term debt	824.2	873.9	804.5
Total Capitalization	2,101.6	2,044.9	1,972.0
Current Liabilities:			
Current portion of long-term debt	150.0	100.0	—
Notes payable – associated companies	128.6	203.0	260.2
Accounts payable	62.3	89.9	54.0
Accounts payable – associated companies	4.9	5.4	5.4
Advance customer billings	—	13.3	0.7
Wages and compensation accrued	30.5	29.6	29.4
Dividends payable	9.0	—	—
Customer deposits	13.0	13.3	13.2
Interest accrued	11.6	8.0	9.5
Taxes accrued	26.5	34.1	28.3
Regulatory liabilities	8.7	2.7	2.7
Other	17.4	8.5	7.5
Total Current Liabilities	462.5	507.8	410.9
Deferred Credits and Other Liabilities:			
Deferred income taxes	393.9	623.8	620.9
Pension and postretirement benefit costs	154.4	173.0	204.2
Asset retirement obligations	163.6	158.6	77.9
Regulatory liabilities	281.6	81.2	83.6
Other	47.4	42.2	42.1
Total Deferred Credits and Other Liabilities	1,040.9	1,078.8	1,028.7
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$3,605.0	\$3,631.5	\$3,411.6

See the accompanying Notes to Financial Statements.

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SPIRE MISSOURI INC.
 CONDENSED STATEMENTS OF SHAREHOLDER'S EQUITY
 (UNAUDITED)

(Dollars in millions)	Common		Paid-in Capital	Retained Earnings	AOCI*	Total
	Stock Outstanding Shares	Par				
Balance at September 30, 2016	24,577	\$0.1	\$ 751.9	\$ 318.3	\$(1.8)	\$1,068.5
Net income	—	—	—	110.5	—	110.5
Stock-based compensation costs	—	—	3.3	—	—	3.3
Dividends declared	—	—	—	(14.8)	—	(14.8)
Balance at June 30, 2017	24,577	\$0.1	\$ 755.2	\$ 414.0	\$(1.8)	\$1,167.5
Balance at September 30, 2017	24,577	\$0.1	\$ 756.1	\$ 416.5	\$(1.7)	\$1,171.0
Net income	—	—	—	139.3	—	139.3
Stock-based compensation costs	—	—	3.1	—	—	3.1
Dividends declared	—	—	—	(36.0)	—	(36.0)
Balance at June 30, 2018	24,577	\$0.1	\$ 759.2	\$ 519.8	\$(1.7)	\$1,277.4

* Accumulated other comprehensive
 income (loss)

See the accompanying Notes to
 Financial Statements.

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

(In millions)	Nine Months Ended June 30,	
	2018	2017
Operating Activities:		
Net Income	\$ 139.3	\$ 110.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74.2	68.9
Deferred income taxes and investment tax credits	(23.4)	48.5
Changes in assets and liabilities:		
Accounts receivable	(8.3)	(11.0)
Unamortized purchased gas adjustments	95.3	12.8
Accounts payable	(19.6)	(6.2)
Delayed/advance customer billings – net	(42.7)	(53.8)
Taxes accrued	(7.5)	(0.7)
Inventories	60.3	31.6
Other assets and liabilities	(6.3)	0.5
Other	44.1	1.4
Net cash provided by operating activities	305.4	202.5
Investing Activities:		
Capital expenditures	(203.1)	(189.5)
Other	0.1	0.7
Net cash used in investing activities	(203.0)	(188.8)
Financing Activities:		
Repayment of short-term debt – net	—	(243.7)
(Repayments to) borrowings from Spire – net	(74.4)	260.2
Dividends paid	(27.0)	(28.7)
Other	—	(1.0)
Net cash used in financing activities	(101.4)	(13.2)
Net Increase in Cash and Cash Equivalents	1.0	0.5
Cash and Cash Equivalents at Beginning of Period	2.5	2.1
Cash and Cash Equivalents at End of Period	\$3.5	\$2.6
Supplemental disclosure of cash paid for:		
Interest, net of amounts capitalized	\$(30.7)	\$(26.9)
Income taxes	—	—

See the accompanying Notes to Financial Statements.

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SPIRE ALABAMA INC.
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

(In millions)	Three Months		Nine Months	
	Ended June 30, 2018	2017	Ended June 30, 2018	2017
Operating Revenues:				
Utility	\$100.3	\$90.5	\$439.4	\$336.0
Total Operating Revenues	100.3	90.5	439.4	336.0
Operating Expenses:				
Utility				
Natural gas	32.2	22.5	159.7	65.1
Operation and maintenance	34.2	32.9	100.1	95.6
Depreciation and amortization	13.5	12.6	39.4	37.2
Taxes, other than income taxes	8.1	7.0	30.7	23.9
Total Operating Expenses	88.0	75.0	329.9	221.8
Operating Income	12.3	15.5	109.5	114.2
Other Income - Net	0.5	0.6	1.4	2.1
Interest Charges:				
Interest on long-term debt	3.6	2.8	10.0	8.4
Other interest charges	0.8	0.8	2.8	2.3
Total Interest Charges	4.4	3.6	12.8	10.7
Income Before Income Taxes	8.4	12.5	98.1	105.6
Income Tax Expense	2.1	5.1	85.8	40.3
Net Income	\$6.3	\$7.4	\$12.3	\$65.3

See the accompanying Notes to Financial Statements.

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SPIRE ALABAMA INC.
 CONDENSED BALANCE SHEETS
 (UNAUDITED)

	June 30, 2018	September 30, 2017	June 30, 2017
(Dollars in millions, except per share amounts)			
ASSETS			
Utility Plant	\$1,920.3	\$1,838.0	\$1,809.0
Less: Accumulated depreciation and amortization	816.8	782.0	791.2
Net Utility Plant	1,103.5	1,056.0	1,017.8
Current Assets:			
Cash and cash equivalents	—	0.1	0.1
Accounts receivable:			
Utility	40.3	32.0	40.6
Associated companies	0.2	—	0.2
Other	6.5	6.2	5.8
Allowance for doubtful accounts	(3.6)	(2.6)	(2.2)
Inventories:			
Natural gas	30.5	33.9	29.0
Materials and supplies	7.7	6.5	5.9
Unamortized purchased gas adjustments	7.6	45.2	44.9
Other regulatory assets	19.3	19.4	17.3
Prepayments and other	8.6	6.7	6.6
Total Current Assets	117.1	147.4	148.2
Deferred Charges:			
Regulatory assets	193.4	197.0	228.7
Deferred income taxes	98.2	185.6	181.1
Other	58.6	57.0	63.2
Total Deferred Charges	350.2	439.6	473.0
Total Assets	\$1,570.8	\$1,643.0	\$1,639.0

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

	June 30, 2018	September 30, 2017	June 30, 2017
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)	\$ 390.9	\$ 420.9	\$ 420.9
Retained earnings	436.3	446.5	463.5
Total Equity	827.2	867.4	884.4
Long-term debt	322.5	247.8	247.7
Total Capitalization	1,149.7	1,115.2	1,132.1
Current Liabilities:			
Notes payable – associated companies	69.6	169.9	114.9
Accounts payable	44.6	44.4	45.1
Accounts payable – associated companies	2.0	1.6	1.4
Advance customer billings	9.5	18.6	15.2
Wages and compensation accrued	7.4	7.4	7.5
Customer deposits	18.6	17.9	18.1
Interest accrued	5.0	3.3	3.5
Taxes accrued	26.8	23.4	20.5
Regulatory liabilities	8.8	12.0	17.8
Other	3.3	2.9	3.4
Total Current Liabilities	195.6	301.4	247.4
Deferred Credits and Other Liabilities:			
Pension and postretirement benefit costs	51.8	50.2	77.9
Asset retirement obligations	132.4	128.4	125.4
Regulatory liabilities	33.7	39.6	34.4
Other	7.6	8.2	21.8
Total Deferred Credits and Other Liabilities	225.5	226.4	259.5
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$1,570.8	\$1,643.0	\$1,639.0

See the accompanying Notes to Financial Statements.

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SPIRE ALABAMA INC.
 CONDENSED STATEMENTS OF SHAREHOLDER'S EQUITY
 (UNAUDITED)

(Dollars in millions)	Common			Retained Earnings	Total
	Stock Outstanding Shares	Par	Paid-in Capital		
Balance at September 30, 2016	1,972,052	\$ —	-\$451.9	\$ 415.4	\$ 867.3
Net income	—	—	—	65.3	65.3
Return of capital to Spire	—	—	(31.0)	—	(31.0)
Dividends declared	—	—	—	(17.2)	(17.2)
Balance at June 30, 2017	1,972,052	\$ —	-\$420.9	\$ 463.5	\$ 884.4
Balance at September 30, 2017	1,972,052	\$ —	-\$420.9	\$ 446.5	\$ 867.4
Net income	—	—	—	12.3	12.3
Return of capital to Spire	—	—	(30.0)	—	(30.0)
Dividends declared	—	—	—	(22.5)	(22.5)
Balance at June 30, 2018	1,972,052	\$ —	-\$390.9	\$ 436.3	\$ 827.2

See the accompanying Notes to Financial Statements.

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

(In millions)	Nine Months Ended June 30,	
	2018	2017
Operating Activities:		
Net Income	\$12.3	\$65.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39.4	37.2
Deferred income taxes and investment tax credits	85.8	40.3
Changes in assets and liabilities:		
Accounts receivable	(14.9)	(12.4)
Unamortized purchased gas adjustments	37.6	(39.3)
Accounts payable	(0.1)	10.7
Advance customer billings	(9.1)	(5.9)
Taxes accrued	3.4	(1.1)
Inventories	2.2	5.6
Other assets and liabilities	6.6	(4.1)
Other	(0.5)	(0.3)
Net cash provided by operating activities	162.7	96.0
Investing Activities:		
Capital expenditures	(83.6)	(80.2)
Other	(1.0)	—
Net cash used in investing activities	(84.6)	(80.2)
Financing Activities:		
Issuance of long-term debt	75.0	—
Repayments of short-term debt – net	—	(82.0)
(Repayments to) borrowings from Spire – net	(100.3)	114.9
Return of capital to Spire	(30.0)	(31.0)
Dividends paid	(22.5)	(17.2)
Other	(0.4)	(0.4)
Net cash used in financing activities	(78.2)	(15.7)
Net (Decrease) Increase in Cash and Cash Equivalents	(0.1)	0.1
Cash and Cash Equivalents at Beginning of Period	0.1	—
Cash and Cash Equivalents at End of Period	\$—	\$0.1
Supplemental disclosure of cash paid for:		
Interest, net of amounts capitalized	\$(10.0)	\$(9.3)
Income taxes	—	—

See the accompanying Notes to Financial Statements.

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SPIRE INC., SPIRE MISSOURI INC. AND SPIRE ALABAMA INC.

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 Spire Missouri Inc. (Spire Missouri or the Missouri Utilities) and Spire Alabama Inc. (Spire Alabama). Spire Missouri and Spire Alabama are wholly owned subsidiaries of the Company. Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth Inc. (Spire EnergySouth) are collectively referred to as the Utilities. The subsidiaries of Spire EnergySouth are Spire Gulf Inc. and Spire Mississippi Inc. 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, Spire Missouri’s and Spire Alabama’s combined Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

The consolidated financial position, results of operations, and cash flows of Spire include the accounts of the Company and all its subsidiaries. One subsidiary acquired an 80% voting interest in a natural gas storage facility in December 2017, and the redeemable noncontrolling interest is shown as temporary equity on the balance sheet. Transactions and balances between consolidated entities have been eliminated from the consolidated financial statements of Spire. In compliance with GAAP, transactions between Spire Missouri and Spire Alabama and their affiliates, as well as intercompany balances on their balance sheets, have not been eliminated from their separate financial statements.

