

SPIRE INC  
 Form 10-Q  
 May 04, 2016  
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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 Quarter Ended March 31, 2016

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 | Registrant, Address and Telephone Number   | State of Incorporation | I.R.S. Employer Identification Number |
|------------------------|--|------------------------|---------------------------------------|
| 1-16681                | Spire Inc.<br>700 Market Street<br>St. Louis, MO 63101<br>Telephone Number 314-342-0500                        | Missouri               | 74-2976504                            |
| 1-1822                 | Laclede Gas Company<br>700 Market Street<br>St. Louis, MO 63101<br>Telephone Number 314-342-0500               | Missouri               | 43-0368139                            |
| 2-38960                | Alabama Gas Corporation<br>2101 6th Avenue North<br>Birmingham, Alabama 35203<br>Telephone Number 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 [ ]  
 Laclede Gas Company Yes [ X ] No [ ]  
 Alabama Gas Corporation 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 [ ]  
 Laclede Gas Company Yes [ X ] No [ ]  
 Alabama Gas Corporation Yes [ X ] No [ ]

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

|                         | Large<br>accelerated<br>filer | Accelerated<br>filer | Non-<br>accelerated<br>filer | Smaller<br>reporting<br>company |
|-------------------------|-------------------------------|----------------------|------------------------------|---------------------------------|
| Spire Inc.              | X                             |                      |                              |                                 |
| Laclede Gas Company     |                               |                      | X                            |                                 |
| Alabama Gas Corporation |                               |                      | X                            |                                 |

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 [ X ] |
| Laclede Gas Company     | Yes [ ] | No [ X ] |
| Alabama Gas Corporation | Yes [ ] | No [ X ] |

The number of shares outstanding of each registrant’s common stock as of April 29, 2016 was as follows:

|                         |   |            |
|-------------------------|---|------------|
| Spire Inc.              | Common Stock, par value \$1.00 per share                              | 43,450,458 |
| Laclede Gas Company     | Common Stock, par value \$1.00 per share<br>(all owned by Spire Inc.) | 24,577     |
| Alabama Gas Corporation | Common Stock, par value \$0.01 per share<br>(all owned by Spire Inc.) | 1,972,052  |

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

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

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## GLOSSARY OF KEY TERMS AND ABBREVIATIONS

|                 |  |                    |   |
|-----------------|--|--------------------|---|
| Alagasco        | Alabama Gas Corporation or Alabama Utility   | ISRS               | Infrastructure System Replacement Surcharge                                   |
| Alabama Utility | Alabama Gas Corporation or Alagasco; the utility serving the Alabama region  | LER                | Laclede Energy Resources, Inc.  |
| AOC             | Administrative Order on Consent  | MDNR               | Missouri Department of Natural Resources                                      |
| APSC            | Alabama Public Service Commission  | MGE                | Missouri Gas Energy   |
| ASC             | Accounting Standards Codification  | MGP                | Manufactured Gas Plant  |
| ASU             | Accounting Standards Update  | Missouri Utilities | Laclede Gas Company, including MGE; the utilities serving the Missouri region |
| Bcf             | Billion cubic feet   | MMBtu              | Million British thermal units   |
| BVCP            | Brownfields/Voluntary Cleanup Program  | MoPSC              | Missouri Public Service Commission or MPSC                                    |
| CCM             | Cost Control Mechanism   | NSR                | Negative Salvage Rebalancing  |
| CERCLA          | Comprehensive Environment Response, Compensation and Liability Act   | NYMEX              | New York Mercantile Exchange, Inc.  |
| EPA             | US Environmental Protection Agency   | O&M                | Operations and Maintenance  |
| ESR             | Enhanced Stability Reserve   | OTCBB              | Over-the-Counter Bulletin Board   |
| FASB            | Financial Accounting Standards Board   | PGA                | Purchased Gas Adjustment  |
| FERC            | Federal Energy Regulatory Commission   | PRP                | Potential Responsible Party   |
| FOIA            | Freedom of Information Act   | RSE                | Rate Stabilization and Equalization   |
| GAAP            | Accounting principles generally accepted in the United States of America   | SEC                | US Securities and Exchange Commission   |
| Gas Utility     | Operating segment including the regulated operations of Laclede Gas Company and Alabama Gas Corporation                    | US                 | United States   |
| Gas Marketing   | Operating segment including LER, a subsidiary engaged in the non-regulated marketing of natural gas and related activities | Utilities          | Collective operations of Laclede Gas Company and Alabama Gas Corporation      |
| GSA             | Gas Supply Adjustment  | VEBA               | Voluntary Employees' Beneficiary Association                                  |
| ICE             | Intercontinental Exchange  |                    |   |



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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), Laclede Gas Company (Laclede Gas or Missouri Utilities) and Alabama Gas Corporation (Alagasco or Alabama Utility) — without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the financial statements and the notes thereto included in each registrant's respective Form 10-K for the fiscal year ended September 30, 2015.

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

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## Item 1. Financial Statements

SPIRE INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

| (In Millions, Except Per Share Amounts)               | Three Months Ended |                | Six Months Ended |                |
|---|--------------------|----------------|------------------|----------------|
|   | March 31, 2016     | March 31, 2015 | March 31, 2016   | March 31, 2015 |
| Operating Revenues:                                   |                    |                |                  |                |
| Gas Utility   | \$611.5            | \$847.0        | \$1,010.3        | \$1,428.4      |
| Gas Marketing and other                               | (2.2 )             | 30.4           | (1.6 )           | 68.6           |
| Total Operating Revenues                              | 609.3              | 877.4          | 1,008.7          | 1,497.0        |
| Operating Expenses:                                   |                    |                |                  |                |
| Gas Utility   |                    |                |                  |                |
| Natural and propane gas                               | 261.1              | 482.8          | 409.6            | 787.1          |
| Other operation and maintenance expenses              | 94.3               | 103.8          | 185.9            | 200.9          |
| Depreciation and amortization                         | 33.8               | 32.2           | 67.3             | 64.2           |
| Taxes, other than income taxes                        | 43.9               | 55.7           | 72.1             | 93.7           |
| Total Gas Utility Operating Expenses                  | 433.1              | 674.5          | 734.9            | 1,145.9        |
| Gas Marketing and other                               | 8.5                | 45.2           | 19.1             | 106.1          |
| Total Operating Expenses                              | 441.6              | 719.7          | 754.0            | 1,252.0        |
| Operating Income                                      | 167.7              | 157.7          | 254.7            | 245.0          |
| Other Income  | 0.8                | 0.7            | 2.2              | 2.1            |
| Interest Charges:                                     |                    |                |                  |                |
| Interest on long-term debt                            | 16.7               | 16.5           | 33.6             | 33.7           |
| Other interest charges                                | 2.6                | 2.6            | 4.7              | 4.6            |
| Total Interest Charges                                | 19.3               | 19.1           | 38.3             | 38.3           |
| Income Before Income Taxes                            | 149.2              | 139.3          | 218.6            | 208.8          |
| Income Tax Expense                                    | 48.4               | 44.9           | 70.9             | 67.3           |
| Net Income  | \$100.8            | \$94.4         | \$147.7          | \$141.5        |
| Weighted Average Number of Common Shares Outstanding: |                    |                |                  |                |
| Basic   | 43.3               | 43.1           | 43.3             | 43.1           |
| Diluted   | 43.5               | 43.2           | 43.5             | 43.2           |
| Basic Earnings Per Share of Common Stock              | \$2.32             | \$2.18         | \$3.40           | \$3.27         |
| Diluted Earnings Per Share of Common Stock            | \$2.31             | \$2.18         | \$3.39           | \$3.26         |
| Dividends Declared Per Share of Common Stock          | \$0.49             | \$0.46         | \$0.98           | \$0.92         |

See the accompanying Notes to Financial Statements.

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SPIRE INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

| (In Millions)   | Three Months<br>Ended<br>March 31, |        | Six Months<br>Ended March 31, |         |
|---|------------------------------------|--------|-------------------------------|---------|
|   | 2016                               | 2015   | 2016                          | 2015    |
| Net Income  | \$100.8                            | \$94.4 | \$147.7                       | \$141.5 |
| Other Comprehensive Income (Loss), Before Tax:                              |                                    |        |                               |         |
| Cash flow hedging derivative instruments:                                   |                                    |        |                               |         |
| Net hedging losses arising during the period                                | (0.6 )                             | (0.6 ) | (1.3 )                        | (6.5 )  |
| Reclassification adjustment for losses included in net income               | 0.5                                | 2.3    | 1.7                           | 2.2     |
| Net unrealized (losses) gains on cash flow hedging derivative instruments   | (0.1 )                             | 1.7    | 0.4                           | (4.3 )  |
| Net defined benefit pension and other postretirement plans                  | —                                  | 0.1    | 0.1                           | 0.2     |
| Net unrealized gain on available for sale securities                        | 0.1                                | —      | —                             | —       |
| Other Comprehensive Income (Loss), Before Tax                               | —                                  | 1.8    | 0.5                           | (4.1 )  |
| Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income | —                                  | 0.6    | 0.2                           | (1.6 )  |
| Other Comprehensive Income (Loss), Net of Tax                               | —                                  | 1.2    | 0.3                           | (2.5 )  |
| Comprehensive Income  | \$100.8                            | \$95.6 | \$148.0                       | \$139.0 |

See the accompanying Notes to Financial Statements.

