

SPIRE INC
 Form 10-Q
 February 01, 2018
Table of Contents

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

FORM 10-Q
 (Mark One)

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

For the quarterly period ended December 31, 2017

OR

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

For the transition period from to

| Commission File Number | Name of Registrant, Address of Principal Executive Offices and Telephone Number | State of Incorporation | I.R.S. Employer Identification Number |
|------------------------|---|------------------------|---------------------------------------|
| 1-16681 | Spire Inc. 700 Market Street St. Louis, MO 63101 314-342-0500 | Missouri | 74-2976504 |
| 1-1822 | 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 []

Edgar Filing: SPIRE INC - Form 10-Q

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. | <input checked="" type="checkbox"/> | | | | |
| Spire Missouri Inc. | | | <input checked="" type="checkbox"/> | | |
| Spire Alabama Inc. | | | <input checked="" type="checkbox"/> | | |

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 January 29, 2018, was as follows:

| | | |
|---------------------|--|------------|
| Spire Inc. | Common Stock, par value \$1.00 per share | 48,344,121 |
| 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.

Table of Contents

TABLE OF CONTENTS Page No.

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

Spire Inc.

Condensed
Consolidated
Statements of 4
IncomeCondensed
Consolidated
Statements of 5
Comprehensive
IncomeCondensed
Consolidated 6
Balance SheetsCondensed
Consolidated
Statements of 8
Shareholders'Equity
Condensed
Consolidated
Statements of 9
Cash Flows

Spire Missouri Inc.

Condensed
Statements of 10
IncomeCondensed
Statements of 11
Comprehensive
IncomeCondensed 12
Balance SheetsCondensed
Statements of 14
Shareholder'sEquity
Condensed
Statements of 15
Cash Flows

Spire Alabama Inc.

16

| | |
|------------------------|-----------|
| <u>Condensed</u> | |
| <u>Statements of</u> | |
| <u>Income</u> | |
| <u>Condensed</u> | |
| <u>Balance Sheets</u> | <u>17</u> |
| <u>Condensed</u> | |
| <u>Statements of</u> | |
| <u>Shareholder's</u> | <u>19</u> |
| <u>Equity</u> | |
| <u>Condensed</u> | |
| <u>Statements of</u> | <u>20</u> |
| <u>Cash Flows</u> | |
| Notes to Financial | |
| Statements | |
| <u>Note 1.</u> | |
| <u>Summary of</u> | |
| <u>Significant</u> | <u>21</u> |
| <u>Accounting</u> | |
| <u>Policies</u> | |
| <u>Note 2.</u> | |
| <u>Earnings Per</u> | <u>24</u> |
| <u>Common Share</u> | |
| <u>Note 3.</u> | |
| <u>Regulatory</u> | <u>25</u> |
| <u>Matters</u> | |
| <u>Note 4.</u> | |
| <u>Financing</u> | |
| <u>Arrangements</u> | <u>28</u> |
| <u>and Long-term</u> | |
| <u>Debt</u> | |
| <u>Note 5. Fair</u> | |
| <u>Value of</u> | <u>28</u> |
| <u>Financial</u> | |
| <u>Instruments</u> | |
| <u>Note 6. Fair</u> | |
| <u>Value</u> | <u>30</u> |
| <u>Measurements</u> | |
| <u>Note 7.</u> | |
| <u>Concentrations</u> | <u>33</u> |
| <u>of Credit Risk</u> | |
| <u>Note 8. Pension</u> | |
| <u>Plans and Other</u> | <u>33</u> |
| <u>Postretirement</u> | |
| <u>Benefits</u> | |
| <u>Note 9.</u> | |
| <u>Information by</u> | <u>36</u> |
| <u>Operating</u> | |
| <u>Segment</u> | |
| <u>Note 10.</u> | <u>38</u> |
| <u>Commitments</u> | |
| <u>and</u> | |

| | | |
|-----------------------------------|--|-----------|
| | <u>Contingencies</u> | |
| | <u>Note 11.</u> | |
| | <u>Income Taxes</u> | <u>41</u> |
| <u>Item 2</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>42</u> |
| <u>Item 3</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>55</u> |
| <u>Item 4</u> | <u>Controls and Procedures</u> | <u>55</u> |
| <u>PART II. OTHER INFORMATION</u> | | |
| <u>Item 1</u> | <u>Legal Proceedings</u> | <u>56</u> |
| <u>Item 2</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>56</u> |
| <u>Item 6</u> | <u>Exhibits</u> | <u>57</u> |
| | <u>SIGNATURES</u> | <u>58</u> |

Table of Contents

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 |
| ASU | Accounting Standards Update | PRP | Potentially responsible party |
| 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 |
| EPS | Earnings per share | SEC | US Securities and Exchange Commission |
| FASB | Financial Accounting Standards Board | Spire | Spire Inc. |
| FERC | Federal Energy Regulatory Commission | Spire Alabama | Spire Alabama Inc. Spire EnergySouth Inc., the parent of Spire Gulf and Spire Mississippi |
| GAAP | Accounting principles generally accepted in the United States of America | Spire EnergySouth | |
| Gas Marketing | Segment including Spire Marketing, which is engaged in the non-regulated marketing of natural gas and related activities | Spire Gulf | Spire Gulf Inc. |
| Gas Utility | Segment including the regulated operations of the Utilities | Spire Marketing | Spire Marketing Inc. |
| GSA | Gas Supply Adjustment | Spire Mississippi | Spire Mississippi Inc. |
| ISRS | Infrastructure System Replacement Surcharge | Spire Missouri | Spire Missouri Inc. |
| Missouri Utilities | Spire Missouri, including Spire Missouri East and Spire Missouri West, the utilities serving the Missouri region | Spire Missouri East | Spire Missouri's eastern service territory |
| MMBtu | Million British thermal units | Spire Missouri West | Spire Missouri's western service territory |
| MoPSC | Missouri Public Service Commission | TCJA | The Tax Cuts and Jobs Act of 2017 |
| MSPSC | Mississippi Public Service Commission | US | United States Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth |
| NYSE | New York Stock Exchange | Utilities | |

Table of Contents

PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by three separate registrants — Spire Inc. (Spire or the Company), Spire Missouri Inc. (Spire Missouri or Missouri Utilities) and Spire Alabama Inc. (Spire Alabama) — without audit, pursuant to the rules and regulations of the 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.