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 (Spire Missouri East) and Kansas City and western Missouri (Spire Missouri West); Spire Alabama, serving central and northern Alabama; and the subsidiaries of Spire EnergySouth, serving southern Alabama and south-central Mississippi. The Gas Marketing segment includes Spire’s primary non-utility business, Spire Marketing Inc. (Spire Marketing), which provides non-regulated natural gas services. The activities of other subsidiaries are reported as Other and are described in [Note 9](#), Information by Operating Segment. Spire Missouri and Spire Alabama each have a single reportable segment.

Nearly all of the Company’s earnings are 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, Spire Missouri and Spire Alabama are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year.

REVENUE RECOGNITION – The Utilities read meters and bill customers on monthly cycles. The Missouri Utilities, Spire Gulf and Spire Mississippi 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 Spire Missouri at June 30, 2018, September 30, 2017, and June 30, 2017, were \$31.5, \$30.1, and \$31.9, respectively.

Spire Alabama records natural gas distribution revenues in accordance with the tariff established by the Alabama Public Service Commission (APSC). Unbilled revenue is accrued in an amount equal to the related gas cost, as profit margin is not considered earned until billed. The amounts of accrued unbilled revenues for Spire Alabama at June 30,

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2018, September 30, 2017, and June 30, 2017 were \$1.7, \$1.9, and \$6.0, respectively.

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

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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 (or expenses, if negative) in the Condensed Consolidated Statements of Income. This net presentation has no effect on operating income or net income.

GROSS RECEIPTS AND SALES 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 and sales taxes recorded as revenues:

	Three Months Ended June 30, 2018		Nine Months Ended June 30, 2017	
Spire	\$20.4	\$18.0	\$87.1	\$71.7
Spire Missouri	14.5	12.4	61.3	52.0
Spire Alabama	5.2	4.2	22.4	16.1

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), the Mississippi Public Service Commission (MSPSC) and the 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 riders are both labeled Unamortized Purchased Gas Adjustments herein. See additional information about regulatory assets and liabilities in [Note 3](#), Regulatory Matters.

TRANSACTIONS WITH AFFILIATES – Transactions between affiliates of the Company have been eliminated from the consolidated statements of Spire. Spire Missouri and Spire Alabama borrowed funds from the Company and incurred related interest, as reflected in their separate financial statements, and they participated in normal intercompany shared services transactions. In addition, Spire Missouri's other transactions with affiliates included:

	Three Months Ended June 30, 2018		Nine Months Ended June 30, 2017	
Purchases of natural gas from Spire Marketing	\$10.4	\$11.8	\$52.0	\$53.3

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Sales of natural gas to Spire Marketing	—	1.5	0.3	7.8
Transportation services received from Spire NGL Inc.	0.3	0.3	0.8	0.8

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ACCRUED CAPITAL EXPENDITURES – Accrued capital expenditures, shown in the following table, are excluded from capital expenditures in the statements of cash flows until paid.

	June 30,	September 30,	June 30,
	2018	2017	2017
Spire	\$ 33.8	\$ 41.0	\$26.5
Spire Missouri	21.9	28.9	16.5
Spire Alabama	9.9	9.4	7.9

NEW ACCOUNTING PRONOUNCEMENTS – In May 2014, the FASB issued Accounting Standards Update (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. 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 in the statement of income. Entities have the option of using either a full retrospective or modified retrospective approach in 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 and 2017, the FASB issued related ASU Nos. 2016-08, 2016-10, 2016-11, 2016-12, 2016-20, and 2017-14, which further modified the standards for accounting for revenue. The Company, Spire Missouri and Spire Alabama have completed their evaluation of their sources of revenue and related contracts and plan to adopt the new guidance in the first quarter of fiscal 2019 using the modified retrospective approach with no material effect on their financial position, results of operations, or cash flows.

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. ASU No. 2018-01, issued in January 2018, clarifies the related transition and accounting for existing and new or modified land easements. The ASUs are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company, Spire Missouri and Spire Alabama are currently assessing the timing and impacts of adopting these standards, which must be adopted by the first quarter of fiscal 2020.

In June 2016, the FASB issued ASU No. 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, Spire Missouri and Spire Alabama are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal 2021.

In March 2017, the FASB issued ASU No. 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, Spire Missouri and Spire Alabama will adopt this standard in the first quarter of fiscal 2019 using a practical expedient permitting the use of the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. They will continue to capitalize the non-service cost components as allowed for regulatory reporting, but those capitalized amounts will be reported as regulatory assets rather than plant.

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In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. The amendments in this ASU more closely align the results of hedge accounting with risk management activities through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements. They are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and early application is permitted. The Company, Spire Missouri and Spire Alabama are currently assessing the effects of this new guidance, as well as the timing of adoption.

2. EARNINGS PER COMMON SHARE

Spire	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Basic Earnings Per Share:				
Net Income	\$25.9	\$21.7	\$240.1	\$174.9
Less: Income allocated to participating securities	0.1	0.1	0.5	0.4
Net Income Available to Common Shareholders	\$25.8	\$21.6	\$239.6	\$174.5
Weighted Average Shares Outstanding (in millions)	49.6	48.1	48.7	46.4
Basic Earnings Per Share of Common Stock	\$0.52	\$0.45	\$4.92	\$3.76
Diluted Earnings Per Share:				
Net Income	\$25.9	\$21.7	\$240.1	\$174.9
Less: Income allocated to participating securities	0.1	0.1	0.5	0.4
Net Income Available to Common Shareholders	\$25.8	\$21.6	\$239.6	\$174.5
Weighted Average Shares Outstanding (in millions)	49.6	48.1	48.7	46.4
Dilutive Effect of Restricted Stock and Restricted Stock Units (in millions)*	0.1	0.1	0.1	0.2
Weighted Average Diluted Shares (in millions)	49.7	48.2	48.8	46.6
Diluted Earnings Per Share of Common Stock	\$0.52	\$0.45	\$4.91	\$3.75

* 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

0.4	0.4	0.4	0.4
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3. REGULATORY MATTERS

As explained in Note 1, Summary of Significant Accounting Policies, the Utilities 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, Spire Missouri and Spire Alabama as of June 30, 2018, September 30, 2017, and June 30, 2017.

	June 30, 2018	September 30, 2017	June 30, 2017
Spire			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 43.2	\$ 42.2	\$41.7
Unamortized purchased gas adjustments	14.6	102.6	73.9
Other	38.9	30.7	29.0
Total Current Regulatory Assets	96.7	175.5	144.6
Noncurrent:			
Future income taxes due from customers	130.5	170.5	166.6
Pension and postretirement benefit costs	369.4	404.7	453.4
Cost of removal	126.2	123.3	135.4
Unamortized purchased gas adjustments	—	9.9	13.9
Energy efficiency	31.8	29.0	27.8
Other	37.2	53.7	43.4
Total Noncurrent Regulatory Assets	695.1	791.1	840.5
Total Regulatory Assets	\$ 791.8	\$ 966.6	\$ 985.1
Regulatory Liabilities:			
Current:			
Rate Stabilization and Equalization (RSE) adjustment	\$ —	\$ 1.4	\$1.2
Unbilled service margin	—	—	6.0
Refundable negative salvage	5.2	8.2	8.2
Unamortized purchased gas adjustments	1.1	1.0	1.0
Other	18.2	12.0	9.5
Total Current Regulatory Liabilities	24.5	22.6	25.9
Noncurrent:			
Deferred taxes due to customers	182.7	—	—
Pension and postretirement benefit costs	30.2	32.2	27.0
Refundable negative salvage	—	4.1	4.1
Accrued cost of removal	65.0	83.8	74.6
Unamortized purchased gas adjustments	37.0	1.9	3.0
Other	49.4	35.2	31.1
Total Noncurrent Regulatory Liabilities	364.3	157.2	139.8
Total Regulatory Liabilities	\$ 388.8	\$ 179.8	\$ 165.7

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	June 30,	September 30,	June 30,
	2018	2017	2017
Spire Missouri			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 34.9	\$ 34.9	\$34.9
Unamortized purchased gas adjustments	7.0	57.4	29.0
Other	13.2	3.3	3.3
Total Current Regulatory Assets	55.1	95.6	67.2
Noncurrent:			
Future income taxes due from customers	128.4	170.5	166.6
Pension and postretirement benefit costs	297.2	322.7	352.3
Unamortized purchased gas adjustments	—	9.9	13.9
Energy efficiency	31.8	29.0	27.8
Other	16.4	25.7	22.8
Total Noncurrent Regulatory Assets	473.8	557.8	583.4
Total Regulatory Assets	\$ 528.9	\$ 653.4	\$650.6
Regulatory Liabilities:			
Current:			
Other	\$ 8.7	\$ 2.7	\$2.7
Total Current Regulatory Liabilities	8.7	2.7	2.7
Noncurrent:			
Deferred taxes due to customers	164.6	—	—
Accrued cost of removal	42.2	54.5	54.8
Unamortized purchased gas adjustments	37.0	1.9	3.0
Other	37.8	24.8	25.8
Total Noncurrent Regulatory Liabilities	281.6	81.2	83.6
Total Regulatory Liabilities	\$ 290.3	\$ 83.9	\$86.3

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	June 30, 2018	September 30, 2017	June 30, 2017
Spire Alabama			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 7.3	\$ 7.2	\$6.8
Unamortized purchased gas adjustments	7.6	45.2	44.9
Other	12.0	12.2	10.5
Total Current Regulatory Assets	26.9	64.6	62.2
Noncurrent:			
Pension and postretirement benefit costs	64.5	72.6	92.2
Cost of removal	126.2	123.3	135.4
Other	2.7	1.1	1.1
Total Noncurrent Regulatory Assets	193.4	197.0	228.7
Total Regulatory Assets	\$ 220.3	\$ 261.6	\$290.9
Regulatory Liabilities:			
Current:			
RSE adjustment	\$ —	\$ 1.4	\$1.2
Unbilled service margin	—	—	6.0
Refundable negative salvage	5.2	8.2	8.2
Other	3.6	2.4	2.4
Total Current Regulatory Liabilities	8.8	12.0	17.8
Noncurrent:			
Pension and postretirement benefit costs	30.2	32.2	27.0
Refundable negative salvage	—	4.1	4.1
Other	3.5	3.3	3.3
Total Noncurrent Regulatory Liabilities	33.7	39.6	34.4
Total Regulatory Liabilities	\$ 42.5	\$ 51.6	\$52.2

A portion of the Company's and Spire Missouri's regulatory assets are not earning a return, as shown in the table below:

	Spire			Spire Missouri		
	June 30, 2018	September 30, 2017	June 30, 2017	June 30, 2018	September 30, 2017	June 30, 2017
Pension and postretirement benefit costs	\$ 160.5	\$ 198.5	\$ 231.0	\$ 160.5	\$ 198.5	\$ 231.0
Future income taxes due from customers	130.5	170.5	166.6	128.4	170.5	166.6
Other	15.4	11.3	11.4	15.4	11.3	11.4
Total Regulatory Assets Not Earning a Return	\$ 306.4	\$ 380.3	\$ 409.0	\$ 304.3	\$ 380.3	\$ 409.0

Like all the Company's regulatory assets, these regulatory assets are expected to be recovered from customers in future rates. The recovery period for the future income taxes due from customers and pension and other postretirement benefit costs could be 20 years or longer, based on current Internal Revenue Service (IRS) guidelines and average remaining service life of active participants, respectively. The other items not earning a return are expected to be recovered over a period not to exceed 15 years, consistent with precedent set by the MoPSC. Spire Alabama does not have any regulatory assets that are not earning a return.

On April 11, 2017, Spire Missouri East filed a general rate case docketed as GR-2017-0215, and concurrently, Spire Missouri West filed general rate case GR-2017-0216. On March 7, 2018, the MoPSC issued an Amended Report and Order, approving a base rate revenue requirement increase of \$18.0 for Spire Missouri East and \$15.2 for Spire Missouri West. The annualized Infrastructure System Replacement Surcharge (ISRS) amounts of \$32.6 for Spire Missouri East and \$16.4 for Spire Missouri West were reset to zero, resulting in a net decrease in revenues of \$14.6

and \$1.2, respectively. These net amounts reflect decreases totaling approximately \$33.0 resulting from the federal

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income tax rate reduction from the Tax Cuts and Jobs Act (see Note 11, Income Taxes) and a related allowance to return excess accumulated deferred income taxes to customers in accordance with IRS normalization requirements. Tariffs reflecting the MoPSC's Amended Report and Order went into effect on April 19, 2018.