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SPIRE INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (UNAUDITED)

|   | March 31,<br>2016 | September 30,<br>2015 | March 31,<br>2015 |
|---|-------------------|-----------------------|-------------------|
| (Dollars in Millions, Except Per Share Amounts)   |                   |                       |                   |
| <b>ASSETS</b>   |                   |                       |                   |
| Utility Plant   | \$4,271.3         | \$4,234.5             | \$4,037.8         |
| Less: Accumulated depreciation and amortization   | 1,286.1           | 1,307.0               | 1,213.1           |
| Net Utility Plant   | 2,985.2           | 2,927.5               | 2,824.7           |
| Non-utility Property (net of accumulated depreciation and amortization of \$7.8, \$7.5 and \$7.2 at March 31, 2016, September 30, 2015, and March 31, 2015, respectively) | 13.8              | 13.7                  | 10.5              |
| Goodwill  | 946.0             | 946.0                 | 946.0             |
| Other Investments   | 61.1              | 59.9                  | 60.8              |
| Total Other Property and Investments  | 1,020.9           | 1,019.6               | 1,017.3           |
| <b>Current Assets:</b>  |                   |                       |                   |
| Cash and cash equivalents   | 8.7               | 13.8                  | 46.9              |
| Accounts receivable:  |                   |                       |                   |
| Utility   | 217.1             | 138.1                 | 303.8             |
| Other   | 66.8              | 86.7                  | 70.1              |
| Allowance for doubtful accounts   | (18.9)            | (14.2)                | (18.6)            |
| Delayed customer billings   | 10.1              | 2.6                   | 61.7              |
| Inventories:  |                   |                       |                   |
| Natural gas   | 97.5              | 188.6                 | 90.8              |
| Propane gas   | 12.0              | 12.0                  | 11.9              |
| Materials and supplies  | 14.5              | 14.8                  | 14.3              |
| Natural gas receivable  | 19.5              | 17.3                  | 5.9               |
| Derivative instrument assets  | 7.6               | 4.6                   | 3.0               |
| Unamortized purchased gas adjustments   | 8.9               | 12.9                  | —                 |
| Other regulatory assets   | 32.4              | 27.6                  | 27.4              |
| Prepayments and other   | 27.6              | 25.3                  | 20.0              |
| Total Current Assets  | 503.8             | 530.1                 | 637.2             |
| <b>Deferred Charges:</b>  |                   |                       |                   |
| Regulatory assets   | 732.6             | 737.6                 | 632.9             |
| Other   | 77.3              | 75.4                  | 68.6              |
| Total Deferred Charges  | 809.9             | 813.0                 | 701.5             |
| Total Assets  | \$5,319.8         | \$5,290.2             | \$5,180.7         |

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

|   | March 31,<br>2016 | September 30,<br>2015 | March 31,<br>2015 |
|---|-------------------|-----------------------|-------------------|
| <b>CAPITALIZATION AND LIABILITIES</b>   |                   |                       |                   |
| Capitalization:   |                   |                       |                   |
| Common stock (par value \$1.00 per share; 70.0 million shares authorized; 43.4 million and 43.3 million shares issued and outstanding at March 31, 2016 and for both September 30, 2015 and March 31, 2015, respectively) | \$43.4            | \$43.3                | \$43.3            |
| Paid-in capital   | 1,040.3           | 1,038.1               | 1,033.3           |
| Retained earnings   | 599.4             | 494.2                 | 539.2             |
| Accumulated other comprehensive loss  | (1.7 )            | (2.0 )                | (4.2 )            |
| Total Common Stock Equity   | 1,681.4           | 1,573.6               | 1,611.6           |
| Long-term debt (less current portion)   | 1,851.6           | 1,771.5               | 1,736.3           |
| Total Capitalization  | 3,533.0           | 3,345.1               | 3,347.9           |
| Current Liabilities:  |                   |                       |                   |
| Current portion of long-term debt   | —                 | 80.0                  | 80.0              |
| Notes payable   | 253.6             | 338.0                 | 247.6             |
| Accounts payable  | 127.1             | 146.5                 | 160.1             |
| Advance customer billings   | 31.7              | 44.3                  | 8.4               |
| Wages and compensation accrued  | 26.6              | 32.7                  | 30.9              |
| Dividends payable   | 22.1              | 21.1                  | 20.5              |
| Customer deposits   | 33.0              | 32.1                  | 36.2              |
| Interest accrued  | 14.3              | 14.3                  | 14.9              |
| Unamortized purchased gas adjustments   | 4.3               | 28.2                  | 76.7              |
| Taxes accrued   | 36.8              | 51.7                  | 85.2              |
| Regulatory liabilities  | 33.8              | 32.4                  | 38.5              |
| Other   | 35.5              | 32.5                  | 54.7              |
| Total Current Liabilities   | 618.8             | 853.8                 | 853.7             |
| Deferred Credits and Other Liabilities:   |                   |                       |                   |
| Deferred income taxes   | 564.2             | 482.1                 | 438.7             |
| Pension and postretirement benefit costs  | 254.8             | 253.4                 | 243.9             |
| Asset retirement obligations  | 162.8             | 159.2                 | 101.5             |
| Regulatory liabilities  | 110.7             | 119.3                 | 114.3             |
| Other   | 75.5              | 77.3                  | 80.7              |
| Total Deferred Credits and Other Liabilities  | 1,168.0           | 1,091.3               | 979.1             |
| Commitments and Contingencies ( <u>Note 9</u> )   |                   |                       |                   |
| Total Capitalization and Liabilities  | \$5,319.8         | \$5,290.2             | \$5,180.7         |

See the accompanying Notes to Financial Statements.

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SPIRE INC.

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY  
(UNAUDITED)

| (Dollars In Millions)                  | Common Stock          |         | Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Total      |
|--|-----------------------|---------|--------------------|----------------------|---|------------|
|  | Outstanding<br>Shares | Amount  |                    |                      |   |            |
| Balance at September 30, 2014          | 43,178,405            | \$ 43.2 | \$ 1,029.4         | \$ 437.5             | \$ (1.7 )                                     | \$ 1,508.4 |
| Net income                             | —                     | —       | —                  | 141.5                | —   | 141.5      |
| Dividend reinvestment plan             | 9,494                 | —       | 0.9                | —                    | —   | 0.9        |
| Stock-based compensation costs         | —                     | —       | (0.4 )             | —                    | —   | (0.4 )     |
| Equity Incentive Plan                  | 125,949               | 0.1     | 2.8                | —                    | —   | 2.9        |
| Tax benefit – stock compensation       | —                     | —       | 0.6                | —                    | —   | 0.6        |
| Dividends declared:                    |                       |         |                    |                      |   |            |
| Common stock                           | —                     | —       | —                  | (39.8 )              | —   | (39.8 )    |
| Other comprehensive loss, net of tax   | —                     | —       | —                  | —                    | (2.5 )  | (2.5 )     |
| Balance at March 31, 2015              | 43,313,848            | \$ 43.3 | \$ 1,033.3         | \$ 539.2             | \$ (4.2 )                                     | \$ 1,611.6 |
| Balance at September 30, 2015          | 43,335,012            | \$ 43.3 | \$ 1,038.1         | \$ 494.2             | \$ (2.0 )                                     | \$ 1,573.6 |
| Net income                             | —                     | —       | —                  | 147.7                | —   | 147.7      |
| Dividend reinvestment plan             | 12,704                | —       | 0.7                | —                    | —   | 0.7        |
| Stock-based compensation costs         | —                     | —       | (1.5 )             | —                    | —   | (1.5 )     |
| Equity Incentive Plan                  | 98,269                | 0.1     | 3.0                | —                    | —   | 3.1        |
| Dividends declared:                    |                       |         |                    |                      |   |            |
| Common stock                           | —                     | —       | —                  | (42.5 )              | —   | (42.5 )    |
| Other comprehensive income, net of tax | —                     | —       | —                  | —                    | 0.3   | 0.3        |
| Balance at March 31, 2016              | 43,445,985            | \$ 43.4 | \$ 1,040.3         | \$ 599.4             | \$ (1.7 )                                     | \$ 1,681.4 |

See the accompanying Notes to Financial Statements.