3

Table of Contents

Item 1. Financial Statements

SPIRE INC.
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)

| (In millions, except per share amounts) | Three Months Ended December 31, | |
|--|---------------------------------------|---------|
| | 2017 | 2016 |
| Operating Revenues: | | |
| Gas Utility | \$541.9 | \$472.3 |
| Gas Marketing and other | 19.9 | 22.8 |
| Total Operating Revenues | 561.8 | 495.1 |
| Operating Expenses: | | |
| Gas Utility | | |
| Natural and propane gas | 240.8 | 193.8 |
| Operation and maintenance | 97.9 | 99.4 |
| Depreciation and amortization | 40.3 | 37.7 |
| Taxes, other than income taxes | 36.7 | 33.4 |
| Total Gas Utility Operating Expenses | 415.7 | 364.3 |
| Gas Marketing and other | 41.0 | 41.7 |
| Total Operating Expenses | 456.7 | 406.0 |
| Operating Income | 105.1 | 89.1 |
| Other Income | 2.2 | 0.5 |
| Interest Charges: | | |
| Interest on long-term debt | 20.7 | 19.1 |
| Other interest charges | 3.7 | 3.0 |
| Total Interest Charges | 24.4 | 22.1 |
| Income Before Income Taxes | 82.9 | 67.5 |
| Income Tax (Benefit) Expense | (33.1) | 22.3 |
| Net Income | \$116.0 | \$45.2 |
| Weighted Average Number of Shares Outstanding: | | |
| Basic | 48.2 | 45.5 |
| Diluted | 48.4 | 45.7 |
| Basic Earnings Per Share | \$2.40 | \$0.99 |
| Diluted Earnings Per Share | \$2.39 | \$0.99 |
| Dividends Declared Per Share | \$0.5625 | \$0.525 |

See the accompanying Notes to Financial Statements.

Table of Contents

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

| (In millions) | Three Months Ended December 31, | |
|---|---------------------------------------|----------|
| | 2017 | 2016 |
| Net Income | \$116.0 | \$45.2 |
| Other Comprehensive Income (Loss), Before Tax: | | |
| Cash flow hedging derivative instruments: | | |
| Net hedging gains arising during the period | 0.1 | 11.5 |
| Reclassification adjustment for (gains) losses included in net income | (0.4 |) 0.2 |
| Net unrealized (losses) gains on cash flow hedging derivative instruments | (0.3 |) 11.7 |
| Net gains on defined benefit pension and other postretirement plans | 0.1 | 0.1 |
| Net unrealized losses on available for sale securities | (0.1 |) (0.1) |
| Other Comprehensive (Loss) Income, Before Tax | (0.3 |) 11.7 |
| Income Tax (Benefit) Expense Related to Items of Other Comprehensive Income | (0.1 |) 4.3 |
| Other Comprehensive (Loss) Income, Net of Tax | (0.2 |) 7.4 |
| Comprehensive Income | \$115.8 | \$52.6 |

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|---|----------------------|--------------------------|----------------------|
| (Dollars in millions, except per share amounts) | | | |
| ASSETS | | | |
| Utility Plant | \$ 5,351.7 | \$ 5,278.4 | \$ 4,893.2 |
| Less: Accumulated depreciation and amortization | 1,641.0 | 1,613.2 | 1,561.4 |
| Net Utility Plant | 3,710.7 | 3,665.2 | 3,331.8 |
| Non-utility Property (net of accumulated depreciation and amortization of \$8.6, \$8.6 and \$8.2 at December 31, 2017, September 30, 2017, and December 31, 2016, respectively) | 105.3 | 52.0 | 19.7 |
| Goodwill | 1,171.6 | 1,171.6 | 1,161.4 |
| Other Investments | 66.3 | 64.2 | 61.9 |
| Total Other Property and Investments | 1,343.2 | 1,287.8 | 1,243.0 |
| Current Assets: | | | |
| Cash and cash equivalents | 6.7 | 7.4 | 10.6 |
| Accounts receivable: | | | |
| Utility | 333.6 | 140.5 | 310.4 |
| Other | 135.3 | 149.2 | 133.4 |
| Allowance for doubtful accounts | (21.3 |) (18.3 |) (21.1 |
| Delayed customer billings | 7.5 | 3.4 | 5.3 |
| Inventories: | | | |
| Natural gas | 171.6 | 194.9 | 161.9 |
| Propane gas | 12.0 | 12.0 | 12.0 |
| Materials and supplies | 21.3 | 18.9 | 16.6 |
| Natural gas receivable | 3.5 | 1.9 | 8.4 |
| Derivative instrument assets | 4.7 | 5.9 | 18.7 |
| Unamortized purchased gas adjustments | 77.9 | 102.6 | 52.2 |
| Other regulatory assets | 71.4 | 72.9 | 82.3 |
| Prepayments and other | 28.3 | 34.2 | 24.9 |
| Total Current Assets | 852.5 | 725.5 | 815.6 |
| Deferred Charges: | | | |
| Regulatory assets | 716.6 | 791.1 | 786.4 |
| Other | 78.1 | 77.1 | 133.3 |
| Total Deferred Charges | 794.7 | 868.2 | 919.7 |
| Total Assets | \$ 6,701.1 | \$ 6,546.7 | \$ 6,310.1 |