Included in the rate order were updates to the treatment of pension and other postretirement benefits. Effective April 19, 2018, the pension cost for Spire Missouri West included in customer rates was reduced from \$9.9 to \$5.5 per year, the pension cost included in the Spire Missouri East customer rates was increased from \$15.5 to \$29.0 per year, and the annual allowance for health care postretirement plans for Spire Missouri East was reduced from \$9.5 to \$8.6. Over an amortization period of eight years, Spire Missouri East rates will also include the amortization of \$173.0 of assets for pension and other postretirement benefits, and Spire Missouri West rates will be reduced by the amortization of a \$26.2 net liability for pension and other postretirement benefits.

Certain provisions of the MoPSC's Amended Report and Order allow less future recovery of particular costs than previously estimated. Regulatory assets related to pension costs were reduced by \$28.8 because the MoPSC has indicated that certain amounts established before 1997 are not recoverable. They also ordered that certain incentive compensation costs totaling \$6.9 and \$1.8 of assets related to buildings sold in 2014 be excluded from rate base. Rate case expenses totaling \$0.9 were also disallowed. Though court appeals are pending, management determined that the related assets should be written down or off in connection with the preparation of the financial statements for the second quarter of 2018. For both Spire Missouri and Spire, the charges totaled \$38.4 for the nine months ended June 30, 2018, and are included primarily in operation and maintenance expense on the statements of income and in other cash flows from operating activities on the statements of cash flows. The after-tax reduction to net income and earnings per share was \$23.6 and \$0.49, respectively. The charges related to the long-standing pension and building assets, totaling \$30.6, are excluded in the determination of net economic earnings, as shown in Note 9, Information by Operating Segment.

4. FINANCING ARRANGEMENTS AND LONG-TERM DEBT

On December 14, 2016, Spire, Spire Missouri and Spire Alabama entered into a syndicated revolving credit facility pursuant to a loan agreement with 11 banks, expiring December 14, 2021. The loan agreement has an aggregate credit commitment of \$975.0, including sublimits of \$300.0 for Spire, \$475.0 for Spire Missouri, and \$200.0 for Spire Alabama. The agreement 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 June 30, 2018, total debt was 51% of total capitalization for the consolidated Company, 46% for Spire Missouri, and 32% for Spire Alabama. There were no borrowings against this credit facility as of June 30, 2018, September 30, 2017, or June 30, 2017.

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. As of June 30, 2018, Notes outstanding under the Program totaled \$191.0. From that amount (and other general corporate funds), \$128.6 and \$69.6 were loaned to Spire Missouri and Spire Alabama, respectively, at Spire's cost. Notes outstanding under the Program totaled \$477.3 and \$450.7 as of September 30, 2017, and June 30, 2017, respectively. On December 1, 2017, Spire Alabama entered into the First Supplement to Master Note Purchase Agreement with certain institutional investors. Pursuant to the terms of that supplement, on December 1, 2017, Spire Alabama issued and sold \$30.0 in aggregate principal amount of its 4.02% Series 2017A Senior Notes due January 15, 2058, and on January 12, 2018, issued and sold \$45.0 aggregate principal amount of its 3.92% Series 2017B Senior Notes due January 15, 2048, to those institutional investors. The notes bear interest from the date of issuance, payable semi-annually on the 15th day of July and January of each year, commencing on July 15, 2018. The notes are senior unsecured obligations of Spire Alabama, rank equal in right to payment with all its other senior unsecured indebtedness, and have make-whole and par call options. Spire Alabama used the proceeds from the sale of the notes to repay short-term debt and for general corporate purposes.

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5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis are shown in the following tables, classified according to the fair value hierarchy. There were no such instruments classified as Level 3 (significant unobservable inputs) as of June 30, 2018, September 30, 2017, or June 30, 2017. 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.

Carrying Amount	Fair Value	Classification of Estimated Fair Value			
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Unobservable Inputs (Level 3)
Spire					
As of June 30, 2018					
Cash and cash equivalents		\$ 6.9	\$ 6.9	\$6.9	\$ —
Short-term debt		191.0	191.0	—	191.0
Long-term debt, including current portion		2,180.0	2,173.7	—	2,173.7
As of September 30, 2017					
Cash and cash equivalents		\$ 7.4	\$ 7.4	\$7.4	\$ —
Short-term debt		477.3	477.3	—	477.3
Long-term debt, including current portion		2,095.0	2,210.3	—	2,210.3
As of June 30, 2017					
Cash and cash equivalents		\$ 8.3	\$ 8.3	\$8.3	\$ —
Short-term debt		450.7	450.7	—	450.7
Long-term debt		1,925.3	2,033.0	—	2,033.0
Spire Missouri					
As of June 30, 2018					
Cash and cash equivalents		\$ 3.5	\$ 3.5	\$3.5	\$ —
Short-term debt		128.6	128.6	—	128.6
Long-term debt, including current portion		974.2	1,005.0	—	1,005.0
As of September 30, 2017					
Cash and cash equivalents		\$ 2.5	\$ 2.5	\$2.5	\$ —
Short-term debt		203.0	203.0	—	203.0
Long-term debt, including current portion		973.9	1,056.9	—	1,056.9
As of June 30, 2017					
Cash and cash equivalents		\$ 2.6	\$ 2.6	\$2.6	\$ —
Short-term debt		260.2	260.2	—	260.2
Long-term debt		804.5	883.9	—	883.9
Spire Alabama					
As of June 30, 2018					
Short-term debt	\$69.6	\$69.6	\$—	\$69.6	
Long-term debt	322.5	317.0	—	317.0	
As of September 30, 2017					
Cash and cash equivalents	\$0.1	\$0.1	\$0.1	\$—	
Short-term debt	169.9	169.9	—	169.9	
Long-term debt	247.8	269.4	—	269.4	
As of June 30, 2017					
Cash and cash equivalents	\$0.1	\$0.1	\$0.1	\$—	

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Short-term debt	114.9	114.9	—	114.9
Long-term debt	247.7	267.6	—	267.6

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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 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 June 30, 2018, September 30, 2017, and June 30, 2017, 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 Spire Missouri's 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, Spire Missouri, or Spire Alabama and the counterparty to a derivative contract.

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 June 30, 2018					
ASSETS					
Gas Utility:					
US stock/bond mutual funds	\$ 18.9	\$ 4.1	\$	—\$ —	\$23.0
NYMEX/ICE natural gas contracts	1.7	—	—	(1.7)	—
Gas Marketing:					
NYMEX/ICE natural gas contracts	0.2	2.4	—	(2.6)	—
Natural gas commodity contracts	—	14.1	—	(2.0)	12.1
Other:					
Interest rate swaps	—	1.6	—	—	1.6
Total	\$ 20.8	\$ 22.2	\$	—\$ (6.3)	\$36.7
LIABILITIES					
Gas Utility:					
NYMEX/ICE natural gas contracts	\$ 0.2	\$ —	\$	—\$ (0.2)	\$—
Gas Marketing:					
NYMEX/ICE natural gas contracts	0.9	7.0	—	(7.9)	—
Natural gas commodity contracts	—	6.7	—	(2.0)	4.7
Total	\$ 1.1	\$ 13.7	\$	—\$ (10.1)	\$4.7

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	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, 2017					
ASSETS					
Gas Utility:					
US stock/bond mutual funds	\$ 18.3	\$ 4.1	\$ —	\$ —	\$22.4
NYMEX/ICE natural gas contracts	3.4	—	—	(3.4)	—
NYMEX gasoline and heating oil contracts	0.1	—	—	—	0.1
Gas Marketing:					
NYMEX/ICE natural gas contracts	1.3	1.3	—	(2.1)	0.5
Natural gas commodity contracts	—	6.8	0.1	(1.2)	5.7
Total	\$ 23.1	\$ 12.2	\$ 0.1	\$ (6.7)	\$28.7
LIABILITIES					
Gas Utility:					
NYMEX/ICE natural gas contracts	\$ 1.9	\$ —	\$ —	\$ (1.9)	\$—
Gas Marketing:					
NYMEX/ICE natural gas contracts	1.8	0.3	—	(2.1)	—
Natural gas commodity contracts	—	8.4	—	(1.2)	7.2
Other:					
Interest rate swaps	—	0.9	—	—	0.9
Total	\$ 3.7	\$ 9.6	\$ —	\$ (5.2)	\$8.1
As of June 30, 2017					
ASSETS					
Gas Utility:					
US stock/bond mutual funds	\$ 18.0	\$ 4.1	\$ —	\$ —	\$22.1
NYMEX/ICE natural gas contracts	1.9	—	—	(1.3)	0.6
NYMEX gasoline and heating oil contracts	0.1	—	—	—	0.1
Gas Marketing:					
NYMEX/ICE natural gas contracts	1.5	3.2	—	(2.6)	2.1
Natural gas commodity contracts	—	6.1	0.6	(1.7)	5.0
Total	\$ 21.5	\$ 13.4	\$ 0.6	\$ (5.6)	\$29.9
LIABILITIES					
Gas Utility:					
NYMEX/ICE natural gas contracts	\$ 1.3	\$ —	\$ —	\$ (1.3)	\$—
Gas Marketing:					
NYMEX/ICE natural gas contracts	0.8	1.8	—	(2.6)	—
Natural gas commodity contracts	—	6.7	—	(1.7)	5.0
Other:					
Interest rate swaps	—	(0.6)	—	—	(0.6)
Total	\$ 2.1	\$ 7.9	\$ —	\$ (5.6)	\$4.4

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Spire Missouri

	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 June 30, 2018					
ASSETS					
US stock/bond mutual funds	\$ 18.9	\$ 4.1	\$	—\$ —	\$23.0
NYMEX/ICE natural gas contracts	1.7	—	—	(1.7)	—
Total	\$ 20.6	\$ 4.1	\$	—\$ (1.7)	\$23.0
LIABILITIES					
NYMEX/ICE natural gas contracts	\$ 0.2	\$ —	\$	—\$ (0.2)	\$—
Total	\$ 0.2	\$ —	\$	—\$ (0.2)	\$—

As of September 30, 2017

ASSETS					
US stock/bond mutual funds		\$18.3	\$4.1	\$—	\$22.4
NYMEX/ICE natural gas contracts		3.4	—	—(3.4)	—
NYMEX gasoline and heating oil contracts		0.1	—	—	0.1
Total		\$21.8	\$4.1	\$—(3.4)	\$22.5
LIABILITIES					
NYMEX/ICE natural gas contracts		\$1.9	\$—	\$—(1.9)	\$—
Total		\$1.9	\$—	\$—(1.9)	\$—

As of June 30, 2017

ASSETS					
US stock/bond mutual funds		\$18.0	\$4.1	\$—	\$22.1
NYMEX/ICE natural gas contracts		1.9	—	—(1.3)	0.6
NYMEX gasoline and heating oil contracts		0.1	—	—	0.1
Total		\$20.0	\$4.1	\$—(1.3)	\$22.8
LIABILITIES					
NYMEX/ICE natural gas contracts		\$1.3	\$—	\$—(1.3)	\$—
Total		\$1.3	\$—	\$—(1.3)	\$—

Spire Alabama

Spire Alabama occasionally utilizes a gasoline derivative program to stabilize the cost of fuel used in operations. As of June 30, 2018, Spire Alabama had no outstanding derivative contracts. As of September 30, 2017, and June 30, 2017, the fair value of related gasoline contracts was not significant.