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

| (In Millions)   | Six Months<br>Ended March 31, |           |
|---|-------------------------------|-----------|
|   | 2016                          | 2015      |
| Operating Activities:   |                               |           |
| Net Income  | \$147.7                       | \$141.5   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                               |           |
| Depreciation, amortization, and accretion   | 67.6                          | 64.7      |
| Deferred income taxes and investment tax credits                                  | 71.0                          | 29.0      |
| Changes in assets and liabilities:  |                               |           |
| Accounts receivable   | (53.5 )                       | (139.4 )  |
| Unamortized purchased gas adjustments   | (20.0 )                       | 108.2     |
| Deferred purchased gas costs  | 9.0                           | (14.3 )   |
| Accounts payable  | (15.4 )                       | (12.1 )   |
| Delayed/advance customer billings – net   | (20.1 )                       | (74.7 )   |
| Taxes accrued   | (14.7 )                       | 21.5      |
| Inventories   | 91.4                          | 153.1     |
| Other assets and liabilities  | (19.6 )                       | (2.1 )    |
| Other   | (0.4 )                        | 4.5       |
| Net cash provided by operating activities   | 243.0                         | 279.9     |
| Investing Activities:   |                               |           |
| Capital expenditures  | (121.8 )                      | (129.5 )  |
| Payments for final reconciliation of acquisitions                                 | —                             | (8.6 )    |
| Other   | (0.7 )                        | (0.4 )    |
| Net cash used in investing activities   | (122.5 )                      | (138.5 )  |
| Financing Activities:   |                               |           |
| Issuance of long-term debt  | 80.0                          | —         |
| Repayment of long-term debt   | (80.0 )                       | (34.7 )   |
| Repayment of short-term debt  | (84.4 )                       | (39.6 )   |
| Issuance of common stock  | 2.1                           | 2.8       |
| Employee's taxes paid associated with restricted shares withheld upon vesting     | (1.7 )                        | (1.6 )    |
| Dividends paid  | (41.6 )                       | (39.2 )   |
| Other   | —                             | 1.7       |
| Net cash used in financing activities   | (125.6 )                      | (110.6 )  |
| Net (Decrease) Increase in Cash and Cash Equivalents                              | (5.1 )                        | 30.8      |
| Cash and Cash Equivalents at Beginning of Period                                  | 13.8                          | 16.1      |
| Cash and Cash Equivalents at End of Period  | \$8.7                         | \$46.9    |
| Supplemental disclosure of cash (paid) refunded for:                              |                               |           |
| Interest  | \$(36.2 )                     | \$(36.1 ) |
| Income taxes  | \$(0.2 )                      | 0.3       |

See the accompanying Notes to Financial Statements.



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LACLEDE GAS COMPANY  
 CONDENSED STATEMENTS OF INCOME  
 (UNAUDITED)

| (In Millions)                            | Three Months<br>Ended<br>March 31, |         | Six Months<br>Ended March 31, |           |
|--|------------------------------------|---------|-------------------------------|-----------|
|  | 2016                               | 2015    | 2016                          | 2015      |
| Operating Revenues:                      |                                    |         |                               |           |
| Utility                                  | \$446.7                            | \$615.7 | \$763.9                       | \$1,078.1 |
| Total Operating Revenues                 | 446.7                              | 615.7   | 763.9                         | 1,078.1   |
| Operating Expenses:                      |                                    |         |                               |           |
| Utility                                  |                                    |         |                               |           |
| Natural and propane gas                  | 242.8                              | 402.7   | 392.6                         | 686.1     |
| Other operation and maintenance expenses | 61.5                               | 69.6    | 120.3                         | 134.4     |
| Depreciation and amortization            | 21.9                               | 20.5    | 43.7                          | 40.7      |
| Taxes, other than income taxes           | 33.5                               | 42.3    | 55.2                          | 71.5      |
| Total Utility Operating Expenses         | 359.7                              | 535.1   | 611.8                         | 932.7     |
| Operating Income                         | 87.0                               | 80.6    | 152.1                         | 145.4     |
| Other Income                             | 0.4                                | 0.4     | 1.2                           | 1.3       |
| Interest Charges:                        |                                    |         |                               |           |
| Interest on long-term debt               | 8.2                                | 8.3     | 16.6                          | 16.6      |
| Other interest charges                   | 1.3                                | 1.2     | 2.2                           | 2.2       |
| Total Interest Charges                   | 9.5                                | 9.5     | 18.8                          | 18.8      |
| Income Before Income Taxes               | 77.9                               | 71.5    | 134.5                         | 127.9     |
| Income Tax Expense                       | 23.6                               | 21.6    | 40.8                          | 39.0      |
| Net Income                               | \$54.3                             | \$49.9  | \$93.7                        | \$88.9    |

See the accompanying Notes to Financial Statements.



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LACLEDE GAS COMPANY  
 STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

| (In Millions)   | Three<br>Months<br>Ended<br>March 31, |        | Six Months<br>Ended<br>March 31, |        |
|---|---------------------------------------|--------|----------------------------------|--------|
|   | 2016                                  | 2015   | 2016                             | 2015   |
| Net Income  | \$54.3                                | \$49.9 | \$93.7                           | \$88.9 |
| Other Comprehensive Income (Loss), Before Tax:                              |                                       |        |                                  |        |
| Cash flow hedging derivative instruments:                                   |                                       |        |                                  |        |
| Net hedging (gains) losses arising during the period                        | (0.1 )                                | 0.1    | (0.2 )                           | (1.3 ) |
| Reclassification adjustment for losses included in net income               | 0.1                                   | 0.3    | 0.4                              | 0.4    |
| Net unrealized gains (losses) on cash flow hedging derivative instruments   | —                                     | 0.4    | 0.2                              | (0.9 ) |
| Net defined benefit pension and other postretirement plans                  | —                                     | —      | 0.1                              | 0.1    |
| Net unrealized gains on available for sale securities                       | 0.1                                   | —      | —                                | —      |
| Other Comprehensive Income (Loss), Before Tax                               | 0.1                                   | 0.4    | 0.3                              | (0.8 ) |
| Income Tax Expense (Benefit) Related to Items of Other Comprehensive Income | —                                     | 0.1    | 0.1                              | (0.3 ) |
| Other Comprehensive Income (Loss), Net of Tax                               | 0.1                                   | 0.3    | 0.2                              | (0.5 ) |
| Comprehensive Income  | \$54.4                                | \$50.2 | \$93.9                           | \$88.4 |

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY  
 CONDENSED BALANCE SHEETS  
 (UNAUDITED)

|  | March 31,<br>2016 | September 30,<br>2015 | March 31,<br>2015 |
|--|-------------------|-----------------------|-------------------|
| (Dollars in Millions, Except Shares and Per Share Amounts) |                   |                       |                   |
| <b>ASSETS</b>  |                   |                       |                   |
| Utility Plant  | \$2,612.5         | \$2,579.1             | \$2,479.8         |
| Less: Accumulated depreciation and amortization            | 580.7             | 590.0                 | 566.2             |
| Net Utility Plant  | 2,031.8           | 1,989.1               | 1,913.6           |
| Goodwill   | 210.2             | 210.2                 | 210.2             |
| Other Property and Investments                             | 56.2              | 55.3                  | 56.5              |
| Total Other Property and Investments                       | 266.4             | 265.5                 | 266.7             |
| <b>Current Assets:</b>                                     |                   |                       |                   |
| Cash and cash equivalents                                  | 3.8               | 1.7                   | 9.3               |
| Accounts receivable:                                       |                   |                       |                   |
| Utility  | 159.8             | 103.4                 | 224.1             |
| Other  | 17.0              | 25.2                  | 19.4              |
| Allowance for doubtful accounts                            | (14.7 )           | (10.0 )               | (14.0 )           |
| Receivables from associated companies                      | 1.2               | 2.5                   | 2.3               |
| Delayed customer billings                                  | 10.1              | 2.6                   | 61.7              |
| Inventories:   |                   |                       |                   |
| Natural gas  | 60.1              | 138.2                 | 60.8              |
| Propane gas  | 12.0              | 12.0                  | 12.0              |
| Materials and supplies                                     | 8.9               | 9.3                   | 9.2               |
| Unamortized purchased gas adjustments                      | 3.9               | 12.9                  | —                 |
| Other regulatory assets                                    | 23.7              | 16.2                  | 17.4              |
| Prepayments and other                                      | 15.3              | 12.5                  | 16.2              |
| Total Current Assets                                       | 301.1             | 326.5                 | 418.4             |
| <b>Deferred Charges:</b>                                   |                   |                       |                   |
| Regulatory assets  | 563.8             | 573.6                 | 545.3             |
| Other  | 10.3              | 12.8                  | 11.9              |
| Total Deferred Charges                                     | 574.1             | 586.4                 | 557.2             |
| Total Assets   | \$3,173.4         | \$3,167.5             | \$3,155.9         |