Table of Contents

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

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|---|----------------------|--------------------------|----------------------|
| CAPITALIZATION AND LIABILITIES | | | |
| Capitalization: | | | |
| Common stock (par value \$1.00 per share; 70.0 million shares authorized; 48.3 million, 48.3 million and 45.7 million shares issued and outstanding at December 31, 2017, September 30, 2017 and December 31, 2016, respectively) | \$ 48.3 | \$ 48.3 | \$ 45.7 |
| Paid-in capital | 1,324.9 | 1,325.6 | 1,175.7 |
| Retained earnings | 703.0 | 614.2 | 572.1 |
| Accumulated other comprehensive income | 3.0 | 3.2 | 3.2 |
| Total Equity Attributable to Spire Shareholders | 2,079.2 | 1,991.3 | 1,796.7 |
| Noncontrolling interest | 6.5 | — | — |
| Total Equity | 2,085.7 | 1,991.3 | 1,796.7 |
| Long-term debt (less current portion) | 2,030.0 | 1,995.0 | 1,821.3 |
| Total Capitalization | 4,115.7 | 3,986.3 | 3,618.0 |
| Current Liabilities: | | | |
| Current portion of long-term debt | 105.5 | 100.0 | 250.0 |
| Notes payable | 583.6 | 477.3 | 506.4 |
| Accounts payable | 245.6 | 257.1 | 273.8 |
| Advance customer billings | 27.3 | 32.0 | 60.2 |
| Wages and compensation accrued | 29.6 | 38.7 | 29.6 |
| Dividends payable | 28.1 | 26.6 | 24.8 |
| Customer deposits | 35.9 | 34.9 | 35.7 |
| Interest accrued | 26.3 | 14.6 | 22.3 |
| Taxes accrued | 36.0 | 61.0 | 39.7 |
| Unamortized purchased gas adjustments | 1.0 | 1.0 | 1.4 |
| Other regulatory liabilities | 20.5 | 21.6 | 42.8 |
| Other | 71.9 | 33.1 | 55.5 |
| Total Current Liabilities | 1,211.3 | 1,097.9 | 1,342.2 |
| Deferred Credits and Other Liabilities: | | | |
| Deferred income taxes | 441.0 | 707.5 | 636.5 |
| Pension and postretirement benefit costs | 233.6 | 237.4 | 296.3 |
| Asset retirement obligations | 299.7 | 296.6 | 208.7 |
| Regulatory liabilities | 335.1 | 157.2 | 132.1 |
| Other | 64.7 | 63.8 | 76.3 |
| Total Deferred Credits and Other Liabilities | 1,374.1 | 1,462.5 | 1,349.9 |
| Commitments and Contingencies (<u>Note 10</u>) | | | |
| Total Capitalization and Liabilities | \$ 6,701.1 | \$ 6,546.7 | \$ 6,310.1 |

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

| (Dollars in millions) | Common Stock | | Paid-in Capital | Retained Earnings | AOCI* | Total Equity Attributable to Spire Shareholders | Noncon- trolling Interest | Total |
|--|-----------------------|--------|--------------------|----------------------|----------|--|---------------------------------|-----------|
| | Outstanding Shares | Par | | | | | | |
| Balance at September 30, 2016 | 45,650,642 | \$45.6 | \$1,175.9 | \$ 550.9 | \$(4.2) | \$ 1,768.2 | \$ — | \$1,768.2 |
| Net income | — | — | — | 45.2 | — | 45.2 | — | 45.2 |
| Dividend reinvestment plan | 5,610 | — | 0.3 | — | — | 0.3 | — | 0.3 |
| Stock-based compensation costs | — | — | 1.7 | — | — | 1.7 | — | 1.7 |
| Stock issued under stock-based compensation plans | 110,136 | 0.1 | (0.1) | — | — | — | — | — |
| Employee's tax withholding for stock-based compensation | (33,615) | — | (2.1) | — | — | (2.1) | — | (2.1) |
| Dividends declared | — | — | — | (24.0) | — | (24.0) | — | (24.0) |
| Other comprehensive income, net of tax | — | — | — | — | 7.4 | 7.4 | — | 7.4 |
| Balance at December 31, 2016 | 45,732,773 | \$45.7 | \$1,175.7 | \$ 572.1 | \$ 3.2 | \$ 1,796.7 | \$ — | \$1,796.7 |
| Balance at September 30, 2017 | 48,263,243 | \$48.3 | \$1,325.6 | \$ 614.2 | \$ 3.2 | \$ 1,991.3 | \$ — | \$1,991.3 |
| Net income | — | — | — | 116.0 | — | 116.0 | — | 116.0 |
| Business combination | — | — | — | — | — | — | 6.5 | 6.5 |
| Dividend reinvestment plan | 4,618 | — | 0.3 | — | — | 0.3 | — | 0.3 |
| Stock-based compensation costs | — | — | 1.9 | — | — | 1.9 | — | 1.9 |
| Stock issued under stock-based compensation plans | 105,434 | 0.1 | (0.1) | — | — | — | — | — |
| Employee's tax withholding for stock-based compensation | (33,581) | (0.1) | (2.8) | — | — | (2.9) | — | (2.9) |
| Dividends declared | — | — | — | (27.2) | — | (27.2) | — | (27.2) |
| Other comprehensive loss, net of tax | — | — | — | — | (0.2) | (0.2) | — | (0.2) |
| Balance at December 31, 2017 | 48,339,714 | \$48.3 | \$1,324.9 | \$ 703.0 | \$ 3.0 | \$ 2,079.2 | \$ 6.5 | \$2,085.7 |

* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

Table of Contents

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

| | Three Months Ended December 31, | |
|---|---------------------------------------|-----------|
| (In millions) | 2017 | 2016 |
| Operating Activities: | | |
| Net Income | \$116.0 | \$45.2 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 40.4 | 37.8 |
| Deferred income taxes and investment tax credits | (33.6) | 22.1 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (176.7) | (186.8) |
| Unamortized purchased gas adjustments | 34.6 | 5.1 |
| Accounts payable | (2.1) | 85.5 |
| Delayed/advance customer billings – net | (8.7) | (13.7) |
| Taxes accrued | (25.0) | (16.9) |
| Inventories | 20.9 | 11.8 |
| Other assets and liabilities | 50.3 | 18.5 |
| Other | 1.8 | 1.7 |
| Net cash provided by operating activities | 17.9 | 10.3 |
| Investing Activities: | | |
| Capital expenditures | (110.8) | (89.3) |
| Business acquisitions | (16.0) | 3.8 |
| Other | 0.1 | (0.4) |
| Net cash used in investing activities | (126.7) | (85.9) |
| Financing Activities: | | |
| Issuance of long-term debt | 30.0 | — |
| Issuance of short-term debt – net | 106.3 | 107.7 |
| Issuance of common stock | 0.3 | 0.1 |
| Dividends paid | (25.8) | (22.8) |
| Other | (2.7) | (4.0) |
| Net cash provided by financing activities | 108.1 | 81.0 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (0.7) | 5.4 |
| Cash and Cash Equivalents at Beginning of Period | 7.4 | 5.2 |
| Cash and Cash Equivalents at End of Period | \$6.7 | \$10.6 |
| | | |
| Supplemental disclosure of cash (paid) refunded for: | | |
| Interest, net of amounts capitalized | \$(13.3) | \$(14.3) |
| Income taxes | — | (0.1) |