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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, Spire Marketing may enter into netting arrangements to mitigate credit risk with counterparties in the energy industry with whom it 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 \$6.5 at June 30, 2018 (\$4.2 reflecting netting arrangements). Spire Marketing's accounts receivable attributable to utility companies and their marketing affiliates totaled \$53.4 at June 30, 2018 (\$50.5 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 June 30, 2018, the amounts included in accounts receivable from its five largest counterparties totaled \$17.7. All five of these counterparties are investment-grade rated.

8. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Plans

Spire and the Utilities maintain pension plans for their employees.

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.

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

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The net periodic pension cost included the following components:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
Spire				
Service cost – benefits earned during the period	\$4.8	\$5.0	\$15.2	\$15.5
Interest cost on projected benefit obligation	6.5	7.0	20.3	20.8
Expected return on plan assets	(8.6)	(9.4)	(27.8)	(29.0)
Amortization of prior service (credit) cost	(0.2)	0.2	(0.7)	0.7
Amortization of actuarial loss	2.4	3.0	8.4	9.6
Loss on lump-sum settlements	7.5	—	16.9	11.9
Subtotal	12.4	5.8	32.3	29.5
Regulatory adjustment	2.1	3.1	30.4	0.3
Net pension cost	\$14.5	\$8.9	\$62.7	\$29.8
Spire Missouri				
Service cost – benefits earned during the period	\$2.9	\$3.0	\$9.4	\$9.6
Interest cost on projected benefit obligation	4.6	4.8	14.4	14.5
Expected return on plan assets	(6.1)	(6.8)	(20.3)	(21.2)
Amortization of prior service cost	0.3	0.2	0.7	0.7
Amortization of actuarial loss	2.0	2.5	7.1	8.2
Loss on lump-sum settlements	5.2	—	14.6	11.5
Subtotal	8.9	3.7	25.9	23.3
Regulatory adjustment	2.4	1.3	26.7	(4.5)
Net pension cost	\$11.3	\$5.0	\$52.6	\$18.8
Spire Alabama				
Service cost – benefits earned during the period	\$1.6	\$1.6	\$4.9	\$4.7
Interest cost on projected benefit obligation	1.3	1.6	4.1	4.6
Expected return on plan assets	(1.6)	(1.8)	(5.0)	(5.4)
Amortization of prior service credit	(0.5)	—	(1.4)	—
Amortization of actuarial loss	0.4	0.5	1.3	1.4
Loss on lump-sum settlements	2.3	—	2.3	0.4
Subtotal	3.5	1.9	6.2	5.7
Regulatory adjustment	(0.6)	1.6	3.0	4.3
Net pension cost	\$2.9	\$3.5	\$9.2	\$10.0

Pursuant to the provisions of the Missouri Utilities' and Spire Alabama'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 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 second and third quarters of fiscal 2018, certain 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 rate and mortality. In the quarter ended June 30, 2018, the two Missouri plans and one Alabama plan met the criteria, and the total lump-sum payments recognized as settlements was \$34.5 (including \$19.6 for Spire Missouri and \$14.9 for Spire Alabama), resulting in total losses of \$7.5 (including \$5.2 for Spire Missouri and \$2.3 for Spire Alabama). For the remeasurements, the discount rates for the Missouri plans were updated to 4.20% and 4.15% at June 30, 2018 (from 3.70% and 3.75% at September 30, 2017), and the discount rate for the Alabama plan was updated to 4.20% (from 3.65%). In the quarter ended March 31, 2018, the two Spire Missouri plans met the criteria for settlement recognition, and a total of \$39.5 of lump-sum payments were recognized as settlements,

resulting in losses of \$9.4. In the quarter ended March 31, 2017, a Spire Missouri plan and a Spire Alabama plan met the criteria, and the lump-sum payments recognized as settlements were \$36.3 and \$1.9, respectively, resulting in losses of \$11.5 and \$0.4, respectively.

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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 2018 contributions to Spire Missouri's pension plans through June 30, 2018, were \$24.9 to the qualified trusts and none to non-qualified plans. There were no fiscal 2018 contributions to the Spire Alabama pension plans through June 30, 2018.

Contributions to the qualified trusts of the Missouri Utilities' pension plans for the remainder of fiscal 2018 are anticipated to be \$11.0. No contributions to Spire Alabama's pension plans are expected to be required for the remainder of fiscal 2018, but a voluntary contribution is likely in September.

Postretirement Benefits

Spire and the Utilities provide certain life insurance benefits at retirement. Spire Missouri plans provide for medical insurance after early retirement until age 65. For retirements prior to January 1, 2015, the Spire Missouri West plans provided medical insurance after retirement until death. The Spire Alabama plans provide medical insurance 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 costs consisted of the following components:

	Three Months Ended June 30, 2018		Nine Months Ended June 30, 2017	
Spire				
Service cost – benefits earned during the period	\$2.3	\$2.7	\$7.0	\$8.2
Interest cost on accumulated postretirement benefit obligation	2.2	2.2	6.6	6.5
Expected return on plan assets	(3.5)	(3.5)	(10.5)	(10.3)
Amortization of prior service credit	—	—	(0.1)	—
Amortization of actuarial loss	0.2	0.6	0.6	1.8
Subtotal	1.2	2.0	3.6	6.2
Regulatory adjustment	0.7	(0.8)	0.8	(2.4)
Net postretirement benefit cost	\$1.9	\$1.2	\$4.4	\$3.8
Spire Missouri				
Service cost – benefits earned during the period	\$2.2	\$2.6	\$6.7	\$7.8
Interest cost on accumulated postretirement benefit obligation	1.7	1.7	5.3	5.1
Expected return on plan assets	(2.4)	(2.3)	(7.3)	(6.8)
Amortization of prior service cost	0.1	0.1	0.2	0.2
Amortization of actuarial loss	0.3	0.6	0.7	1.9
Subtotal	1.9	2.7	5.6	8.2
Regulatory adjustment	1.1	(0.4)	2.1	(1.1)
Net postretirement benefit cost	\$3.0	\$2.3	\$7.7	\$7.1
Spire Alabama				
Service cost – benefits earned during the period	\$0.1	\$—	\$0.2	\$0.2
Interest cost on accumulated postretirement benefit obligation	0.4	0.4	1.1	1.2
Expected return on plan assets	(1.1)	(1.1)	(3.1)	(3.3)
Amortization of prior service credit	(0.1)	(0.1)	(0.3)	(0.2)
Amortization of actuarial gain	(0.1)	—	(0.1)	(0.1)
Subtotal	(0.8)	(0.8)	(2.2)	(2.2)
Regulatory adjustment	(0.5)	(0.5)	(1.4)	(1.4)
Net postretirement benefit income	\$(1.3)	\$(1.3)	\$(3.6)	\$(3.6)

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Missouri and Alabama state laws provide 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. 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. There have been \$3.4 in contributions to the postretirement plans through June 30, 2018, for the Missouri Utilities. Contributions to the qualified trusts of the postretirement plans for the remainder of fiscal 2018 are anticipated to be \$3.5. For Spire Alabama, there were no contributions to the postretirement plans during the first nine months of fiscal 2018, and none are expected to be required for the remainder of the fiscal year.

Regulatory Update - Spire Missouri

In a rate order issued in the second quarter of fiscal 2018, the MoPSC disallowed recovery of \$28.8 related to pension costs. This amount of regulatory assets was written off to expense during that quarter and is reflected in the regulatory adjustment for both Spire Missouri and Spire for the nine months ended June 30, 2018. Also included in the rate order were updates to the treatment of pension and other postretirement benefits. Effective April 19, 2018, the pension cost for Spire Missouri West included in customer rates was reduced from \$9.9 to \$5.5 per year, the pension cost included in the Spire Missouri East customer rates was increased from \$15.5 to \$29.0 per year, and the annual allowance for health care postretirement plans for Spire Missouri East was reduced from \$9.5 to \$8.6. Over an amortization period of eight years, Spire Missouri East rates will also include the amortization of \$173.0 of assets for pension and other postretirement benefits, and Spire Missouri West rates will be reduced by the amortization of a \$26.2 net liability for pension and other postretirement benefits. These changes are discussed further in Note 3, Regulatory Matters.

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 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. Other components of the Company's consolidated information include:

- unallocated corporate items, including certain debt and associated interest costs;
- Spire STL Pipeline LLC, a subsidiary planning the construction and operation of a proposed 65-mile Federal Energy Regulatory Commission (FERC)-regulated pipeline to deliver natural gas into eastern Missouri;
- physical natural gas storage operations, acquired in December 2017 and May 2018; and
- Spire's subsidiaries engaged in the operation of a propane pipeline, compression of natural gas, and risk management, among other activities.

Accounting policies are described in Note 1, Summary of Significant Accounting Policies. Intersegment transactions include sales of natural gas from Spire Marketing to Spire Missouri, sales of natural gas from Spire Missouri to Spire Marketing, propane transportation services provided by Spire NGL Inc. to Spire Missouri, and propane storage services provided by Spire Missouri to Spire NGL Inc.

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 impacts of fair value accounting and timing adjustments associated with energy-related transactions, the impacts of acquisition, divestiture and restructuring activities, and the largely non-cash impacts of other non-recurring or unusual items such as certain regulatory, legislative, or GAAP standard-setting actions. In fiscal 2018, these items include the revaluation of deferred tax assets and liabilities due to the federal Tax Cuts and Jobs Act (see Note 11, Income Taxes) and the write-off of certain long-standing assets as a result of our Missouri rate proceedings (see Note 3, Regulatory Matters).

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	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended June 30, 2018					
Operating Revenues:					
Revenues from external customers	\$334.8	\$ 14.4	\$1.4	\$ —	\$ 350.6
Intersegment revenues	—	—	2.9	(2.9)	—
Total Operating Revenues	334.8	14.4	4.3	(2.9)	350.6
Operating Expenses:					
Gas Utility					
Natural and propane gas	117.9	—	—	(10.7)	107.2
Operation and maintenance	107.9	—	—	(2.3)	105.6
Depreciation and amortization	40.5	—	—	—	40.5
Taxes, other than income taxes	33.5	—	—	—	33.5
Total Gas Utility Operating Expenses	299.8	—	—	(13.0)	286.8
Gas Marketing and Other	—	(7.2)	8.5	10.1	11.4
Total Operating Expenses	299.8	(7.2)	8.5	(2.9)	298.2
Operating Income (Loss)	\$35.0	\$ 21.6	\$(4.2)	\$ —	\$ 52.4
Net Economic Earnings (Loss)	\$16.9	\$ 4.4	\$(6.1)	\$ —	\$ 15.2

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended June 30, 2017					
Operating Revenues:					
Revenues from external customers	\$305.1	\$ 17.9	\$0.5	\$ —	\$ 323.5
Intersegment revenues	1.5	—	1.6	(3.1)	—
Total Operating Revenues	306.6	17.9	2.1	(3.1)	323.5
Operating Expenses:					
Gas Utility					
Natural and propane gas	88.7	—	—	(12.0)	76.7
Operation and maintenance	101.9	—	—	(1.1)	100.8
Depreciation and amortization	38.4	—	—	—	38.4
Taxes, other than income taxes	30.5	—	—	—	30.5
Total Gas Utility Operating Expenses	259.5	—	—	(13.1)	246.4
Gas Marketing and Other	—	12.0	4.8	10.0	26.8
Total Operating Expenses	259.5	12.0	4.8	(3.1)	273.2
Operating Income (Loss)	\$47.1	\$ 5.9	\$(2.7)	\$ —	\$ 50.3
Net Economic Earnings (Loss)	\$23.3	\$ 2.3	\$(4.0)	\$ —	\$ 21.6