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

|  | March 31,<br>2016 | September 30,<br>2015 | March 31,<br>2015 |
|--|-------------------|-----------------------|-------------------|
| <b>CAPITALIZATION AND LIABILITIES</b>  |                   |                       |                   |
| Capitalization:  |                   |                       |                   |
| Paid-in capital and common stock (par value \$1.00 per share; 50,000 authorized; 24,577 shares issued and outstanding) | \$ 750.0          | \$ 748.3              | \$ 746.3          |
| Retained earnings  | 342.4             | 291.2                 | 314.7             |
| Accumulated other comprehensive loss   | (1.5 )            | (1.7 )                | (2.4 )            |
| Total Common Stock Equity  | 1,090.9           | 1,037.8               | 1,058.6           |
| Long-term debt   | 808.2             | 808.1                 | 808.0             |
| Total Capitalization   | 1,899.1           | 1,845.9               | 1,866.6           |
| Current Liabilities:   |                   |                       |                   |
| Notes payable  | 169.6             | 233.0                 | 142.6             |
| Notes payable – associated companies   | —                 | —                     | 10.4              |
| Accounts payable   | 51.0              | 61.5                  | 77.3              |
| Accounts payable – associated companies  | 1.9               | 5.5                   | 5.7               |
| Advance customer billings  | 16.1              | 25.2                  | —                 |
| Wages and compensation accrued   | 21.0              | 26.8                  | 26.9              |
| Dividends payable  | 21.3              | 19.9                  | 19.9              |
| Customer deposits  | 12.9              | 13.0                  | 15.2              |
| Interest accrued   | 7.6               | 7.6                   | 8.1               |
| Taxes accrued  | 19.1              | 25.4                  | 79.2              |
| Unamortized purchased gas adjustments  | 4.3               | —                     | 39.1              |
| Regulatory liabilities   | 1.3               | 0.6                   | —                 |
| Other  | 16.2              | 18.5                  | 36.3              |
| Total Current Liabilities  | 342.3             | 437.0                 | 460.7             |
| Deferred Credits and Other Liabilities:  |                   |                       |                   |
| Deferred income taxes  | 538.0             | 485.2                 | 424.3             |
| Pension and postretirement benefit costs   | 200.8             | 207.8                 | 212.4             |
| Asset retirement obligations   | 74.1              | 72.4                  | 72.9              |
| Regulatory liabilities   | 69.3              | 70.6                  | 71.7              |
| Other  | 49.8              | 48.6                  | 47.3              |
| Total Deferred Credits and Other Liabilities   | 932.0             | 884.6                 | 828.6             |
| Commitments and Contingencies ( <u>Note 9</u> )  |                   |                       |                   |
| Total Capitalization and Liabilities   | \$3,173.4         | \$3,167.5             | \$3,155.9         |

See the accompanying Notes to Financial Statements.

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

| (Dollars in Millions)                  | Common Stock          |        | Paid-in<br>Capital | Retained<br>Earnings | Accumulated                             |  | Total      |
|--|-----------------------|--------|--------------------|----------------------|---|--|------------|
|  | Outstanding<br>Shares | Amount |                    |                      | Other<br>Comprehensive<br>(Loss) Income |  |            |
| Balance at September 30, 2014          | 24,577                | \$ 0.1 | \$ 744.0           | \$ 265.6             | \$ (1.9 )                               |  | \$ 1,007.8 |
| Net income                             | —                     | —      | —                  | 88.9                 | —                                       |  | 88.9       |
| Stock-based compensation costs         | —                     | —      | 1.7                | —                    | —                                       |  | 1.7        |
| Tax benefit – stock compensation       | —                     | —      | 0.5                | —                    | —                                       |  | 0.5        |
| Dividends declared:                    |                       |        |                    |                      |   |  |            |
| Common stock                           | —                     | —      | —                  | (39.8 )              | —                                       |  | (39.8 )    |
| Other comprehensive loss, net of tax   | —                     | —      | —                  | —                    | (0.5 )                                  |  | (0.5 )     |
| Balance at March 31, 2015              | 24,577                | \$ 0.1 | \$ 746.2           | \$ 314.7             | \$ (2.4 )                               |  | \$ 1,058.6 |
| Balance at September 30, 2015          | 24,577                | \$ 0.1 | \$ 748.2           | \$ 291.2             | \$ (1.7 )                               |  | \$ 1,037.8 |
| Net income                             | —                     | —      | —                  | 93.7                 | —                                       |  | 93.7       |
| Stock-based compensation costs         | —                     | —      | 1.7                | —                    | —                                       |  | 1.7        |
| Dividends declared:                    |                       |        |                    |                      |   |  |            |
| Common stock                           | —                     | —      | —                  | (42.5 )              | —                                       |  | (42.5 )    |
| Other comprehensive income, net of tax | —                     | —      | —                  | —                    | 0.2                                     |  | 0.2        |
| Balance at March 31, 2016              | 24,577                | \$ 0.1 | \$ 749.9           | \$ 342.4             | \$ (1.5 )                               |  | \$ 1,090.9 |

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

| (In Millions)   | Six Months Ended March 31,<br>2016 | 2015     |
|---|------------------------------------|----------|
| <b>Operating Activities:</b>  |                                    |          |
| Net Income  | \$ 93.7                            | \$ 88.9  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |          |
| Depreciation and amortization   | 43.7                               | 40.7     |
| Deferred income taxes and investment tax credits                                  | 40.8                               | (6.7 )   |
| Changes in assets and liabilities:  |                                    |          |
| Accounts receivable   | (42.2 )                            | (100.9 ) |
| Unamortized purchased gas adjustments   | 13.2                               | 93.0     |
| Deferred purchased gas costs  | 9.0                                | (14.3 )  |
| Accounts payable  | (9.3 )                             | 11.4     |
| Delayed / advance customer billings – net   | (16.6 )                            | (66.4 )  |
| Taxes accrued   | (6.3 )                             | 35.4     |
| Inventories   | 78.5                               | 128.7    |
| Other assets and liabilities  | (12.7 )                            | 12.8     |
| Other   | 0.2                                | 0.6      |
| Net cash provided by operating activities   | 192.0                              | 223.2    |
| <b>Investing Activities:</b>  |                                    |          |
| Capital expenditures  | (85.6 )                            | (93.4 )  |
| Other   | 0.3                                | —        |
| Net cash used in investing activities   | (85.3 )                            | (93.4 )  |
| <b>Financing Activities:</b>  |                                    |          |
| Repayment of short-term debt  | (63.4 )                            | (96.1 )  |
| Borrowings from Spire   | —                                  | 16.8     |
| Repayment of borrowings from Spire  | —                                  | (6.4 )   |
| Dividends paid to Spire   | (41.2 )                            | (38.9 )  |
| Other   | —                                  | 0.4      |
| Net cash used in financing activities   | (104.6 )                           | (124.2 ) |

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|  |     |         |            |
|--|-----|---------|------------|
| Net Increase in Cash and Cash Equivalents            | 2.1 |         | 5.6        |
| Cash and Cash Equivalents at Beginning of Period     | 1.7 |         | 3.7        |
| Cash and Cash Equivalents at End of Period           | \$  | 3.8     | \$ 9.3     |
| Supplemental disclosure of cash (paid) refunded for: |     |         |            |
| Interest   | \$  | (18.6 ) | \$ (18.4 ) |
| Income taxes   | —   |         | 0.6        |

See the accompanying Notes to Financial Statements.

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

| (In Millions)                  | Three Months               |                            | Six Months                 |                            |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                | Ended<br>March 31,<br>2016 | Ended<br>March 31,<br>2015 | Ended<br>March 31,<br>2016 | Ended<br>March 31,<br>2015 |
| Operating Revenues:            |                            |                            |                            |                            |
| Utility                        | \$166.0                    | \$233.3                    | \$248.3                    | \$353.3                    |
| Total Operating Revenues       | 166.0                      | 233.3                      | 248.3                      | 353.3                      |
| Operating Expenses:            |                            |                            |                            |                            |
| Utility                        |                            |                            |                            |                            |
| Natural gas                    | 30.2                       | 96.4                       | 42.3                       | 142.8                      |
| Operation and maintenance      | 33.1                       | 34.4                       | 66.2                       | 67.0                       |
| Depreciation and amortization  | 11.9                       | 11.7                       | 23.6                       | 23.5                       |
| Taxes, other than income taxes | 10.4                       | 13.4                       | 16.9                       | 22.2                       |
| Total Operating Expenses       | 85.6                       | 155.9                      | 149.0                      | 255.5                      |
| Operating Income               | 80.4                       | 77.4                       | 99.3                       | 97.8                       |
| Other Income                   | 0.5                        | 0.6                        | 1.0                        | 1.0                        |
| Interest Charges:              |                            |                            |                            |                            |
| Interest on long-term debt     | 2.7                        | 2.8                        | 5.7                        | 6.0                        |
| Other interest charges         | 0.8                        | 0.7                        | 1.3                        | 1.3                        |
| Total Interest Charges         | 3.5                        | 3.5                        | 7.0                        | 7.3                        |
| Income Before Income Taxes     | 77.4                       | 74.5                       | 93.3                       | 91.5                       |
| Income Tax Expense             | 29.3                       | 28.2                       | 35.3                       | 34.6                       |
| Net Income                     | \$48.1                     | \$46.3                     | \$58.0                     | \$56.9                     |

See the accompanying Notes to Financial Statements.