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE MISSOURI INC.
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

| (In millions) | Three Months Ended December 31, | |
|--------------------------------|---------------------------------------|---------|
| | 2017 | 2016 |
| Operating Revenues: | | |
| Utility | \$392.3 | \$363.6 |
| Total Operating Revenues | 392.3 | 363.6 |
| Operating Expenses: | | |
| Utility | | |
| Natural and propane gas | 206.2 | 191.3 |
| Operation and maintenance | 60.3 | 60.5 |
| Depreciation and amortization | 24.8 | 22.7 |
| Taxes, other than income taxes | 26.2 | 24.6 |
| Total Operating Expenses | 317.5 | 299.1 |
| Operating Income | 74.8 | 64.5 |
| Other Income | 1.2 | 0.1 |
| Interest Charges: | | |
| Interest on long-term debt | 9.9 | 8.3 |
| Other interest charges | 1.7 | 1.4 |
| Total Interest Charges | 11.6 | 9.7 |
| Income Before Income Taxes | 64.4 | 54.9 |
| Income Tax (Benefit) Expense | (25.0) | 16.9 |
| Net Income | \$89.4 | \$38.0 |

See the accompanying Notes to Financial Statements.

Table of Contents

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

| (In millions) | Three Months Ended December 31, | |
|--|---------------------------------------|---------|
| | 2017 | 2016 |
| Net Income | \$ 89.4 | \$ 38.0 |
| Other Comprehensive Income, Net of Tax | — | 0.2 |
| Comprehensive Income | \$ 89.4 | \$ 38.2 |

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE MISSOURI INC.
 CONDENSED BALANCE SHEETS
 (UNAUDITED)

| | December 31, | September | December 31, |
|---|--------------|-----------|--------------|
| (Dollars in millions, except per share amounts) | 2017 | 30, | 2016 |
| | | 2017 | |
| ASSETS | | | |
| Utility Plant | \$ 3,141.2 | \$3,091.8 | \$ 2,794.7 |
| Less: Accumulated depreciation and amortization | 696.1 | 681.6 | 646.4 |
| Net Utility Plant | 2,445.1 | 2,410.2 | 2,148.3 |
| Goodwill | 210.2 | 210.2 | 210.2 |
| Other Property and Investments | 60.1 | 59.4 | 57.1 |
| Total Other Property and Investments | 270.3 | 269.6 | 267.3 |
| Current Assets: | | | |
| Cash and cash equivalents | 4.1 | 2.5 | 4.0 |
| Accounts receivable: | | | |
| Utility | 238.3 | 101.7 | 221.0 |
| Associated companies | 7.3 | 3.3 | 5.3 |
| Other | 20.0 | 15.0 | 12.2 |
| Allowance for doubtful accounts | (16.8 |) (14.1 |) (17.1 |
| Delayed customer billings | 7.5 | 3.4 | 5.3 |
| Inventories: | | | |
| Natural gas | 127.1 | 138.2 | 118.2 |
| Propane gas | 12.0 | 12.0 | 12.0 |
| Materials and supplies | 12.5 | 11.3 | 9.3 |
| Derivative instrument assets | — | 0.1 | 2.2 |
| Unamortized purchased gas adjustments | 38.5 | 57.4 | 33.8 |
| Other regulatory assets | 38.2 | 38.2 | 59.7 |
| Prepayments and other | 15.6 | 19.6 | 15.5 |
| Total Current Assets | 504.3 | 388.6 | 481.4 |
| Deferred Charges: | | | |
| Regulatory assets | 484.1 | 557.8 | 543.4 |
| Other | 5.6 | 5.3 | 2.4 |
| Total Deferred Charges | 489.7 | 563.1 | 545.8 |
| Total Assets | \$ 3,709.4 | \$3,631.5 | \$ 3,442.8 |

Table of Contents

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

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|--|----------------------|--------------------------|----------------------|
| CAPITALIZATION AND LIABILITIES | | | |
| Capitalization: | | | |
| Paid-in capital and common stock (par value \$1.00 per share; 50,000,000 authorized; 24,577 shares issued and outstanding) | \$ 757.3 | \$ 756.2 | \$ 753.1 |
| Retained earnings | 492.4 | 416.5 | 341.6 |
| Accumulated other comprehensive loss | (1.7 |) (1.7 |) (1.6 |
| Total Equity | 1,248.0 | 1,171.0 | 1,093.1 |
| Long-term debt | 874.1 | 873.9 | 804.3 |
| Total Capitalization | 2,122.1 | 2,044.9 | 1,897.4 |
| Current Liabilities: | | | |
| Current portion of long-term debt | 100.0 | 100.0 | — |
| Notes payable | — | — | 312.9 |
| Notes payable – associated companies | 275.6 | 203.0 | — |
| Accounts payable | 73.5 | 89.9 | 104.3 |
| Accounts payable – associated companies | 8.9 | 5.4 | 9.4 |
| Advance customer billings | 10.5 | 13.3 | 38.8 |
| Wages and compensation accrued | 22.9 | 29.6 | 22.1 |
| Dividends payable | 13.5 | — | 14.7 |
| Customer deposits | 13.4 | 13.3 | 13.6 |
| Interest accrued | 11.6 | 8.0 | 9.5 |
| Taxes accrued | 12.3 | 34.1 | 16.4 |
| Regulatory liabilities | 2.7 | 2.7 | 2.7 |
| Other | 48.4 | 8.5 | 35.2 |
| Total Current Liabilities | 593.3 | 507.8 | 579.6 |
| Deferred Credits and Other Liabilities: | | | |
| Deferred income taxes | 382.2 | 623.8 | 578.2 |
| Pension and postretirement benefit costs | 167.8 | 173.0 | 202.8 |
| Asset retirement obligations | 160.3 | 158.6 | 76.1 |
| Regulatory liabilities | 241.2 | 81.2 | 67.3 |
| Other | 42.5 | 42.2 | 41.4 |
| Total Deferred Credits and Other Liabilities | 994.0 | 1,078.8 | 965.8 |
| Commitments and Contingencies (<u>Note 10</u>) | | | |
| Total Capitalization and Liabilities | \$ 3,709.4 | \$ 3,631.5 | \$ 3,442.8 |

See the accompanying Notes to Financial Statements.