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	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Nine Months Ended June 30, 2018					
Operating Revenues:					
Revenues from external customers	\$ 1,667.3	\$ 55.3	\$ 3.2	\$ —	\$ 1,725.8
Intersegment revenues	0.3	—	8.3	(8.6)	—
Total Operating Revenues	1,667.6	55.3	11.5	(8.6)	1,725.8
Operating Expenses:					
Gas Utility					
Natural and propane gas	784.5	—	—	(52.8)	731.7
Operation and maintenance	353.5	—	—	(6.4)	347.1
Depreciation and amortization	121.9	—	—	—	121.9
Taxes, other than income taxes	128.2	—	—	—	128.2
Total Gas Utility Operating Expenses	1,388.1	—	—	(59.2)	1,328.9
Gas Marketing and Other	—	27.6	19.4	50.6	97.6
Total Operating Expenses	1,388.1	27.6	19.4	(8.6)	1,426.5
Operating Income (Loss)	\$ 279.5	\$ 27.7	\$(7.9)	\$ —	\$ 299.3
Net Economic Earnings (Loss)	\$ 208.1	\$ 18.2	\$(16.0)	\$ —	\$ 210.3

Nine Months Ended June 30, 2017

Operating Revenues:					
Revenues from external customers	\$ 1,419.1	\$ 61.8	\$ 1.1	\$ —	\$ 1,482.0
Intersegment revenues	7.9	—	4.6	(12.5)	—
Total Operating Revenues	1,427.0	61.8	5.7	(12.5)	1,482.0
Operating Expenses:					
Gas Utility					
Natural and propane gas	578.8	—	—	(54.0)	524.8
Operation and maintenance	301.7	—	—	(3.1)	298.6
Depreciation and amortization	114.0	—	—	—	114.0
Taxes, other than income taxes	112.2	—	—	—	112.2
Total Gas Utility Operating Expenses	1,106.7	—	—	(57.1)	1,049.6
Gas Marketing and Other	—	58.9	9.1	44.6	112.6
Total Operating Expenses	1,106.7	58.9	9.1	(12.5)	1,162.2
Operating Income (Loss)	\$ 320.3	\$ 2.9	\$(3.4)	\$ —	\$ 319.8
Net Economic Earnings (Loss)	\$ 187.3	\$ 3.7	\$(12.9)	\$ —	\$ 178.1

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

	June 30, 2018	September 30, 2017	June 30, 2017
Total Assets:			
Gas Utility	\$ 5,445.5	\$ 5,551.2	\$ 5,323.1
Gas Marketing	234.5	246.2	223.6
Other	2,135.9	2,239.5	2,171.8
Eliminations	(1,231.0)	(1,490.2)	(1,420.3)
Total Assets	\$ 6,584.9	\$ 6,546.7	\$ 6,298.2

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The following table reconciles the Company's net economic earnings to net income.

	Three Months		Nine Months	
	Ended		Ended June 30,	
	June 30,		2018	
	2018	2017	2018	2017
Net Income	\$25.9	\$21.7	\$240.1	\$174.9
Adjustments, pre-tax:				
Missouri regulatory adjustments	—	—	30.6	—
Unrealized (gain) loss on energy-related derivative contracts	(16.0)	(2.2)	(3.4)	3.2
Realized gain on economic hedges prior to sale of the physical commodity	—	—	(0.3)	(0.2)
Acquisition, divestiture and restructuring activities	3.3	1.9	7.0	2.1
Income tax effect of adjustments	2.0	0.2	(9.7)	(1.9)
Effects of the Tax Cuts and Jobs Act	—	—	(54.0)	—
Net Economic Earnings	\$15.2	\$21.6	\$210.3	\$178.1

10. COMMITMENTS AND CONTINGENCIES

Commitments

The Company and the Utilities have entered into contracts with various counterparties, expiring on dates through 2031, for the storage, transportation, and supply of natural gas. Minimum payments required under the contracts in place at June 30, 2018, are estimated at \$1,240.5, \$510.7, and \$328.0 for the Company, Spire Missouri, and Spire Alabama, respectively. Additional contracts are generally entered into prior to or during the heating season of November through April. The Utilities recover their costs from customers in accordance with their PGA clauses or GSA riders. On April 27, 2018, Spire STL Pipeline entered into a construction contract. Though unit pricing generally applies, Spire STL Pipeline currently estimates the total project costs under the contract to be approximately \$100.0, with the primary construction period currently scheduled in 2019. Spire STL Pipeline has the right to terminate the construction contract at any time with payment for the value of work performed plus costs incurred.

Contingencies

The Company and the Utilities account for contingencies, including environmental liabilities, in accordance with accounting standards under the loss contingency guidance of ASC Topic 450, Contingencies, when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

In addition to matters noted below, the Company and the Utilities are involved in other litigation, claims, and investigations arising in the normal course of business. Management, after discussion with counsel, believes the final outcome will not have a material effect on the consolidated statements of income, balance sheets, and statements of cash flows of the Company, Spire Missouri, or Spire Alabama. However, there is uncertainty in the valuation of pending claims and prediction of litigation results.

The Company and the Utilities own and operate natural gas distribution, transmission, and storage facilities, the operations of which are subject to various environmental laws, regulations, and interpretations. While environmental issues resulting from such operations arise in the ordinary course of business, such issues have not materially affected the Company's or Utilities' financial position and results of operations. As environmental laws, regulations, and their interpretations change, the Company or the Utilities may incur additional environmental liabilities that may result in additional costs, which may be material.

In the natural gas industry, many gas distribution companies have incurred environmental liabilities associated with sites they or their predecessor companies formerly owned or operated where manufactured gas operations took place. The Utilities each have former manufactured gas plant (MGP) operations in their respective service territories. To the extent costs are incurred associated with environmental remediation activities, the Utilities would request authority from their respective regulators to defer such costs (less any amounts received from insurance proceeds or as contributions from other potentially responsible parties (PRPs) and collect them through future rates.

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Spire

On June 14, 2017, Spire filed a lawsuit against Cellular South, Inc. d/b/a C-Spire in federal district court for the Southern District of Alabama, Civil Action 17-00266-KD-N, seeking a declaratory order that Spire's SPIRE trademarks do not infringe upon Cellular South's C-SPIRE trademarks, and that Spire is entitled to federal registration of its trademarks. In prior proceedings before the United States Patent and Trademark Office, Cellular South filed oppositions to Spire's attempts to register the SPIRE name, the SPIRE logo and the SPIRE LOGO + HANDSHAKE trademarks. In answer to Spire's lawsuit, Cellular South filed counterclaims alleging infringement and unfair business practices, and seeking a declaration of infringement and that SPIRE marks are not registrable by Spire. On April 23, 2018, the parties mutually agreed to dismiss all litigation concerning the matter and enter into a coexistence agreement for the use of their respective trademarks.

Since April 2012, a total of 14 lawsuits encompassing more than 1,600 plaintiffs have been filed against Spire Gulf in Mobile County Circuit Court alleging that in the first half of 2008, Spire Gulf spilled tert-butyl mercaptan, an odorant added to natural gas for safety reasons, in Eight Mile, Alabama. All of the lawsuits have been substantially settled, with the exception of 27 individuals who rejected their settlement offers and whose claims remain pending. Those remaining claims allege nuisance, fraud and negligence causes of actions, and seek unspecified compensatory and punitive damages. A claim has been made against the insurance carriers requesting reimbursement for costs accrued in respect to this spill, and a related receivable has been recorded. The Company does not expect potential liabilities that may arise from these lawsuits to have a material impact on its future financial condition or results of operations. In February 2018, the Company was made aware of a complaint filed with the U.S. Department of Housing and Urban Development by the South Alabama Center for Fair Housing and the National Community Reinvestment Coalition. The complaint alleges that the Company discriminated against unspecified residents of Eight Mile, Alabama, on the basis of race in violation of the Fair Housing Act by failing to adequately address the odorant release that occurred in 2008. The Company believes there is no basis for the complaint, HUD has no jurisdiction in the matter, and there will be no material impact on its future financial condition or results of operations.

Spire Missouri

Spire Missouri has identified three former MGP sites in the city of St. Louis, Missouri (City) where costs have been incurred and claims have been asserted. Spire Missouri has enrolled two of the sites in the Missouri Department of Natural Resources (MDNR) Brownfields/Voluntary Cleanup Program (BVCP). The third site is the result of a relatively new claim assertion by the United States Environmental Protection Agency (EPA) and such claim is currently being investigated.

In conjunction with redevelopment of one of the sites, Spire Missouri and another former owner of the site entered into an agreement (Remediation Agreement) with the City development agencies, the developer, and an environmental consultant that obligates one of the City agencies and the environmental consultant to remediate the site and obtain a No Further Action letter from the MDNR. The Remediation Agreement also provides for a release of Spire Missouri and the other former site owner from certain liabilities related to the past and current environmental condition of the site and requires the developer and the environmental consultant to maintain certain insurance coverage, including remediation cost containment, premises pollution liability, and professional liability. The operative provisions of the Remediation Agreement were triggered on December 20, 2010, on which date Spire Missouri and the other former site owner, as full consideration under the Remediation Agreement, paid a small percentage of the cost of remediation of the site. The amount paid by Spire Missouri did not materially impact the financial condition, results of operations, or cash flows of the Company.

Spire Missouri has not owned the second site for many years. In a letter dated June 29, 2011, the Attorney General for the State of Missouri informed Spire Missouri that the MDNR had completed an investigation of the site. The Attorney General requested that Spire Missouri participate in the follow up investigations of the site. In a letter dated January 10, 2012, Spire Missouri stated that it would participate in future environmental response activities at the site in conjunction with other PRPs that are willing to contribute to such efforts in a meaningful and equitable fashion. Accordingly, Spire Missouri entered into a cost sharing agreement for remedial investigation with other PRPs. Pending MDNR approval, which has not occurred to date, the remedial investigation of the site will begin.

Additionally, in correspondence dated November 30, 2016, Region 7 of the EPA has asserted that Spire Missouri is liable under Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) for alleged coal gas waste contamination at a third site in the northern portion of the City on which Spire Missouri operated a MGP. Spire Missouri has not owned or operated the site (also known as Station "B") for over 70 years. Spire Missouri and the site owner have met with the EPA and reviewed its assertions. Both Spire Missouri and the site owner have notified the EPA that information and data provided by the EPA to date does not

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rise to the level of documenting a threat to the public health or environment. As such, Spire Missouri is requesting more information from the EPA, some of which will also be utilized to identify other former owners and operators of the site that could be added as PRPs. To date, Spire Missouri has not received a response from the EPA.

Spire Missouri has notified its insurers that it seeks reimbursement for costs incurred in the past and future potential liabilities associated with the MGP sites. While some of the insurers have denied coverage and reserved their rights, Spire Missouri continues to discuss potential reimbursements with them.

On March 10, 2015, Spire Missouri received a Section 104(e) information request under CERCLA from EPA Region 7 regarding the former Thompson Chemical/Superior Solvents site in the City. In turn, Spire Missouri issued a Freedom of Information Act (FOIA) request to the EPA on April 3, 2015, in an effort to identify the basis of the inquiry. The FOIA response from the EPA was received on July 15, 2015 and a response was provided to the EPA on August 15, 2015. Spire Missouri has received no further inquiry from the EPA regarding this matter.

In its western service area, Spire Missouri has seven owned MGP sites enrolled in the BVCP, including Joplin MGP #1, St. Joseph MGP #1, Kansas City Coal Gas Station B, Kansas City Station A Railroad area, Kansas City Coal Gas Station A North, Kansas City Coal Gas Station A South, and Independence MGP #2. Source removal has been conducted at all of the owned sites since 2003 with the exception of Joplin. On September 15, 2016, a request was made with the MDNR for a restrictive covenant use limitation with respect to Joplin. Remediation efforts at the seven sites are at various stages of completion, ranging from groundwater monitoring and sampling following source removal activities to the aforementioned request in respect to Joplin. As part of its participation in the BVCP, MGE communicates regularly with the MDNR with respect to its remediation efforts and monitoring activities at these sites. On May 11, 2015, MDNR approved the next phase of investigation at the Kansas City Station A North and Railroad areas.