Table of ContentsALABAMA GAS CORPORATION  
CONDENSED BALANCE SHEETS  
(UNAUDITED)

|   | March 31, | September 30, | March 31, |
|---|-----------|---------------|-----------|
| (Dollars in Millions, Except Per Share Amounts) | 2016      | 2015          | 2015      |
| <b>ASSETS</b>                                   |           |               |           |
| Utility Plant                                   | \$1,658.8 | \$1,655.4     | \$1,558.0 |
| Less: Accumulated depreciation and amortization | 705.4     | 717.0         | 646.9     |
| Net Utility Plant                               | 953.4     | 938.4         | 911.1     |
| Current Assets:                                 |           |               |           |
| Cash and cash equivalents                       | 2.3       | 7.2           | 35.4      |
| Accounts receivable:                            |           |               |           |
| Utility   | 57.3      | 34.7          | 79.6      |
| Other   | 5.2       | 5.2           | 5.2       |
| Allowance for doubtful accounts                 | (4.2 )    | (4.2 )        | (4.6 )    |
| Inventories:                                    |           |               |           |
| Natural gas                                     | 30.3      | 40.4          | 27.6      |
| Materials and supplies                          | 5.5       | 5.4           | 4.9       |
| Unamortized purchased gas adjustments           | 5.0       | —             | —         |
| Other regulatory assets                         | 8.7       | 11.4          | 10.0      |
| Prepayments and other                           | 8.1       | 10.8          | 3.3       |
| Total Current Assets                            | 118.2     | 110.9         | 161.4     |
| Deferred Charges:                               |           |               |           |
| Regulatory assets                               | 168.1     | 163.6         | 87.6      |
| Deferred income taxes                           | 214.7     | 248.4         | 249.1     |
| Other   | 59.3      | 57.7          | 50.4      |
| Total Deferred Charges                          | 442.1     | 469.7         | 387.1     |
| Total Assets                                    | \$1,513.7 | \$1,519.0     | \$1,459.6 |



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

|  | March 31,<br>2016 | September 30,<br>2015 | March 31,<br>2015 |
|--|-------------------|-----------------------|-------------------|
| <b>CAPITALIZATION AND LIABILITIES</b>  |                   |                       |                   |
| Capitalization:  |                   |                       |                   |
| Paid-in capital and common stock (par value \$0.01 per share;<br>3.0 million shares authorized; 2.0 million shares issued and outstanding) | 451.9             | 480.9                 | 506.3             |
| Retained earnings  | 436.2             | 393.7                 | 402.6             |
| Total Common Stock Equity  | 888.1             | 874.6                 | 908.9             |
| Long-term debt   | 250.0             | 170.0                 | 135.0             |
| Total Capitalization   | 1,138.1           | 1,044.6               | 1,043.9           |
| Current Liabilities:   |                   |                       |                   |
| Current portion of long-term debt  | —                 | 80.0                  | 80.0              |
| Notes payable  | 41.0              | 31.0                  | 25.0              |
| Accounts payable   | 28.6              | 21.8                  | 37.9              |
| Accounts payable – associated companies  | 0.4               | 0.2                   | 1.2               |
| Advance customer billings  | 15.6              | 19.1                  | 8.4               |
| Wages and compensation accrued   | 5.6               | 5.8                   | 4.0               |
| Customer deposits  | 20.1              | 19.1                  | 21.0              |
| Interest accrued   | 3.4               | 3.5                   | 3.6               |
| Taxes accrued  | 17.8              | 26.0                  | 23.0              |
| Unamortized purchased gas adjustments  | —                 | 28.2                  | 37.6              |
| Regulatory liabilities   | 32.5              | 31.8                  | 37.9              |
| Other  | 4.7               | 5.4                   | 11.1              |
| Total Current Liabilities  | 169.7             | 271.9                 | 290.7             |
| Deferred Credits and Other Liabilities:  |                   |                       |                   |
| Pension and postretirement benefit costs   | 54.0              | 45.6                  | 31.5              |
| Asset retirement obligations   | 88.5              | 86.6                  | 28.4              |
| Regulatory liabilities   | 41.4              | 48.7                  | 42.8              |
| Other  | 22.0              | 21.6                  | 22.3              |
| Total Deferred Credits and Other Liabilities   | 205.9             | 202.5                 | 125.0             |
| Commitments and Contingencies ( <u>Note 9</u> )  |                   |                       |                   |
| Total Capitalization and Liabilities   | \$ 1,513.7        | \$ 1,519.0            | \$ 1,459.6        |

See the accompanying Notes to Financial Statements.

Table of ContentsALABAMA GAS CORPORATION  
STATEMENTS OF COMMON SHAREHOLDER'S EQUITY  
(UNAUDITED)

| (Dollars in Millions)           | Common Stock          |        | Paid-in<br>Capital | Retained<br>Earnings | Total   |
|---------------------------------|-----------------------|--------|--------------------|----------------------|---------|
|                                 | Outstanding<br>Shares | Amount |                    |                      |         |
| Balance at September 30, 2014   | 1,972,052             | \$     | —\$503.9           | \$ 345.7             | \$849.6 |
| Net income                      | —                     | —      | —                  | 56.9                 | 56.9    |
| Purchase accounting adjustments | —                     | —      | 2.4                | —                    | 2.4     |
| Balance at March 31, 2015       | 1,972,052             | \$     | —\$506.3           | \$ 402.6             | \$908.9 |
| Balance at September 30, 2015   | 1,972,052             | \$     | —\$480.9           | \$ 393.7             | \$874.6 |
| Net income                      | —                     | —      | —                  | 58.0                 | 58.0    |
| Return of capital to Spire      | —                     | —      | (29.0 )            | —                    | (29.0 ) |
| Dividends declared              | —                     | —      | —                  | (15.5 )              | (15.5 ) |
| Balance at March 31, 2016       | 1,972,052             | \$     | —\$451.9           | \$ 436.2             | \$888.1 |

See the accompanying Notes to Financial Statements.

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

| (In Millions)   | Six Months<br>Ended<br>March 31, |          |
|---|----------------------------------|----------|
|   | 2016                             | 2015     |
| Operating Activities:   |                                  |          |
| Net Income  | \$58.0                           | \$56.9   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |          |
| Depreciation and amortization   | 23.6                             | 23.5     |
| Deferred income taxes and investment tax credits                                  | 35.3                             | 34.6     |
| Changes in assets and liabilities:  |                                  |          |
| Accounts receivable   | (21.7 )                          | (44.0 )  |
| Unamortized purchased gas adjustments   | (33.2 )                          | 15.2     |
| Accounts payable  | 6.2                              | 4.2      |
| Advance customer billings - net   | (3.5 )                           | (8.3 )   |
| Taxes accrued   | (8.2 )                           | (7.0 )   |
| Inventories   | 10.0                             | 20.5     |
| Other assets and liabilities  | 0.3                              | (7.0 )   |
| Other   | (0.4 )                           | 0.6      |
| Net cash provided by operating activities   | 66.4                             | 89.2     |
| Investing Activities:   |                                  |          |
| Capital expenditures  | (35.8 )                          | (34.2 )  |
| Other   | (1.2 )                           | (0.2 )   |
| Net cash used in investing activities   | (37.0 )                          | (34.4 )  |
| Financing Activities:   |                                  |          |
| Issuance of long-term debt  | 80.0                             | —        |
| Redemption and maturity of long-term debt   | (80.0 )                          | (34.7 )  |
| Issuance of short-term debt   | 10.0                             | 9.0      |
| Borrowings from Spire   | 0.2                              | 0.8      |
| Return of capital to Spire  | (29.0 )                          | —        |
| Dividends paid to Spire   | (15.5 )                          | —        |
| Other   | —                                | (0.1 )   |
| Net cash used in financing activities   | (34.3 )                          | (25.0 )  |
| Net (Decrease) Increase in Cash and Cash Equivalents                              | (4.9 )                           | 29.8     |
| Cash and Cash Equivalents at Beginning of Period                                  | 7.2                              | 5.6      |
| Cash and Cash Equivalents at End of Period  | \$2.3                            | \$35.4   |
| Supplemental disclosure of cash (paid) refunded for:                              |                                  |          |
| Interest  | \$(6.4 )                         | \$(6.7 ) |
| Income taxes  | —                                | —        |

See the accompanying Notes to Financial Statements.



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SPIRE INC., LACLEDE GAS COMPANY AND ALABAMA GAS CORPORATION  
NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

(UNAUDITED)

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) Laclede Gas Company (Laclede Gas or the Missouri Utilities) and Alabama Gas Corporation (Alagasco or the Alabama Utility). Spire was formerly known as The Laclede Group, Inc., which changed its name to Spire Inc. effective April 28, 2016. Laclede Gas, which includes the operations of Missouri Gas Energy (MGE), and Alagasco are wholly owned subsidiaries of the Company. Collectively, Laclede Gas and Alagasco are referred to as the Utilities. 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 accruals) necessary for the fair presentation of the results of operations for the periods presented. This Form 10-Q should be read in conjunction with the Notes to Financial Statements contained in Spire's, Laclede Gas' and Alagasco's Annual Reports on Form 10-K for the fiscal year ended September 30, 2015.

The consolidated financial position, results of operations, and cash flows of Spire are primarily derived from the financial position, results of operations, and cash flows of the Utilities. In compliance with GAAP, transactions between the Utilities and their affiliates, as well as intercompany balances on the Utilities' balance sheets, have not been eliminated from the Utilities' financial statements.

Certain amounts in the prior period have been adjusted to conform with the current period presentation for Spire, Laclede Gas and Alagasco. The Company considered the impact of the adjustments on prior period results and determined that the amounts were not material to those periods.

**NATURE OF OPERATIONS** – Spire, headquartered in St. Louis, Missouri, is a public utility holding company. It has two reportable segments: Gas Utility and Gas Marketing. The Gas Utility segment is comprised of the regulated natural gas distribution operations of the Missouri Utilities and the Alabama Utility which serve St. Louis and eastern Missouri, Kansas City and western Missouri, and central and northern Alabama. Spire's primary non-utility business, Laclede Energy Resources, Inc. (LER), included in the Gas Marketing segment, provides non-regulated natural gas services. The activities of other subsidiaries are described in Note 8, Information by Operating Segment, and are reported as Other. The Company's earnings are primarily derived from its Gas Utility segment. Due to the seasonal nature of the Utilities, earnings are typically concentrated during the heating season of November through April each fiscal year. As a result, the interim statements of income for Spire, Laclede Gas and Alagasco are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year.