Table of Contents

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 | — | — | — | 38.0 | — | 38.0 |
| Stock-based compensation costs | — | — | 1.1 | — | — | 1.1 |
| Dividends declared | — | — | — | (14.7) | — | (14.7) |
| Other comprehensive income, net of tax | — | — | — | — | 0.2 | 0.2 |
| Balance at December 31, 2016 | 24,577 | \$0.1 | \$ 753.0 | \$ 341.6 | \$ (1.6) | \$ 1,093.1 |
| Balance at September 30, 2017 | 24,577 | \$0.1 | \$ 756.1 | \$ 416.5 | \$ (1.7) | \$ 1,171.0 |
| Net income | — | — | — | 89.4 | — | 89.4 |
| Stock-based compensation costs | — | — | 1.1 | — | — | 1.1 |
| Dividends declared | — | — | — | (13.5) | — | (13.5) |
| Balance at December 31, 2017 | 24,577 | \$0.1 | \$ 757.2 | \$ 492.4 | \$ (1.7) | \$ 1,248.0 |

* Accumulated other comprehensive income
 (loss)

See the accompanying Notes to Financial
 Statements.

Table of Contents

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

| (In millions) | Three Months Ended December 31, | |
|---|---------------------------------|----------|
| | 2017 | 2016 |
| Operating Activities: | | |
| Net Income | \$ 89.4 | \$ 38.0 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 24.8 | 22.7 |
| Deferred income taxes and investment tax credits | (25.0) | 16.9 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (143.0) | (136.0) |
| Unamortized purchased gas adjustments | 28.8 | 17.2 |
| Accounts payable | 1.6 | 50.3 |
| Delayed/advance customer billings – net | (6.9) | (14.0) |
| Taxes accrued | (21.7) | (12.6) |
| Inventories | 9.9 | 9.0 |
| Other assets and liabilities | 40.7 | 16.7 |
| Other | 1.1 | 0.5 |
| Net cash (used in) provided by operating activities | (0.3) | 8.7 |
| Investing Activities: | | |
| Capital expenditures | (70.5) | (61.2) |
| Other | (0.2) | 0.1 |
| Net cash used in investing activities | (70.7) | (61.1) |
| Financing Activities: | | |
| Issuance of short-term debt | — | 69.2 |
| Borrowings from Spire – net | 72.6 | — |
| Dividends paid | — | (14.0) |
| Other | — | (0.9) |
| Net cash provided by financing activities | 72.6 | 54.3 |
| Net Increase in Cash and Cash Equivalents | 1.6 | 1.9 |

| | | | | |
|--|----|--------|----|--------|
| Cash and Cash Equivalents at Beginning of Period | | 2.5 | | 2.1 |
| Cash and Cash Equivalents at End of Period | \$ | 4.1 | \$ | 4.0 |
| Supplemental disclosure of cash (paid) refunded for: | | | | |
| Interest, net of amounts capitalized | \$ | (7.6) | \$ | (7.9) |
| Income taxes | — | | — | |

See the accompanying
Notes to Financial
Statements.

Table of Contents

SPIRE ALABAMA INC.
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

| (In millions) | Three Months Ended December 31, | |
|--------------------------------|---------------------------------------|--------|
| | 2017 | 2016 |
| Operating Revenues: | | |
| Utility | \$120.8 | \$86.7 |
| Total Operating Revenues | 120.8 | 86.7 |
| Operating Expenses: | | |
| Utility | | |
| Natural gas | 49.0 | 16.8 |
| Operation and maintenance | 31.8 | 31.2 |
| Depreciation and amortization | 12.8 | 12.3 |
| Taxes, other than income taxes | 8.2 | 6.6 |
| Total Operating Expenses | 101.8 | 66.9 |
| Operating Income | 19.0 | 19.8 |
| Other Income | 0.4 | 0.4 |
| Interest Charges: | | |
| Interest on long-term debt | 2.9 | 2.8 |
| Other interest charges | 1.1 | 0.8 |
| Total Interest Charges | 4.0 | 3.6 |
| Income Before Income Taxes | 15.4 | 16.6 |
| Income Tax Expense | 65.0 | 6.3 |
| Net (Loss) Income | \$(49.6) | \$10.3 |

See the accompanying Notes to Financial Statements.

Table of Contents

SPIRE ALABAMA INC.
 CONDENSED BALANCE SHEETS
 (UNAUDITED)

| | December 31, | September 30, | December 31, |
|---|--------------|------------------|--------------|
| (Dollars in millions, except per share amounts) | 2017 | 2017 | 2016 |
| ASSETS | | | |
| Utility Plant | \$ 1,858.5 | \$ 1,838.0 | \$ 1,750.2 |
| Less: Accumulated depreciation and amortization | 791.7 | 782.0 | 768.0 |
| Net Utility Plant | 1,066.8 | 1,056.0 | 982.2 |
| Current Assets: | | | |
| Cash and cash equivalents | — | 0.1 | — |
| Accounts receivable: | | | |
| Utility | 74.7 | 32.0 | 77.5 |
| Associated companies | 0.7 | — | — |
| Other | 6.6 | 6.2 | 6.1 |
| Allowance for doubtful accounts | (2.6 |) (2.6 |) (2.4 |
| Inventories: | | | |
| Natural gas | 25.1 | 33.9 | 28.4 |
| Materials and supplies | 7.6 | 6.5 | 6.1 |
| Unamortized purchased gas adjustments | 39.4 | 45.2 | 17.1 |
| Other regulatory assets | 18.6 | 19.4 | 14.4 |
| Prepayments and other | 7.7 | 6.7 | 5.4 |
| Total Current Assets | 177.8 | 147.4 | 152.6 |
| Deferred Charges: | | | |
| Regulatory assets | 197.4 | 197.0 | 229.5 |
| Deferred income taxes | 119.0 | 185.6 | 215.1 |
| Other | 57.4 | 57.0 | 61.8 |
| Total Deferred Charges | 373.8 | 439.6 | 506.4 |
| Total Assets | \$ 1,618.4 | \$ 1,643.0 | \$ 1,641.2 |