To date, costs incurred for all Missouri Utilities' MGP sites for investigation, remediation and monitoring these sites have not been material. However, the amount of costs relative to future remedial actions at these and other sites is unknown and may be material. The actual future costs that Spire Missouri may incur could be materially higher or lower depending upon several factors, including whether remediation actions will be required, final selection and regulatory approval of any remedial actions, changing technologies and government regulations, the ultimate ability of other PRPs to pay, and any insurance recoveries.

In 2013, Spire Missouri retained an outside consultant to conduct probabilistic cost modeling of 19 former MGP sites owned or operated by Spire Missouri. The purpose of this analysis was to develop an estimated range of probabilistic future liability for each site. That analysis, completed in August 2014, provided a range of demonstrated possible future expenditures to investigate, monitor and remediate all 19 MGP sites. Spire Missouri has recorded its best estimate of the probable expenditures that relate to these matters. The amount is not material.

Spire Missouri and the Company do not expect potential liabilities that may arise from remediating these sites to have a material impact on their future financial condition or results of operations.

Spire Alabama

On December 17, 2013, an incident occurred at a Housing Authority apartment complex in Birmingham, Alabama that resulted in one fatality, personal injuries and property damage. Spire Alabama cooperated with the National Transportation Safety Board (NTSB) which investigated the incident. The NTSB report of findings was issued on March 30, 2016 and no safety recommendations, fines, or penalties were contained therein. Spire Alabama has been named as a defendant in several lawsuits arising from the incident, some of which remain pending. Spire Alabama does not expect potential liabilities that may arise from these lawsuits to have a material impact on its future financial condition or results of operations.

Spire Alabama is in the chain of title of nine former MGP sites, four of which it still owns, and five former manufactured gas distribution sites, one of which it still owns. Spire Alabama does not foresee a probable or reasonably estimable loss associated with these sites. Spire Alabama and the Company do not expect potential liabilities that may arise from remediating these sites to have a material impact on their future financial condition or results of operations.

In 2012, Spire Alabama responded to an EPA Request for Information Pursuant to Section 104 of CERCLA relating to the 35th Avenue Superfund Site located in North Birmingham, Jefferson County, Alabama. Spire Alabama was

identified as a PRP under CERCLA for the cleanup of the site or costs the EPA incurs in cleaning up the site. At this point, Spire Alabama has not been provided information that would allow it to determine the extent, if any, of its potential liability with respect to the 35th Avenue Superfund Site and vigorously denies its inclusion as a PRP.

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11. INCOME TAXES

The Tax Cuts and Jobs Act (the TCJA) was signed into law on December 22, 2017, with an effective date of January 1, 2018, for substantially all of the provisions. This comprehensive act includes significant reform of the current income tax code including changes in the calculation for business entities and a reduction in the corporate federal income tax rate from 35% to 21%. The specific provisions related to regulated public utilities in the TCJA generally allow for the continued deductibility of interest expense, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017, and the continuation of certain rate normalization requirements for accelerated depreciation benefits.

ASC Topic 740, Income Taxes, requires that the effects of changes in tax laws be recognized in the period in which the new law is enacted. It also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the changes in deferred taxes related to the regulated operations are recorded as either an offset to or creation of a regulatory asset or liability and may be subject to refund to customers in future periods. The changes in deferred taxes that are not associated with rate making (including all changes for the Company's unregulated operations) are recorded as adjustments to deferred tax expense.

The Company has recorded TCJA impacts and reflected those amounts in the June 30, 2018, financial statements. The amounts recorded are based on information known and reasonable estimates used as of that date, but are subject to change based on a number of factors, including further actions of regulators. The items recorded include the impact of the federal income tax rate reduction and the revaluation of the deferred tax assets and liabilities. In the second quarter of fiscal 2018, the estimated amounts were adjusted to account for effects of the March MoPSC order, including the lower federal tax rate impact for the quarter and reductions in net deferred tax liabilities related to regulatory assets determined not to be recoverable and removed from rate base. In the third quarter of fiscal 2018, the MoPSC Amended Report and Order took effect and the estimated excess accumulated deferred income tax began to be returned to customers in rates. The amount being returned is estimated with a tracker established to defer the difference from the estimated amounts to the actual amounts once the actual amounts have been calculated. During the third quarter of fiscal 2018, excess accumulated deferred taxes of \$1.9 were returned.

The total amounts recorded, before reduction for amounts returned to customers, for the nine months ended June 30, 2018, are presented in the table below.

	Spire	Spire	Spire
	Spire	Missouri	Alabama
Adjustment to deferred tax assets	\$ —	\$ —	\$ (60.8)
Adjustment to deferred tax liabilities	(299.5)	(268.2)	—
Adjustment to deferred income tax expense	(69.4)	(54.6)	59.2
Adjustment to regulatory assets	(59.4)	(61.0)	1.6
Adjustment to regulatory liabilities	170.7	152.6	—

As indicated in Note 1, Summary of Significant Accounting Policies, the Company's regulated operations accounting for income taxes is impacted by ASC 980, Regulated Operations. Reductions in deferred income tax balances due to the reduction in the corporate income tax rate will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. The TCJA includes provisions that stipulate how these excess deferred taxes are to be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of other deferred taxes will be determined by state regulators.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions, except per unit and per share amounts)

This section analyzes the financial condition and results of operations of Spire Inc. (Spire or the Company), Spire Missouri Inc. (Spire Missouri or the Missouri Utilities), and Spire Alabama Inc. (Spire Alabama). Spire Missouri, Spire Alabama, and Spire EnergySouth Inc. (Spire EnergySouth) are wholly owned subsidiaries of the Company. Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth, are collectively referred to as the Utilities. The subsidiaries of Spire EnergySouth are Spire Gulf Inc. (Spire Gulf) and Spire Mississippi Inc. (Spire Mississippi). This section includes management’s view of factors that affect the respective businesses of the Company, Spire Missouri, and Spire Alabama, explanations of financial results including changes in earnings and costs from the prior periods, and the effects of such factors on the Company’s, Spire Missouri’s and Spire Alabama’s overall financial condition and liquidity.

Certain matters discussed in this report, excluding historical information, include forward-looking statements. Certain words, such as “may,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “seek,” and similar words and expressions identify forward-looking statements that involve uncertainties and risks. Future developments may not be in accordance with our current expectations or beliefs and the effect of future developments may not be those anticipated. Among the factors that may cause results to differ materially from those contemplated in any forward-looking statement are:

- Weather conditions and catastrophic events, particularly severe weather in the natural gas producing areas of the country;
- Volatility in gas prices, particularly sudden and sustained changes in natural gas prices, including the related impact on margin deposits associated with the use of natural gas derivative instruments;
- The impact of changes and volatility in natural gas prices on our competitive position in relation to suppliers of alternative heating sources, such as electricity;
- Changes in gas supply and pipeline availability, including decisions by natural gas producers to reduce production or shut in producing natural gas wells, expiration of existing supply and transportation arrangements that are not replaced with contracts with similar terms and pricing, as well as other changes that impact supply for and access to the markets in which our subsidiaries transact business;
- The Spire STL Pipeline project may be hindered or halted by regulatory, legal, or other obstacles;
- Legislative, regulatory and judicial mandates and decisions, some of which may be retroactive, including those affecting:
 - allowed rates of return,
 - incentive regulation,
 - industry structure,
 - purchased gas adjustment provisions,
 - rate design structure and implementation,
 - regulatory assets,
 - non-regulated and affiliate transactions,
 - franchise renewals,
 - environmental or safety matters, including the potential impact of legislative and regulatory actions related to climate change and pipeline safety,
 - taxes,
 - pension and other postretirement benefit liabilities and funding obligations, or
 - accounting standards;
- The results of litigation;
- The availability of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets;
- Retention of, ability to attract, ability to collect from, and conservation efforts of, customers;

Our ability to comply with all covenants in our indentures and credit facilities any violations of which, if not cured in a timely manner, could trigger a default of our obligation;

Capital and energy commodity market conditions, including the ability to obtain funds with reasonable terms for necessary capital expenditures and general operations and the terms and conditions imposed for obtaining sufficient gas supply;

Discovery of material weakness in internal controls; and

Employee workforce issues, including but not limited to labor disputes and future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets.

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Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Spire Missouri's and Spire Alabama's Condensed Financial Statements and the notes thereto.

OVERVIEW

The Company has two reportable segments: Gas Utility and Gas Marketing. Nearly all of Spire's earnings are derived from its Gas Utility segment, which reflects the regulated activities of the Utilities. The Gas Utility segment consists of the regulated businesses of Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth. Due to the seasonal nature of the Utilities' business, earnings of Spire, Spire Missouri and Spire Alabama are typically concentrated during the heating season of November through April each fiscal year.

Gas Utility - Spire Missouri

Spire Missouri is Missouri's largest natural gas distribution utility and is regulated by the Missouri Public Service Commission (MoPSC). Spire Missouri serves St. Louis and eastern Missouri through Spire Missouri East and serves Kansas City and western Missouri through Spire Missouri West. Spire Missouri delivers natural gas to retail customers at rates and in accordance with tariffs authorized by the MoPSC. The earnings of Spire Missouri are primarily generated by the sale of heating energy. The rate design for each service territory serves to lessen the impact of weather volatility on its customers during cold winters and stabilize Spire Missouri's earnings.

Gas Utility - Spire Alabama

Spire Alabama is the largest natural gas distribution utility in the state of Alabama. Spire Alabama's service territory is located in central and northern Alabama. Among the cities served by Spire Alabama are Birmingham, the center of the largest metropolitan area in the state, and Montgomery, the state capital. Spire Alabama is regulated by the Alabama Public Service Commission (APSC). Spire Alabama purchases natural gas through interstate and intrastate suppliers and distributes the purchased gas through its distribution facilities for sale to residential, commercial, and industrial customers and other end-users of natural gas. Spire Alabama also provides transportation services to large industrial and commercial customers located on its distribution system. These transportation customers, using Spire Alabama as their agent or acting on their own, purchase gas directly from marketers or suppliers and arrange for delivery of the gas into the Spire Alabama distribution system. Spire Alabama charges a fee to transport such customer-owned gas through its distribution system to the customers' facilities.

Gas Utility - Spire EnergySouth

Spire Gulf and Spire Mississippi are utilities engaged in the purchase, retail distribution and sale of natural gas to 0.1 million customers in southern Alabama and south-central Mississippi. Spire Gulf is regulated by the APSC and Spire Mississippi is regulated by the Mississippi Public Service Commission (MSPSC).

Gas Marketing

Spire Marketing Inc. (Spire Marketing) is engaged in the marketing of natural gas and related activities on a non-regulated basis and is reported in the Gas Marketing segment. Spire Marketing markets natural gas across the country with the core of its footprint located in and around the central United States (US). It holds firm transportation and storage contracts in order to effectively manage its customer base, which consists of producers, pipelines, power generators, storage operators, municipalities, utility companies, and large commercial and industrial customers.

Other

Other components of the Company's consolidated information include:

- unallocated corporate costs, including certain debt and associated interest costs;
- Spire STL Pipeline LLC, a subsidiary planning the construction and operation of a proposed 65-mile Federal Energy Regulatory Commission (FERC)-regulated pipeline to deliver natural gas into eastern Missouri;
- physical natural gas storage operations, acquired in December 2017 and May 2018; and
- Spire's subsidiaries engaged in the operation of a propane pipeline, compression of natural gas, and risk management, among other activities.

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NON-GAAP MEASURES

Net income, earnings per share and operating income reported by Spire, Spire Missouri and Spire Alabama are determined in accordance with accounting principles generally accepted in the United States of America (GAAP). We also provide the non-GAAP financial measures of net economic earnings, net economic earnings per share and contribution margin. Management and the Board of Directors use non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting, to determine incentive compensation and to evaluate financial performance. These non-GAAP operating metrics should not be considered as alternatives to, or more meaningful than, the related GAAP measures. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures are provided on the following pages.