**REVENUE RECOGNITION** – The Utilities read meters and bill customers on monthly cycles. The Missouri Utilities record their gas utility revenues from gas sales and transportation services on an accrual basis that includes estimated amounts for gas delivered but not yet billed. The accruals for unbilled revenues are reversed in the subsequent accounting period when meters are actually read and customers are billed. The amounts of accrued unbilled revenues for Laclede Gas at March 31, 2016, September 30, 2015, and March 31, 2015 were \$57.4, \$27.6, and \$63.5, respectively.

Alagasco records natural gas distribution revenues in accordance with the tariff established by the Alabama Public Service Commission (APSC). The amount of accrued unbilled revenues, which is not recorded as revenue until billed, for Alagasco at March 31, 2016, September 30, 2015, and March 31, 2015 were \$14.9, \$6.4, and \$15.0, respectively. Spire's other subsidiaries, including LER, record revenues when earned, either when the product is delivered or when services are performed.

In the course of its business, LER enters into commitments associated with the purchase or sale of natural gas. Certain of LER's 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 LER's wholesale purchase and sale transactions are classified as trading activities for financial reporting purposes. Under GAAP, revenues and expenses associated with trading activities are presented on a net basis in Gas Marketing Operating Revenues in the Condensed Consolidated Statements of Income. This net presentation has no effect on operating income or net income.

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**GROSS RECEIPTS TAXES** – Gross receipts taxes associated with the Utilities' services are imposed on the Utilities and billed to customers. The revenue and expense amounts are recorded gross in the "Operating Revenues" and "Taxes, other than income taxes" lines, respectively, in the statements of income. The following table presents gross receipts taxes recorded as revenues.

|             | Three<br>Months<br>Ended<br>March 31,<br>2016 |        | Six Months<br>Ended<br>March 31,<br>2015 |        |
|-------------|---|--------|--|--------|
| Spire       | \$32.3  | \$44.7 | \$50.2                                   | \$72.4 |
| Laclede Gas | 24.7  | 33.9   | 38.6                                     | 55.8   |
| Alagasco    | 7.6   | 10.8   | 11.6                                     | 16.6   |

**REGULATED OPERATIONS** – The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." This Topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. In addition, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process. As authorized by the Missouri Public Service Commission (MoPSC), the Purchased Gas Adjustment (PGA) clauses allow the Missouri Utilities to flow through to customers, subject to prudence review by the MoPSC, the cost of purchased gas supplies. Similarly, Alagasco's rate schedules for natural gas distribution charges contain a Gas Supply Adjustment (GSA) rider, which permits the pass-through to customers of changes in the cost of gas supply. Regulatory assets and liabilities related to the PGA clauses and GSA rider are both labeled Unamortized Purchased Gas Adjustments herein. See additional discussion on regulated operations in [Note 3](#), Regulatory Matters.

**TRANSACTIONS WITH AFFILIATES** – Transactions between affiliates of the Company have been eliminated from the consolidated financial statements of Spire. Other than normal intercompany shared services transactions, there were no intercompany transactions between Alagasco and affiliates during the six months ended March 31, 2016 and March 31, 2015. Laclede Gas had the following transactions with affiliates:

|   | Three<br>Months<br>Ended<br>March 31,<br>2016 |       | Six<br>Months<br>Ended<br>March 31,<br>2015 |       |
|---|---|-------|---|-------|
| Sales of natural gas from Laclede Gas to LER  | \$1.0   | \$1.9 | \$1.7                                       | \$2.9 |
| Sales of natural gas from LER to Laclede Gas  | 11.6  | 16.0  | 24.8  | 41.3  |
| Transportation services provided by Laclede Pipeline Company to Laclede Gas         | 0.2   | 0.2   | 0.5   | 0.5   |
| Insurance services provided by Laclede Insurance Risk Services, Inc. to Laclede Gas | 0.3   | 0.3   | 0.5   | 0.5   |

**UTILITY PLANT** – Laclede Gas had accrued capital expenditures of \$5.3, \$9.6, and \$4.2 as of March 31, 2016, September 30, 2015, and March 31, 2015, respectively. Alagasco had accrued capital expenditures of \$3.7, \$3.1, and \$4.7 as of March 31, 2016, September 30, 2015, and March 31, 2015, respectively. Accrued capital expenditures are excluded from the capital expenditures shown in the statements of cash flows.

**FINANCE RECEIVABLES** – Alagasco finances third-party contractor sales of merchandise including gas furnaces and appliances. The Company's finance receivables totaled approximately \$11.1, \$11.2, and \$10.7 as of March 31, 2016, September 30, 2015, and March 31, 2015, respectively. Financing is available only to qualified customers who meet

creditworthiness thresholds for customer payment history and external agency credit reports. Alagasco relies upon ongoing payments as the primary indicator of credit quality during the term of each contract. The allowance for credit losses is recognized using an estimate of write-off percentages based on historical experience applied to an aging of the finance receivable balance. Delinquent accounts are evaluated on a case-by-case basis and, absent evidence of debt repayment after 90 days, are due in full and assigned to a third-party collection agency. The remaining finance receivable is written off approximately 12 months after being assigned to the third-party collection agency. Alagasco's finance receivables that were at least 90 days past due totaled \$0.4, \$0.4, and \$0.3 as of March 31, 2016, September 30, 2015, and March 31, 2015, respectively. Alagasco recorded an allowance for credit losses of \$0.4, \$0.4, and \$0.3 as of March 31, 2016, September 30, 2015, and March 31, 2015, respectively.



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**NEW ACCOUNTING PRONOUNCEMENTS** – In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. The core principle of the standard is when an entity transfers goods or services to customers it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services. 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. 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, but companies may choose to adopt it one year earlier. The Company, Laclede Gas and Alagasco are currently assessing the available transition methods and the potential impacts of the standard, which must be adopted by the first quarter of fiscal 2019.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, to require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2017.

In July 2015, the FASB issued ASU No. 2015-11, Inventory: Simplifying the Measurement of Inventory. This standard provides guidance for the subsequent measurement of inventory and requires that inventory that is measured using average cost be measured at the lower of cost and net realizable value. The Company, Laclede Gas and Alagasco are currently evaluating the impact of the adoption of this new standard, which must be adopted by the first quarter of fiscal year 2018.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes: Balance Sheet Classification of Deferred Taxes, to require that deferred tax liabilities and assets be classified entirely as non-current. This amended guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Early adoption is permitted, and the amended guidance may be applied prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company, Laclede Gas and Alagasco are currently evaluating the effects and timing of the adoption of this new standard, which must be adopted by the first quarter of fiscal year 2018.

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. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2019.

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

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2018.



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## 2. EARNINGS PER COMMON SHARE

|  | Three Months Ended |           | Six Months Ended |           |
|--|--------------------|-----------|------------------|-----------|
|  | March 31,          | March 31, | March 31,        | March 31, |
|  | 2016               | 2015      | 2016             | 2015      |
| Basic EPS:   |                    |           |                  |           |
| Net Income   | \$100.8            | \$94.4    | \$147.7          | \$141.5   |
| Less: Income allocated to participating securities   | 0.3                | 0.3       | 0.5              | 0.5       |
| Net Income Available to Common Shareholders  | \$100.5            | \$94.1    | \$147.2          | \$141.0   |
| Weighted Average Shares Outstanding (in millions)  | 43.3               | 43.1      | 43.3             | 43.1      |
| Basic Earnings Per Share of Common Stock   | \$2.32             | \$2.18    | \$3.40           | \$3.27    |
| Diluted EPS:   |                    |           |                  |           |
| Net Income   | \$100.8            | \$94.4    | \$147.7          | \$141.5   |
| Less: Income allocated to participating securities   | 0.3                | 0.3       | 0.5              | 0.5       |
| Net Income Available to Common Shareholders  | \$100.5            | \$94.1    | \$147.2          | \$141.0   |
| Weighted Average Shares Outstanding (in millions)  | 43.3               | 43.1      | 43.3             | 43.1      |
| Dilutive Effect of Stock Options, Restricted Stock and Restricted Stock Units (in millions)    | 0.2                | 0.1       | 0.2              | 0.1       |
| Weighted Average Diluted Shares (in millions)  | 43.5               | 43.2      | 43.5             | 43.2      |
| Diluted Earnings Per Share of Common Stock   | \$2.31             | \$2.18    | \$3.39           | \$3.26    |
| Outstanding Shares (in millions) Excluded from the Calculation of Diluted EPS Attributable to: |                    |           |                  |           |
| Restricted stock and stock units subject to performance and/or market conditions               | 0.4                | 0.4       | 0.4              | 0.4       |

Spire's 2014 2.0% Series Equity Units issued in June 2014 were anti-dilutive for the three months ended March 31, 2016 and 2015; accordingly, they were excluded from the calculation of weighted average diluted shares for those periods.