Table of Contents

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

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|--|----------------------|--------------------------|----------------------|
| CAPITALIZATION AND LIABILITIES | | | |
| Capitalization: | | | |
| Paid-in capital and common stock (par value \$0.01 per share; 3.0 million shares authorized; 2.0 million shares issued and outstanding) | \$ 420.9 | \$ 420.9 | \$ 451.9 |
| Retained earnings | 389.4 | 446.5 | 419.0 |
| Total Equity | 810.3 | 867.4 | 870.9 |
| Long-term debt | 277.8 | 247.8 | 247.7 |
| Total Capitalization | 1,088.1 | 1,115.2 | 1,118.6 |
| Current Liabilities: | | | |
| Notes payable | — | — | 102.5 |
| Notes payable – associated companies | 163.1 | 169.9 | — |
| Accounts payable | 55.0 | 44.4 | 48.7 |
| Accounts payable – associated companies | 3.8 | 1.6 | 1.9 |
| Advance customer billings | 16.8 | 18.6 | 21.4 |
| Wages and compensation accrued | 5.4 | 7.4 | 5.7 |
| Customer deposits | 18.7 | 17.9 | 18.8 |
| Interest accrued | 3.5 | 3.3 | 3.4 |
| Taxes accrued | 22.0 | 23.4 | 18.9 |
| Regulatory liabilities | 11.3 | 12.0 | 37.4 |
| Other | 2.4 | 2.9 | 5.0 |
| Total Current Liabilities | 302.0 | 301.4 | 263.7 |
| Deferred Credits and Other Liabilities: | | | |
| Pension and postretirement benefit costs | 51.5 | 50.2 | 75.6 |
| Asset retirement obligations | 129.7 | 128.4 | 121.4 |
| Regulatory liabilities | 39.0 | 39.6 | 40.6 |
| Other | 8.1 | 8.2 | 21.3 |
| Total Deferred Credits and Other Liabilities | 228.3 | 226.4 | 258.9 |
| Commitments and Contingencies (<u>Note 10</u>) | | | |
| Total Capitalization and Liabilities | \$ 1,618.4 | \$ 1,643.0 | \$ 1,641.2 |

See the accompanying Notes to Financial Statements.

Table of Contents

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

| (Dollars in millions) | Common | | | Total |
|-------------------------------|--------------------------------|---------------------------|----------------------|---------|
| | Stock Outstanding Shares | Paid-in Capital Par | Retained Earnings | |
| Balance at September 30, 2016 | 1,972,052 | \$ -\$451.9 | \$ 415.4 | \$867.3 |
| Net income | — | — | 10.3 | 10.3 |
| Dividends declared | — | — | (6.7) | (6.7) |
| Balance at December 31, 2016 | 1,972,052 | \$ -\$451.9 | \$ 419.0 | \$870.9 |
| Balance at September 30, 2017 | 1,972,052 | \$ -\$420.9 | \$ 446.5 | \$867.4 |
| Net income | — | — | (49.6) | (49.6) |
| Dividends declared | — | — | (7.5) | (7.5) |
| Balance at December 31, 2017 | 1,972,052 | \$ -\$420.9 | \$ 389.4 | \$810.3 |

See the accompanying Notes to Financial Statements.

Table of Contents

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

| | Three Months Ended December 31, | |
|---|---------------------------------------|----------|
| (In millions) | 2017 | 2016 |
| Operating Activities: | | |
| Net (Loss) Income | \$(49.6) | \$10.3 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 12.8 | 12.3 |
| Deferred income taxes and investment tax credits | 65.0 | 6.3 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (44.3) | (28.1) |
| Unamortized purchased gas adjustments | 5.8 | (11.5) |
| Accounts payable | 14.9 | 17.0 |
| Advance customer billings | (1.8) | 0.3 |
| Taxes accrued | (1.4) | (2.7) |
| Inventories | 7.7 | 5.9 |
| Other assets and liabilities | — | (1.1) |
| Other | — | 0.3 |
| Net cash provided by operating activities | 9.1 | 9.0 |
| Investing Activities: | | |
| Capital expenditures | (24.9) | (21.8) |
| Other | — | (0.6) |
| Net cash used in investing activities | (24.9) | (22.4) |
| Financing Activities: | | |
| Issuance of long-term debt | 30.0 | — |
| Issuance of short-term debt – net | — | 20.5 |
| Repayment of borrowings from Spire – net | (6.8) | — |
| Dividends paid | (7.5) | (6.7) |
| Other | — | (0.4) |
| Net cash provided by financing activities | 15.7 | 13.4 |
| Net Decrease in Cash and Cash Equivalents | (0.1) | — |
| Cash and Cash Equivalents at Beginning of Period | 0.1 | — |
| Cash and Cash Equivalents at End of Period | \$— | \$— |
| Supplemental disclosure of cash (paid) refunded for: | | |
| Interest, net of amounts capitalized | \$(3.4) | \$(3.1) |
| Income taxes | — | — |

See the accompanying Notes to Financial Statements.

Table of Contents

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. 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.

At the end of December 2017, a subsidiary of the Company acquired an 80% voting interest in Ryckman Creek Resources, LLC, which owns and operates a natural gas storage facility in Wyoming. The transaction was valued at \$26.0, subject to customary post-closing adjustments, and was completed with \$16.0 of cash and a \$10.0 promissory note. A tentative purchase price allocation to the assets acquired and liabilities assumed is reflected in the Company’s consolidated balance sheet as of December 31, 2017. Management is evaluating the fair value accounting impacts, and any related adjustments will be recorded later this year. Results of operations will be included in the Company’s consolidated financial statements beginning in the second quarter of fiscal 2018; results since the acquisition in the first quarter were not material.

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.

The Company’s earnings are primarily derived from its Gas Utility segment. Due to the seasonal nature of the Utilities’ business, earnings are typically concentrated during the heating season of November through April each fiscal year. As a result, the interim statements of income for Spire, 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 December 31, 2017, September 30, 2017, and December 31, 2016, were \$116.2, \$30.1, and \$103.5, respectively.

21

Table of Contents

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 December 31, 2017, September 30, 2017, and December 31, 2016 were \$13.2, \$1.9, and \$22.0, respectively. Spire's other subsidiaries, including Spire Marketing, record revenues when earned, either when the product is delivered or when services are performed.