Net Economic Earnings and Net Economic Earnings Per Share

Net economic earnings and net economic earnings per share are non-GAAP measures that exclude from net income the impacts of fair value accounting and timing adjustments associated with energy-related transactions, the impacts of acquisition, divestiture and restructuring activities, and the largely non-cash impacts of other non-recurring or unusual items such as certain regulatory, legislative, or GAAP standard-setting actions. In fiscal 2018, these items include the revaluation of deferred tax assets and liabilities due to the federal Tax Cuts and Jobs Act and the write-off of certain long-standing assets as a result of disallowances in our Missouri rate proceedings. In addition, net economic earnings per share excludes the impact, in the fiscal year of issuance, of shares issued to finance acquisitions that have yet to be included in net economic earnings.

The fair value and timing adjustments are made in instances where the accounting treatment differs from what management considers the economic substance of the underlying transaction, including the following:

- Net unrealized gains and losses on energy-related derivatives that are required by GAAP fair value accounting associated with current changes in the fair value of financial and physical transactions prior to their completion and settlement. These unrealized gains and losses result primarily from two sources:
 - 1) changes in the fair values of physical and/or financial derivatives prior to the period of settlement; and, ineffective portions of accounting hedges, required to be recorded in earnings prior to settlement, due to differences
 - 2) in commodity price changes between the locations of the forecasted physical purchase or sale transactions and the locations of the underlying hedge instruments;
- Lower of cost or market adjustments to the carrying value of commodity inventories resulting when the market price of the commodity falls below its original cost, to the extent that those commodities are economically hedged; and
- Realized gains and losses resulting from the settlement of economic hedges prior to the sale of the physical commodity.

These adjustments eliminate the impact of timing differences and the impact of current changes in the fair value of financial and physical transactions prior to their completion and settlement. Unrealized gains or losses are recorded in each period until being replaced with the actual gains or losses realized when the associated physical transactions occur. Management believes that excluding the earnings volatility caused by recognizing changes in fair value prior to settlement and other timing differences associated with related purchase and sale transactions provides a useful representation of the economic effects of only the actual settled transactions and their effects on results of operations. While management uses these non-GAAP measures to evaluate both the Utilities and non-utility businesses, the net effect of these fair value and timing adjustments on the Utilities' earnings is minimal because gains or losses on their natural gas derivative instruments are deferred pursuant to state regulation.

Contribution Margin

In addition to operating revenues and operating expenses, management also uses the non-GAAP measure of contribution margin when evaluating results of operations. Contribution margin is defined as operating revenues less natural and propane gas costs and gross receipts tax expense. The Utilities pass to their customers (subject to prudence review by, as applicable, the MoPSC, APSC, or MSPSC) increases and decreases in the wholesale cost of natural gas in accordance with their Purchased Gas Adjustment (PGA) clauses or Gas Supply Adjustment (GSA) rider. The volatility of the wholesale natural gas market results in fluctuations from period to period in the recorded levels of, among other items, revenues and natural gas cost expense. Nevertheless, increases and decreases in the cost of gas

associated with system gas sales volumes and gross receipts tax expense (which are calculated as a percentage of revenues), with the same amount (excluding immaterial timing differences) included in revenues,

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have no direct effect on operating income. Therefore, management believes that contribution margin is a useful supplemental measure, along with the remaining operating expenses, for assessing the Company's and the Utilities' performance.

EARNINGS – THREE MONTHS ENDED JUNE 30, 2018

Spire

Net Income and Net Economic Earnings

The following tables reconcile the Company's net economic earnings to the most comparable GAAP number, net income.

	Gas Utility	Gas Marketing	Other	Total	Per Diluted Share**
Three Months Ended June 30, 2018					
Net Income (Loss) (GAAP)	\$ 18.5	\$ 16.2	\$(8.8)	\$25.9	\$ 0.52
Adjustments, pre-tax:					
Unrealized gain on energy-related derivatives	—	(16.0)	—	(16.0)	(0.32)
Acquisition, divestiture and restructuring activities	—	—	3.3	3.3	0.07
Income tax effect of adjustments*	(1.6)	4.2	(0.6)	2.0	0.04
Net Economic Earnings (Loss) (Non-GAAP)**	\$ 16.9	\$ 4.4	\$(6.1)	\$15.2	\$ 0.31

Three Months Ended June 30, 2017

Net Income (Loss) (GAAP)	\$23.0	\$ 3.7	\$(5.0)	\$21.7	\$ 0.45
Adjustments, pre-tax:					
Unrealized loss (gain) on energy-related derivatives	0.1	(2.3)	—	(2.2)	(0.05)
Acquisition, divestiture and restructuring activities	0.2	—	1.7	1.9	0.04
Income tax effect of adjustments*	—	0.9	(0.7)	0.2	—
Net Economic Earnings (Loss) (Non-GAAP)**	\$23.3	\$ 2.3	\$(4.0)	\$21.6	\$ 0.44

Income tax effect is calculated by applying federal, state, and local income tax rates applicable to ordinary income to *the amounts of the pre-tax reconciling items and then adding any estimated effects of enacted state or local income tax laws for periods before the related effective date.

** Net economic earnings per share is calculated by replacing consolidated net income with consolidated net economic earnings in the GAAP diluted earnings per share calculation.

Consolidated

Spire's net income was \$25.9 for the three months ended June 30, 2018, compared with \$21.7 for the three months ended June 30, 2017. Basic and diluted earnings per share for the three months ended June 30, 2018, were \$0.52, compared with basic and diluted earnings per share of \$0.45, for the three months ended June 30, 2017. Net income increased \$4.2, as the \$12.5 increase in Gas Marketing net income more than offset the \$4.5 decrease in net income for the Gas Utility segment and the \$3.8 in higher expenses in Other. The decrease in the Gas Utility's net income was driven primarily by the new rates implemented in the Spire Missouri territory during the quarter while Gas Marketing continued to benefit from improved market conditions. Spire's net economic earnings were \$15.2 (\$0.31 per diluted share) for the three months ended June 30, 2018, a decrease of \$6.4 from the \$21.6 (\$0.44 per diluted share) reported for the same period last year. For the current quarter both net income per share and net economic earnings per share were impacted by 2.3 million shares that were issued May 10. The principal drivers of the decrease in net economic earnings were consistent with implementation of the Missouri rate case (noted above) offset in part by higher Gas Marketing earnings due to improved market conditions. These impacts are described in further detail below.

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Gas Utility

For the three months ended June 30, 2018, net economic earnings for the Gas Utility segment decreased \$6.4 from the third quarter last year, stemming primarily from decreases in Spire Missouri and Spire Alabama. As detailed below, the decrease was driven primarily by lower contribution margin due to the implementation of the new Missouri rate case, and the timing of return of tax savings from the Tax Cuts and Jobs Act (TCJA) to Spire Alabama customers, combined with higher depreciation expenses resulting from the continued infrastructure investment at all the Utilities. The TCJA is further described in Note 11 of the Notes to Financial Statements in Item 1.

Gas Marketing

For the three months ended June 30, 2018, net economic earnings for the Gas Marketing segment increased \$2.1 compared with the third quarter last year. For the quarter, the segment benefited from improved market conditions resulting from favorable weather patterns and widened basis differentials (spreads) between pipelines and end-markets that contributed to increased trading value and storage optimization versus the prior-year quarter.

Operating Revenues and Expenses and Contribution Margin

Reconciliations of the Company's contribution margin to the most directly comparable GAAP measure are shown below.

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended June 30, 2018					
Operating Income (Loss)	\$35.0	\$ 21.6	\$(4.2)	\$ —	\$ 52.4
Operation and maintenance expenses	107.9	2.0	7.7	(2.6)	115.0
Depreciation and amortization	40.5	—	0.5	—	41.0
Taxes, other than income taxes	33.5	0.1	0.3	—	33.9
Less: Gross receipts tax expense	(20.4)	—	—	—	(20.4)
Contribution Margin (Non-GAAP)	196.5	23.7	4.3	(2.6)	221.9
Natural and propane gas costs	117.9	(9.3)	—	(0.3)	108.3
Gross receipts tax expense	20.4	—	—	—	20.4
Operating Revenues	\$334.8	\$ 14.4	\$4.3	\$ (2.9)	\$ 350.6
Three Months Ended June 30, 2017					
Operating Income (Loss)	\$47.1	\$ 5.9	\$(2.7)	\$ —	\$ 50.3
Operation and maintenance expenses	101.9	1.5	4.5	(1.3)	106.6
Depreciation and amortization	38.4	0.1	0.1	—	38.6
Taxes, other than income taxes	30.5	0.1	0.1	—	30.7
Less: Gross receipts tax expense	(17.3)	—	—	—	(17.3)
Contribution Margin (Non-GAAP)	200.6	7.6	2.0	(1.3)	208.9
Natural and propane gas costs	88.7	10.3	0.1	(1.8)	97.3
Gross receipts tax expense	17.3	—	—	—	17.3
Operating Revenues	\$306.6	\$ 17.9	\$2.1	\$ (3.1)	\$ 323.5

Consolidated

As shown in the table above, Spire reported an operating revenue increase of \$27.1 for the three months ended June 30, 2018, compared with the same period last year, with the Gas Utility segment being the primary driver. Spire's contribution margin increased \$13.0 compared with last year, resulting from a \$16.1 increase in the Gas Marketing segment offsetting a \$4.1 decline in the Gas Utility segment due to declines at both the Missouri Utilities and Spire Alabama. Depreciation and amortization expenses were up in the Gas Utility segment, reflecting the higher overall capital investments across all utilities. Utilities operation and maintenance (O&M) expenses in the quarter were \$6.0 higher than the prior-year quarter, driven primarily by Spire Missouri and Spire Alabama. These fluctuations are described in more detail below.

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Gas Utility

Operating Revenues – Gas Utility operating revenues for the three months ended June 30, 2018, were \$334.8, or \$28.2 higher than the same period last year. The increase in Gas Utility operating revenues was attributable to the following factors:

Missouri Utilities, Spire Alabama and Spire Gulf – Higher PGA/GSA gas cost recoveries	\$22.5
Missouri Utilities and Spire Alabama – Volumetric usage	11.9
Missouri Utilities and Spire Alabama – Higher gross receipts taxes	3.1
Spire Alabama – Rate Stabilization and Equalization (RSE)	1.8
Missouri Utilities – Customer growth	1.2
Missouri Utilities – New rate design implementation	(9.8)
Spire Alabama – Customer rate reductions resulting from TCJA	(2.3)
All other factors, net	(0.2)
Total Variation	\$28.2

As noted, \$22.5 of the operating revenue increase was the result of the higher gas cost recoveries at both Spire Missouri and Spire Alabama. Further, \$11.9 of the increase was attributable to higher volumetric usage, which was a function of colder weather patterns experienced across all the Utilities' service areas in the current quarter. Across all of the Utilities' territories, temperatures were 34% colder than normal this quarter versus 26% warmer than normal in the comparable prior year period, reflecting an unseasonably cold April in the current year. A \$3.1 increase in gross receipts taxes, along with Alabama RSE adjustments and customer growth also contributed to the revenue increase. These positive impacts were partly offset by a \$9.8 revenue reduction at the Missouri Utilities, due to the April 2018 implementation of a new rates that lowered the fixed monthly charge and increased the volumetric component. This results in the shifting of revenues from April - October to the November - March time periods, the period when the highest volume of gas is used by customers. At Spire Alabama, revenue declined by \$2.3 resulting from the timing of rate reductions to customers due to tax savings from the TCJA.

Contribution Margin – Gas Utility contribution margin was \$196.5 for the three months ended June 30, 2018, a \$4.1 decrease over the same period last year. The net decrease was attributable to the following factors:

Utilities – Volumetric usage	\$3.1
Spire Alabama – RSE	1.8
Missouri Utilities – Customer growth	1.2
Missouri Utilities – New rate design implementation	(9.8)
Spire Alabama – Customer rate reductions resulting from TCJA	(2.3)
All other factors, net	1.9
Total Variation	\$(4.1)

The decrease in contribution margin was primarily attributable to the implementation of the new rate base design (as noted above) at the Missouri Utilities which reduced contribution margin by \$9.8, combined with the timing of customer rate reductions of \$2.3 at Spire Alabama, as result of tax reform.