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## 3. REGULATORY MATTERS

As explained in Note 1, Summary of Significant Accounting Policies, Laclede Gas and Alagasco account for regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." The following regulatory assets and regulatory liabilities, including purchased gas adjustments, were reflected in the balance sheets of the Company and the Utilities as of March 31, 2016, September 30, 2015 and March 31, 2015.

|  | March 31,<br>2016 | September 30,<br>2015 | March<br>31,<br>2015 |
|--|-------------------|-----------------------|----------------------|
| Spire                                      |                   |                       |                      |
| Regulatory Assets:                         |                   |                       |                      |
| Current:                                   |                   |                       |                      |
| Pension and postretirement benefit costs   | \$ 26.9           | \$ 22.0               | \$21.4               |
| Unamortized purchased gas adjustments      | 8.9               | 12.9                  | —                    |
| Other                                      | 5.5               | 5.6                   | 6.0                  |
| Total Regulatory Assets (current)          | 41.3              | 40.5                  | 27.4                 |
| Non-current:                               |                   |                       |                      |
| Future income taxes due from customers     | 142.3             | 134.5                 | 125.6                |
| Pension and postretirement benefit costs   | 441.0             | 448.7                 | 420.8                |
| Cost of removal                            | 80.2              | 78.9                  | 19.1                 |
| Purchased gas costs                        | 15.1              | 24.1                  | 18.6                 |
| Energy efficiency                          | 23.7              | 22.3                  | 20.4                 |
| Other                                      | 30.3              | 29.1                  | 28.4                 |
| Total Regulatory Assets (non-current)      | 732.6             | 737.6                 | 632.9                |
| Total Regulatory Assets                    | \$ 773.9          | \$ 778.1              | \$660.3              |
| Regulatory Liabilities:                    |                   |                       |                      |
| Current:                                   |                   |                       |                      |
| RSE adjustment                             | \$ 5.9            | \$ 12.2               | \$9.9                |
| Unbilled service margin                    | 14.9              | 6.4                   | 15.0                 |
| Refundable negative salvage                | 9.2               | 10.8                  | 10.8                 |
| Unamortized purchased gas adjustments      | 4.3               | 28.2                  | 76.7                 |
| Other                                      | 3.8               | 3.0                   | 2.8                  |
| Total Regulatory Liabilities (current)     | 38.1              | 60.6                  | 115.2                |
| Non-current:                               |                   |                       |                      |
| Postretirement liabilities                 | 27.8              | 28.9                  | 25.1                 |
| Refundable negative salvage                | 10.1              | 16.2                  | 17.0                 |
| Accrued cost of removal                    | 58.3              | 58.7                  | 59.9                 |
| Other                                      | 14.5              | 15.5                  | 12.3                 |
| Total Regulatory Liabilities (non-current) | 110.7             | 119.3                 | 114.3                |
| Total Regulatory Liabilities               | \$ 148.8          | \$ 179.9              | \$229.5              |

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|  | March 31, | September 30, | March 31, |
|--|-----------|---------------|-----------|
|  | 2016      | 2015          | 2015      |
| Laclede Gas                                |           |               |           |
| Regulatory Assets:                         |           |               |           |
| Current:                                   |           |               |           |
| Pension and postretirement benefit costs   | \$ 20.2   | \$ 15.5       | \$ 15.0   |
| Unamortized purchased gas adjustments      | 3.9       | 12.9          | —         |
| Other                                      | 3.5       | 0.7           | 2.4       |
| Total Regulatory Assets (current)          | 27.6      | 29.1          | 17.4      |
| Non-current:                               |           |               |           |
| Future income taxes due from customers     | 142.3     | 134.5         | 125.6     |
| Pension and postretirement benefit costs   | 357.1     | 368.0         | 357.9     |
| Purchased gas costs                        | 15.1      | 24.1          | 18.6      |
| Energy efficiency                          | 23.7      | 22.3          | 20.4      |
| Other                                      | 25.6      | 24.7          | 22.8      |
| Total Regulatory Assets (non-current)      | 563.8     | 573.6         | 545.3     |
| Total Regulatory Assets                    | \$ 591.4  | \$ 602.7      | \$ 562.7  |
| Regulatory Liabilities:                    |           |               |           |
| Current:                                   |           |               |           |
| Unamortized purchased gas adjustments      | \$ 4.3    | \$ —          | \$ 39.1   |
| Other                                      | 1.3       | 0.6           | 0.6       |
| Total Regulatory Liabilities (current)     | 5.6       | 0.6           | 39.7      |
| Non-current:                               |           |               |           |
| Accrued cost of removal                    | 58.3      | 58.7          | 59.9      |
| Other                                      | 11.0      | 11.9          | 11.8      |
| Total Regulatory Liabilities (non-current) | 69.3      | 70.6          | 71.7      |
| Total Regulatory Liabilities               | \$ 74.9   | \$ 71.2       | \$ 111.4  |

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|  | March 31, | September 30, | March 31, |
|--|-----------|---------------|-----------|
|  | 2016      | 2015          | 2015      |
| Alagasco                                 |           |               |           |
| Regulatory Assets:                       |           |               |           |
| Current:                                 |           |               |           |
| Pension and postretirement benefit costs | \$ 6.7    | \$ 6.5        | \$6.4     |
| Unamortized purchased gas adjustments    | 5.0       | —             | —         |
| Other                                    | 2.0       | 4.9           | 3.6       |
| Total Regulatory Assets (current)        | 13.7      | 11.4          | 10.0      |
| Non-current:                             |           |               |           |
| Pension and postretirement benefit costs | 83.9      | 80.7          | 62.9      |
| Cost of removal                          | 80.2      | 78.9          | 19.1      |
| Other                                    | 4.0       | 4.0           | 5.6       |
| Total Regulatory Assets (non-current)    | 168.1     | 163.6         | 87.6      |
| Total Regulatory Assets                  | \$ 181.8  | \$ 175.0      | \$97.6    |

## Regulatory Liabilities:

## Current:

|  |         |          |         |
|--|---------|----------|---------|
| RSE adjustment                             | \$ 5.9  | \$ 12.2  | \$9.9   |
| Unbilled service margin                    | 14.9    | 6.4      | 15.0    |
| Refundable negative salvage                | 9.2     | 10.8     | 10.8    |
| Unamortized purchased gas adjustments      | —       | 28.2     | 37.6    |
| Other                                      | 2.5     | 2.4      | 2.2     |
| Total Regulatory Liabilities (current)     | 32.5    | 60.0     | 75.5    |
| Non-current:                               |         |          |         |
| Postretirement liabilities                 | 27.8    | 28.9     | 25.1    |
| Refundable negative salvage                | 10.1    | 16.2     | 17.0    |
| Other                                      | 3.5     | 3.6      | 0.7     |
| Total Regulatory Liabilities (non-current) | 41.4    | 48.7     | 42.8    |
| Total Regulatory Liabilities               | \$ 73.9 | \$ 108.7 | \$118.3 |

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

| (\$ Millions)                                | Spire          |                    |                | Laclede Gas    |                    |                |
|--|----------------|--------------------|----------------|----------------|--------------------|----------------|
|  | March 31, 2016 | September 30, 2015 | March 31, 2015 | March 31, 2016 | September 30, 2015 | March 31, 2015 |
| Regulatory Assets Not Earning a Return:      |                |                    |                |                |                    |                |
| Future income taxes due from customers       | \$142.3        | \$ 134.5           | \$125.6        | \$142.3        | \$ 134.5           | \$125.6        |
| Pension and postretirement benefit costs     | 211.5          | 223.7              | 232.3          | 211.5          | 223.7              | 232.3          |
| Other  | 13.6           | 14.2               | 15.2           | 13.6           | 14.2               | 15.2           |
| Total Regulatory Assets Not Earning a Return | \$367.4        | \$ 372.4           | \$373.1        | \$367.4        | \$ 372.4           | \$373.1        |

Like all the Company's regulatory assets, these regulatory assets are expected to be recovered from customers in future rates. The Company and Laclede Gas expect these items to be recovered over a period not to exceed 15 years consistent with precedent set by the MoPSC. The portion of regulatory assets related to pensions and other postemployment benefits that pertains to unfunded differences between the projected benefit obligation and plan assets also does not earn a rate of return. Alagasco does not have any regulatory assets that are not earning a return.



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## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and short-term debt approximate fair value due to the short maturity of these instruments. The fair values of long-term debt are estimated based on market prices for similar issues. Refer to Note 5, Fair Value Measurements, for information on financial instruments measured at fair value on a recurring basis.