In the course of its business, Spire Marketing enters into commitments associated with the purchase or sale of natural gas. Certain of their derivative natural gas contracts are designated as normal purchases or normal sales and, as such, are excluded from the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging. Those contracts are accounted for as executory contracts and recorded on an accrual basis. Revenues and expenses from such contracts are recorded using a gross presentation. Contracts not designated as normal purchases or normal sales are recorded as derivatives with changes in fair value recognized in earnings in the periods prior to physical delivery. Certain of Spire Marketing's wholesale purchase and sale transactions are classified as trading activities for financial reporting purposes. Under GAAP, revenues and expenses associated with trading activities are presented on a net basis in Gas Marketing Operating Revenues (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 December 31, | |
|----------------|---------------------------------------|---------|
| | 2017 | 2016 |
| Spire | \$ 23.1 | \$ 19.4 |
| Spire Missouri | 16.2 | 14.1 |
| Spire Alabama | 5.6 | 4.2 |

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), Mississippi Public Service Commission (MSPSC) and APSC, the Purchased Gas Adjustment (PGA) clauses and Gas Supply Adjustment (GSA) riders allow the Utilities to pass through to customers the cost of purchased gas supplies. Regulatory assets and liabilities related to the PGA clauses and the GSA 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:

Edgar Filing: SPIRE INC - Form 10-Q

| | Three Months Ended December 31, 2017 2016 | |
|--|--|---------|
| Purchases of natural gas from Spire Marketing | \$ 22.3 | \$ 20.5 |
| Sales of natural gas to Spire Marketing | 0.1 | 3.6 |
| Transportation services received from Spire NGL Inc. | 0.3 | 0.3 |

22

Table of Contents

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

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|----------------|----------------------|--------------------------|----------------------|
| Spire | \$ 31.8 | \$ 41.0 | \$ 15.3 |
| Spire Missouri | 15.2 | 28.9 | 6.8 |
| Spire Alabama | 7.0 | 9.4 | 5.6 |

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 to adopting this guidance. In August 2015, the FASB issued ASU No. 2015-14, which made the guidance in ASU No. 2014-09 effective for fiscal years beginning after December 15, 2017, and interim periods within those years. In 2016 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 nearly completed their evaluation of their sources of revenue and related contracts, plan to adopt the new guidance in the first quarter of fiscal 2019 using the modified retrospective approach, and expect no material effect on their financial position, results of operations, or cash flows.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which provides revised guidance concerning certain matters involving the recognition, measurement, and disclosure of financial instruments. It is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Unrealized gains and losses on equity securities previously classified as available-for-sale will be recognized immediately in earnings rather than recorded in other comprehensive income. Entities will record a cumulative-effect adjustment as of the beginning of the fiscal year in which the guidance is adopted, which requires amounts reported in accumulated other comprehensive income for such equity securities to be reclassified to retained earnings. Based on an assessment of their current financial instruments, the Company, Spire Missouri and Spire Alabama expect to adopt this standard in the first quarter of fiscal 2019 with no material impact.

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.

23

Table of Contents

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates Step 2 of the goodwill test, where the measurement of a goodwill impairment loss was determined by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Upon adoption, a goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This new guidance is required for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. The Company and Spire Missouri do not expect this standard change to have a material impact on their financial statements and will adjust their goodwill impairment procedures accordingly upon adoption, no later than their annual tests for 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 are currently assessing the regulatory and other impacts of adopting this standard, which must be adopted by the first quarter of fiscal 2019.

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

| | Three Months Ended | |
|---|--------------------|---------|
| | December 31, | |
| | 2017 | 2016 |
| Basic EPS: | | |
| Net Income | \$ 116.0 | \$ 45.2 |
| Less: Income allocated to participating securities | 0.2 | 0.1 |
| Net Income Available to Common Shareholders | \$ 115.8 | \$ 45.1 |
| Weighted Average Shares Outstanding (in millions) | 48.2 | 45.5 |
| Basic Earnings Per Share of Common Stock | \$ 2.40 | \$ 0.99 |
| Diluted EPS: | | |
| Net Income | \$ 116.0 | \$ 45.2 |
| Less: Income allocated to participating securities | 0.2 | 0.1 |
| Net Income Available to Common Shareholders | \$ 115.8 | \$ 45.1 |
| Weighted Average Shares Outstanding (in millions) | 48.2 | 45.5 |
| Dilutive Effect of Restricted Stock and Restricted Stock Units (in millions)* | 0.2 | 0.2 |
| Weighted Average Diluted Shares (in millions) | 48.4 | 45.7 |
| Diluted Earnings Per Share of Common Stock | \$ 2.39 | \$ 0.99 |

* 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

24

Table of Contents

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 December 31, 2017, September 30, 2017, and December 31, 2016.

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|--|----------------------|--------------------------|----------------------|
| Spire | | | |
| Regulatory Assets: | | | |
| Current: | | | |
| Pension and postretirement benefit costs | \$ 43.0 | \$ 42.2 | \$ 63.2 |
| Unamortized purchased gas adjustments | 77.9 | 102.6 | 52.2 |
| Other | 28.4 | 30.7 | 19.1 |
| Total Current Regulatory Assets | 149.3 | 175.5 | 134.5 |
| Noncurrent: | | | |
| Future income taxes due from customers | 113.1 | 170.5 | 155.5 |
| Pension and postretirement benefit costs | 394.8 | 404.7 | 439.2 |
| Cost of removal | 123.9 | 123.3 | 131.6 |
| Unamortized purchased gas adjustments | — | 9.9 | 4.7 |
| Energy efficiency | 30.0 | 29.0 | 26.0 |
| Other | 54.8 | 53.7 | 29.4 |
| Total Noncurrent Regulatory Assets | 716.6 | 791.1 | 786.4 |
| Total Regulatory Assets | \$ 865.9 | \$ 966.6 | \$ 920.9 |
| Regulatory Liabilities: | | | |
| Current: | | | |
| Rate Stabilization and Equalization (RSE) adjustment | \$ 1.0 | \$ 1.4 | \$ 3.8 |
| Unbilled service margin | — | — | 22.0 |
| Refundable negative salvage | 7.9 | 8.2 | 9.0 |
| Unamortized purchased gas adjustments | 1.0 | 1.0 | 1.4 |
| Other | 11.6 | 12.0 | 8.0 |
| Total Current Regulatory Liabilities | 21.5 | 22.6 | 44.2 |
| Noncurrent: | | | |
| Deferred taxes due to customers | 177.4 | — | — |
| Pension and postretirement benefit costs | 31.5 | 32.2 | 28.3 |
| Refundable negative salvage | 3.8 | 4.1 | 8.9 |
| Accrued cost of removal | 81.7 | 83.8 | 74.7 |
| Other | 40.7 | 37.1 | 20.2 |
| Total Noncurrent Regulatory Liabilities | 335.1 | 157.2 | 132.1 |
| Total Regulatory Liabilities | \$ 356.6 | \$ 179.8 | \$ 176.3 |