Offsetting these negative impacts were more favorable weather patterns in the current year, which increased contribution from volumetric usage by \$3.1. The Missouri Utilities experienced colder weather this quarter with temperatures 38% colder than normal versus 22% warmer than normal in the prior year quarter. In the Spire Alabama territory, temperatures were 27% colder than normal this year versus being 30% warmer than normal in the prior year. Alabama RSE adjustments and customer growth also helped offset the contribution margin reductions caused by the new rates and tax reform.

Operating Expenses – Depreciation and amortization expenses for the three months ended June 30, 2018, increased \$2.1 from last year, due to higher levels of capital expenditures across all of the Utilities. O&M expenses for the three months ended June 30, 2018, were \$6.0 higher than the same period in the prior year, \$4.3 at the Missouri Utilities and \$1.3 at Spire Alabama, and a modest increase at the utilities of Spire EnergySouth. The increases were the result of higher bad debt expenses driven by colder weather, and an increase in pension expense resulting from Spire Missouri's latest rate case. This change in pension expense is discussed further in Note 3 of the Notes to Financial Statements in Item 1.

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Gas Marketing

Operating Revenues – Operating revenues decreased \$3.5 versus the prior-year period resulting from slightly lower volumetric gas sales, lower general pricing levels and the effect of changes in trading activities. Under GAAP, revenues associated with trading activities are presented net of related costs. Average pricing for the three months ended June 30, 2018, was approximately \$2.463/MMBtu versus approximately \$2.927/MMBtu for the quarter ended June 30, 2017.

Contribution Margin – Gas Marketing contribution margin during the three months ended June 30, 2018, increased \$16.1 from the same period last year, largely reflecting favorable net \$13.7 mark-to-market unrealized gains on gas contracts, a result of improved market conditions that contributed to increased value from regional basis differentials (spreads) and storage optimization versus the prior-year quarter.

Interest Charges

Consolidated interest charges during the three months ended June 30, 2018, increased by \$2.8 from the same period last year. The increase was primarily driven by Spire Missouri's issuance of \$170.0 in long-term debt in September 2017, and Spire Alabama's issuance of \$75.0 of long-term debt: \$30.0 on December 1, 2017, and \$45.0 on January 12, 2018. In addition, the senior notes issued in March 2017 incurred marginally higher fixed interest this year relative to the interest incurred on the \$250.0 floating rate debt redeemed that month. For the three months ended June 30, 2018 and 2017, average short-term borrowings were \$256.4 and \$529.9, respectively, and the average interest rates on these borrowings were 2.4% and 1.1%, respectively.

Income Taxes

Consolidated income tax expense during the three months ended June 30, 2018, was \$3.0 lower than during the prior-year quarter, primarily as a result of tax reform, partly offset by slightly higher pre-tax book income. The TCJA is further described in Note 11 of the Notes to Financial Statements in Item 1.

Spire Missouri

	Three Months Ended June 30,	
	2018	2017
Operating Income	\$21.0	\$30.5
Operation and maintenance expenses	65.5	61.2
Depreciation and amortization	24.2	23.2
Taxes, other than income taxes	23.7	21.7
Less: Gross receipts tax expense	(14.5)	(12.4)
Contribution Margin (non-GAAP)	119.9	124.2
Natural and propane gas costs	81.1	61.9
Gross receipts tax expense	14.5	12.4
Operating Revenues	\$215.5	\$198.5
Net Income	\$11.5	\$15.5

Operating revenues for the three months ended June 30, 2018, increased \$17.0 from the same period last year primarily due to \$13.2 in volumetric/usage impacts resulting from favorable weather patterns, \$11.9 higher gas cost recoveries, a \$2.1 increase in gross receipts taxes and a \$1.2 increase attributable to customer growth. These positive impacts were only partly offset by the \$9.8 decrease resulting from the implementation of the new rate design associated with the recently completed rate case. Contribution margin for the three months ended June 30, 2018, decreased \$4.3 from the same period last year, largely due to the \$9.8 decrease attributable to the new rate design implemented in April 2018. This negative impact was partly offset by a \$3.5 increase due to volumes and a \$1.2 increase resulting from customer growth. O&M expenses for the three months ended June 30, 2018 increased \$4.3, driven primarily by an increase in pension expense resulting from its latest rate case. Depreciation and amortization increased \$1.0 in the current quarter versus the prior-year quarter due to higher capital investments.

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Degree Days in Spire Missouri's service areas during the three months ended June 30, 2018, were 38% colder than normal and 76% colder than the same period last year, resulting in higher usage on a year-over-year comparative basis. The Missouri Utilities' total system therms sold and transported were 277.4 million for the three months ended June 30, 2018, compared with 222.2 million for the same period last year. Total off-system therms sold and transported were 1.0 million for the three months ended June 30, 2018, compared with 14.4 million for the same period last year, as a 25% increase in current year system demand reduced therm availability for off-system sales. Spire Alabama

	Three Months	
	Ended June 30,	
	2018	2017
Operating Income	\$12.3	\$15.5
Operation and maintenance expenses	34.2	32.9
Depreciation and amortization	13.5	12.6
Taxes, other than income taxes	8.1	7.0
Less: Gross receipts tax expense	(5.2)	(4.2)
Contribution Margin (Non-GAAP)	62.9	63.8
Natural and propane gas costs	32.2	22.5
Gross receipts tax expense	5.2	4.2
Operating Revenues	\$100.3	\$90.5
Net Income	\$6.3	\$7.4

Operating revenues for the three months ended June 30, 2018, increased \$9.8 from the same period last year. The change in operating revenue was principally driven by a \$10.6 increase in gas cost recoveries versus the prior year, RSE impacts of \$1.8, and higher gross receipts taxes of \$1.0. These positive impacts were only partly offset by customer rate reductions of \$2.3 resulting from lower federal income tax from the TCJA and weather impacts. Contribution margin decreased \$0.9, primarily due to the customer rate reduction of \$2.3 as a result of tax reform, partly offset by the RSE adjustments of \$1.8. Depreciation and amortization expenses for the three months ended June 30, 2018, were \$0.9 higher than the same period last year, the result of continued infrastructure investment. O&M expenses were \$1.3 higher, primarily due to higher bad debts and employee-related costs.

Temperatures in Spire Alabama's service area during the three months ended June 30, 2018, were 27% colder than normal and 77% colder than a year ago. Spire Alabama's total system therms sold and transported were 234.0 million for the three months ended June 30, 2018, compared with 204.1 million for the same period last year.

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EARNINGS – NINE MONTHS ENDED JUNE 30, 2018

Spire

Net Income and Net Economic Earnings

The following tables reconcile the Company's net economic earnings to the most comparable GAAP number, net income.

	Gas Utility	Gas Marketing	Other	Total	Per Diluted Share**
Nine Months Ended June 30, 2018					
Net Income (GAAP)	\$166.2	\$ 20.0	\$53.9	\$240.1	\$ 4.91
Adjustments, pre-tax:					
Missouri regulatory adjustments	30.6	—	—	30.6	0.63
Unrealized gain on energy-related derivatives	—	(3.4)	—	(3.4)	(0.07)
Realized gain on economic hedges prior to the sale of the physical commodity	—	(0.3)	—	(0.3)	(0.01)
Acquisition, divestiture and restructuring activities	0.2	—	6.8	7.0	0.14
Income tax effect of adjustments*	(9.2)	1.0	(1.5)	(9.7)	(0.20)
Effects of the Tax Cuts and Jobs Act	20.3	0.9	(75.2)	(54.0)	(1.10)
Net Economic Earnings (Loss) (Non-GAAP)	\$208.1	\$ 18.2	\$(16.0)	\$210.3	\$ 4.30

Nine Months Ended June 30, 2017

Net Income (Loss) (GAAP)	\$187.0	\$ 1.9	\$(14.0)	\$174.9	\$ 3.75
Adjustments, pre-tax:					
Unrealized loss on energy-related derivatives	0.1	3.1	—	3.2	0.07
Realized gain on economic hedges prior to the sale of the physical commodity	—	(0.2)	—	(0.2)	—
Acquisition, divestiture and restructuring activities	0.3	—	1.8	2.1	0.04
Income tax effect of adjustments*	(0.1)	(1.1)	(0.7)	(1.9)	(0.04)
Net Economic Earnings (Loss) (Non-GAAP)	\$187.3	\$ 3.7	\$(12.9)	\$178.1	\$ 3.82

Income tax effect is calculated by applying federal, state, and local income tax rates applicable to ordinary income to *the amounts of the pre-tax reconciling items and then adding any estimated effects of enacted state or local income tax laws for periods before the related effective date.

** Net economic earnings per share is calculated by replacing consolidated net income with consolidated net economic earnings in the GAAP diluted earnings per share calculation.

Consolidated

Spire's net income was \$240.1 for the nine months ended June 30, 2018, compared with \$174.9 for the nine months ended June 30, 2017. Basic and diluted earnings per share for the nine months ended June 30, 2018, were \$4.92 and \$4.91, respectively, compared with basic and diluted earnings per share of \$3.76 and \$3.75, respectively, for the nine months ended June 30, 2017. Net income increased \$65.2, driven by lower federal tax rates resulting from the implementation of the TCJA net of amounts reflected in lower customer rates, and stronger core operating results of the Gas Utility segment attributable to the near-normal weather patterns in the current year. The Gas Marketing segment also experienced strong operating results, due to improved market conditions in the current year. These positive impacts were offset by \$38.4 in pre-tax (\$23.6 after-tax) charges at Spire Missouri, the result of the MoPSC disallowing certain recoveries in the recent rate case. Net economic earnings were \$210.3 (\$4.30 per diluted share) for the nine months ended June 30, 2018, up from \$178.1 (\$3.82 per diluted share) for the same period last year. This increase reflects growth in earnings for both Gas Utility (\$20.8) and Gas Marketing (\$14.5). These fluctuations are described in more detail below.

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Gas Utility

Gas Utility net income decreased by \$20.8 and net economic earnings increased \$20.8 for the nine months ended June 30, 2018, compared with the nine months ended June 30, 2017. Both measures benefited from weather patterns that were significantly favorable to the prior year, with temperatures in the Utilities' territories being close to equaling normal temperatures, versus being 20% warmer than normal in the prior year. However, net income was negatively impacted by the \$23.6 after-tax charge related to certain recoveries for Spire Missouri being disallowed by the MoPSC in the recent rate case proceedings partially offset by net tax changes related to the implementation of the TCJA which was passed in December 2017.

Gas Marketing

The Gas Marketing segment reported net income totaling \$20.0 for the nine months ended June 30, 2018, versus net income of \$1.9 during the same period last year. Net economic earnings for the nine months ended June 30, 2018, were \$18.2, an increase of \$14.5 from the same period last year. The increase was attributable to improved market conditions as a result of colder weather and increased temperature volatility in the current year that contributed to increased value from regional basis differentials (spreads) and storage and transport optimization.

Operating Revenues and Operating Expenses

Reconciliations of the Company's contribution margin to the most directly comparable GAAP measure are shown in the table below:

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Nine Months Ended June 30, 2018					
Operating Income (Loss)	\$279.5	\$ 27.7	\$(7.9)	\$ —	\$ 299.3
Operation and maintenance expenses	353.5	5.1	17.8	(7.5)	368.9
Depreciation and amortization	121.9	—	1.0	—	122.9
Taxes, other than income taxes	128.2	0.2	0.4	—	128.8
Less: Gross receipts tax expense	(87.0)	(0.1)	—	—	(87.1)
Contribution Margin (Non-GAAP)	796.1	32.9	11.3	(7.5)	832.8
Natural and propane gas costs	784.5	22.3	0.2	(1.1)	805.9
Gross receipts tax expense	87.0	0.1	—	—	87.1
Operating Revenues	\$1,667.6	\$ 55.3	\$11.5	\$ (8.6)	\$ 1,725.8