Table of Contents

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|--|----------------------|--------------------------|----------------------|
| Spire Missouri | | | |
| Regulatory Assets: | | | |
| Current: | | | |
| Pension and postretirement benefit costs | \$ 34.9 | \$ 34.9 | \$ 56.3 |
| Unamortized purchased gas adjustments | 38.5 | 57.4 | 33.8 |
| Other | 3.3 | 3.3 | 3.4 |
| Total Current Regulatory Assets | 76.7 | 95.6 | 93.5 |
| Noncurrent: | | | |
| Future income taxes due from customers | 113.1 | 170.5 | 155.5 |
| Pension and postretirement benefit costs | 315.8 | 322.7 | 333.3 |
| Unamortized purchased gas adjustments | — | 9.9 | 4.7 |
| Energy efficiency | 30.0 | 29.0 | 26.0 |
| Other | 25.2 | 25.7 | 23.9 |
| Total Noncurrent Regulatory Assets | 484.1 | 557.8 | 543.4 |
| Total Regulatory Assets | \$ 560.8 | \$ 653.4 | \$ 636.9 |
| Regulatory Liabilities: | | | |
| Current: | | | |
| Other | \$ 2.7 | \$ 2.7 | \$ 2.7 |
| Total Current Regulatory Liabilities | 2.7 | 2.7 | 2.7 |
| Noncurrent: | | | |
| Deferred taxes due to customers | 159.2 | — | — |
| Accrued cost of removal | 52.0 | 54.5 | 54.8 |
| Other | 30.0 | 26.7 | 12.5 |
| Total Noncurrent Regulatory Liabilities | 241.2 | 81.2 | 67.3 |
| Total Regulatory Liabilities | \$ 243.9 | \$ 83.9 | \$ 70.0 |

Table of Contents

| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
|--|----------------------|--------------------------|----------------------|
| Spire Alabama | | | |
| Regulatory Assets: | | | |
| Current: | | | |
| Pension and postretirement benefit costs | \$ 7.2 | \$ 7.2 | \$ 6.8 |
| Unamortized purchased gas adjustments | 39.4 | 45.2 | 17.1 |
| Other | 11.4 | 12.2 | 7.6 |
| Total Current Regulatory Assets | 58.0 | 64.6 | 31.5 |
| Noncurrent: | | | |
| Pension and postretirement benefit costs | 70.8 | 72.6 | 96.8 |
| Cost of removal | 123.9 | 123.3 | 131.6 |
| Other | 2.7 | 1.1 | 1.1 |
| Total Noncurrent Regulatory Assets | 197.4 | 197.0 | 229.5 |
| Total Regulatory Assets | \$ 255.4 | \$ 261.6 | \$ 261.0 |
| Regulatory Liabilities: | | | |
| Current: | | | |
| RSE adjustment | \$ 1.0 | \$ 1.4 | \$ 3.8 |
| Unbilled service margin | — | — | 22.0 |
| Refundable negative salvage | 7.9 | 8.2 | 9.0 |
| Other | 2.4 | 2.4 | 2.6 |
| Total Current Regulatory Liabilities | 11.3 | 12.0 | 37.4 |
| Noncurrent: | | | |
| Pension and postretirement benefit costs | 31.5 | 32.2 | 28.3 |
| Refundable negative salvage | 3.9 | 4.1 | 8.9 |
| Other | 3.6 | 3.3 | 3.4 |
| Total Noncurrent Regulatory Liabilities | 39.0 | 39.6 | 40.6 |
| Total Regulatory Liabilities | \$ 50.3 | \$ 51.6 | \$ 78.0 |

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 | | |
|--|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
| | December 31, 2017 | September 30, 2017 | December 31, 2016 | December 31, 2017 | September 30, 2017 | December 31, 2016 |
| Future income taxes due from customers | \$113.1 | \$ 170.5 | \$ 155.5 | \$113.1 | \$ 170.5 | \$ 155.5 |
| Pension and postretirement benefit costs | 193.8 | 198.5 | 231.4 | 193.8 | 198.5 | 231.4 |
| Other | 11.2 | 11.3 | 12.2 | 11.2 | 11.3 | 12.2 |
| Total Regulatory Assets Not Earning a Return | \$318.1 | \$ 380.3 | \$ 399.1 | \$318.1 | \$ 380.3 | \$ 399.1 |

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 postretirement benefit costs could be as long as 20 years, based on current Internal Revenue Service 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.

Table of Contents

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 December 31, 2017, total debt was 57% of total capitalization for the consolidated Company, 50% for Spire Missouri, and 35% for Spire Alabama. There were no borrowings against this credit facility as of December 31, 2017, or September 30, 2017, but \$193.5 as of December 31, 2016.

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 December 31, 2017, Notes outstanding under the Program totaled \$583.6. Of that amount, \$275.6 and \$163.1 were loaned to Spire Missouri and Spire Alabama, respectively, at Spire's cost. Notes outstanding under the Program totaled \$477.3 and \$0.0 as of September 30, 2017, and December 31, 2016, 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 million 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 million 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 call options. Spire Alabama used the proceeds from the sale of the notes to repay short-term debt and for general corporate purposes.

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 December 31, 2017, September 30, 2017, or December 31, 2016.

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.

Table of Contents

| Carrying Amount | Fair Value | Classification of Estimated Fair Value | | | |
|---|------------|---|---|---|---|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Observable Inputs (Level 2) | Significant Observable Inputs (Level 2) |
| Spire | | | | | |
| As of December 31, 2017 | | | | | |
| Cash and cash equivalents | | \$ 6.7 | \$ 6.7 | \$ 6.7 | \$ — |
| Short-term debt | | 583.6 | 583.6 | — | 583.6 |
| Long-term debt, including current portion | | 2,135.5 | 2,280.1 | — | 2,280.1 |
| 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 December 31, 2016 | | | | | |
| Cash and cash equivalents | | \$ 10.6 | \$ 10.6 | \$ 10.6 | \$ — |
| Short-term debt | | 506.4 | 506.4 | — | 506.4 |
| Long-term debt, including current portion | | 2,071.3 | 2,258.1 | — | 2,258.1 |
| Spire Missouri | | | | | |
| As of December 31, 2017 | | | | | |
| Cash and cash equivalents | \$4.1 | \$4.1 | | | |