## Spire

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for the Company are as follows:

|   | 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) |   |
| As of March 31, 2016                      |                 |            |   |   |   |   |
| Cash and cash equivalents                 | \$ 8.7          | \$ 8.7     | \$ 8.7                                    | \$                                      | —\$                                       | — |
| Short-term debt                           | 253.6           | 253.6      | —   | 253.6                                   | —   | — |
| Long-term debt                            | 1,851.6         | 1,960.4    | —   | 1,960.4                                 | —   | — |
| As of September 30, 2015                  |                 |            |   |   |   |   |
| Cash and cash equivalents                 | \$ 13.8         | \$ 13.8    | \$ 13.8                                   | \$                                      | —\$                                       | — |
| Short-term debt                           | 338.0           | 338.0      | —   | 338.0                                   | —   | — |
| Long-term debt, including current portion | 1,851.5         | 1,944.2    | —   | 1,944.2                                 | —   | — |
| As of March 31, 2015                      |                 |            |   |   |   |   |
| Cash and cash equivalents                 | \$ 46.9         | \$ 46.9    | \$ 46.9                                   | \$                                      | —\$                                       | — |
| Short-term debt                           | 247.6           | 247.6      | —   | 247.6                                   | —   | — |
| Long-term debt, including current portion | 1,816.3         | 1,971.0    | —   | 1,971.0                                 | —   | — |

## Laclede Gas

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for Laclede Gas are as follows:

|                           | 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) |   |
| As of March 31, 2016      |                 |            |   |   |   |   |
| Cash and cash equivalents | \$ 3.8          | \$ 3.8     | \$ 3.8                                    | \$                                      | —\$                                       | — |
| Short-term debt           | 169.6           | 169.6      | —   | 169.6                                   | —   | — |
| Long-term debt            | 808.2           | 885.9      | —   | 885.9                                   | —   | — |
| As of September 30, 2015  |                 |            |   |   |   |   |



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|                           |        |        |        |       |     |   |
|---------------------------|--------|--------|--------|-------|-----|---|
| Cash and cash equivalents | \$ 1.7 | \$ 1.7 | \$ 1.7 | \$    | —\$ | — |
| Short-term debt           | 233.0  | 233.0  | —      | 233.0 | —   | — |
| Long-term debt            | 808.1  | 880.2  | —      | 880.2 | —   | — |

As of March 31, 2015

|                           |        |        |        |       |     |   |
|---------------------------|--------|--------|--------|-------|-----|---|
| Cash and cash equivalents | \$ 9.3 | \$ 9.3 | \$ 9.3 | \$    | —\$ | — |
| Short-term debt           | 153.0  | 153.0  | —      | 153.0 | —   | — |
| Long-term debt            | 808.0  | 909.5  | —      | 909.5 | —   | — |

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## Alagasco

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for Alagasco are as follows:

|   | 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) |
| As of March 31, 2016                      |                 |            |   |   |   |
| Cash and cash equivalents                 | \$ 2.3          | \$2.3      | \$ 2.3                                    | \$ —                                    | —   |
| Short-term debt                           | 41.0            | 41.0       | —   | 41.0                                    | —   |
| Long-term debt                            | 250.0           | 262.7      | —   | 262.7                                   | —   |
| As of September 30, 2015                  |                 |            |   |   |   |
| Cash and cash equivalents                 | \$ 7.2          | \$7.2      | \$ 7.2                                    | \$ —                                    | —   |
| Short-term debt                           | 31.0            | 31.0       | —   | 31.0                                    | —   |
| Long-term debt, including current portion | 250.0           | 263.2      | —   | 263.2                                   | —   |
| As of March 31, 2015                      |                 |            |   |   |   |
| Cash and cash equivalents                 | \$ 35.4         | \$35.4     | \$ 35.4                                   | \$ —                                    | —   |
| Short-term debt                           | 25.0            | 25.0       | —   | 25.0                                    | —   |
| Long-term debt, including current portion | 215.0           | 235.1      | —   | 235.1                                   | —   |

## 5. FAIR VALUE MEASUREMENTS

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

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

Derivative instruments included in Level 1 are valued using quoted market prices on the New York Mercantile Exchange (NYMEX) or the Intercontinental Exchange (ICE). Derivative instruments classified in Level 2 include physical commodity derivatives that are valued using Over-the-Counter Bulletin Board (OTCBB), broker, or dealer quotation services whose prices are derived principally from, or are corroborated by, observable market inputs. Also included in Level 2 are certain derivative instruments that have values that are similar to, and correlate with, quoted prices for exchange-traded instruments in active markets and derivative instruments with settlement dates more than one year into the future. Derivative instruments included in Level 3 are valued using generally unobservable inputs that are based upon the best information available and reflect management's assumptions about how market participants would price the asset or liability. The Level 3 balances as of March 31, 2016 and September 30, 2015 consisted of gas commodity contracts. The Company's and the Utilities' policy is to recognize transfers between the levels of the fair value hierarchy, if any, as of the beginning of the interim reporting period in which circumstances change or events occur to cause the transfer.

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



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## Spire

|  | Quoted<br>Prices<br>in<br>Active<br>Markets<br>(Level<br>1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Effects of<br>Netting and<br>Cash<br>Margin<br>Receivables<br>/Payables | Total  |
|--|---|--|--|---|--------|
| As of March 31, 2016                     |   |  |  |   |        |
| <b>ASSETS</b>                            |   |  |  |   |        |
| Gas Utility                              |   |  |  |   |        |
| U. S. stock/bond mutual funds            | \$ 16.2   | \$ 4.0   | \$ —   | \$ —  | \$20.2 |
| Gasoline and heating oil contracts       | 0.1   | —  | —  | —   | 0.1    |
| Subtotal                                 | 16.3  | 4.0  | —  | —   | 20.3   |
| Gas Marketing                            |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | 2.0   | 6.8  | —  | (5.1 )  | 3.7    |
| Natural gas commodity contracts          | —   | 7.7  | 0.2  | (0.8 )  | 7.1    |
| Total                                    | \$ 18.3   | \$ 18.5  | \$ 0.2   | \$ (5.9 )   | \$31.1 |
| <b>LIABILITIES</b>                       |   |  |  |   |        |
| Gas Utility                              |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | \$ 13.5   | \$ —   | \$ —   | \$ (13.5 )  | \$—    |
| OTCBB natural gas contracts              | —   | 6.0  | —  | —   | 6.0    |
| NYMEX gasoline and heating oil contracts | 0.2   | —  | —  | (0.2 )  | —      |
| Subtotal                                 | 13.7  | 6.0  | —  | (13.7 )   | 6.0    |
| Gas Marketing                            |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | 2.1   | 3.4  | —  | (5.5 )  | —      |
| Natural gas commodity contracts          | —   | 3.7  | —  | (0.8 )  | 2.9    |
| Other                                    |   |  |  |   |        |
| Interest rate swaps                      | —   | 1.8  | —  | —   | 1.8    |
| Total                                    | \$ 15.8   | \$ 14.9  | \$ —   | \$ (20.0 )  | \$10.7 |
| As of September 30, 2015                 |   |  |  |   |        |
| <b>ASSETS</b>                            |   |  |  |   |        |
| Gas Utility                              |   |  |  |   |        |
| U. S. stock/bond mutual funds            | \$ 15.5   | \$ 4.0   | \$ —   | \$ —  | \$19.5 |
| NYMEX/ICE natural gas contracts          | 1.3   | —  | —  | (1.3 )  | —      |
| Subtotal                                 | 16.8  | 4.0  | —  | (1.3 )  | 19.5   |
| Gas Marketing                            |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | 6.3   | 4.3  | —  | (6.6 )  | 4.0    |
| Natural gas commodity contracts          | —   | 1.5  | 0.2  | (0.5 )  | 1.2    |
| Total                                    | \$ 23.1   | \$ 9.8   | \$ 0.2   | \$ (8.4 )   | \$24.7 |
| <b>LIABILITIES</b>                       |   |  |  |   |        |
| Gas Utility                              |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | \$ 16.4   | \$ —   | \$ —   | \$ (16.4 )  | \$—    |
| OTCBB natural gas contracts              | —   | 5.9  | —  | —   | 5.9    |
| NYMEX gasoline and heating oil contracts | 0.3   | —  | —  | (0.3 )  | —      |
| Subtotal                                 | 16.7  | 5.9  | —  | (16.7 )   | 5.9    |
| Gas Marketing                            |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | 1.2   | 3.9  | —  | (5.1 )  | —      |

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|                                 |         |         |      |          |         |
|---------------------------------|---------|---------|------|----------|---------|
| Natural gas commodity contracts | —       | 2.2     | —    | (0.5     | ) 1.7   |
| Total                           | \$ 17.9 | \$ 12.0 | \$ — | \$ (22.3 | ) \$7.6 |

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|  | Quoted<br>Prices<br>in<br>Active<br>Markets<br>(Level<br>1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Effects of<br>Netting and<br>Cash<br>Margin<br>Receivables<br>/Payables | Total  |
|--|---|--|--|---|--------|
| As of March 31, 2015                     |   |  |  |   |        |
| ASSETS                                   |   |  |  |   |        |
| Gas Utility                              |   |  |  |   |        |
| U. S. stock/bond mutual funds            | \$ 16.4   | \$ 3.9   | \$ —   | \$ —  | \$20.3 |
| NYMEX/ICE natural gas contracts          | 0.6   | —  | —  | (0.6 )  | —      |
| Subtotal                                 | 17.0  | 3.9  | —  | (0.6 )  | 20.3   |
| Gas Marketing                            |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | 3.4   | 1.7  | —  | (4.3 )  | 0.8    |
| Natural gas commodity contracts          | —   | 2.7  | 0.5  | (0.5 )  | 2.7    |
| Total                                    | \$ 20.4   | \$ 8.3   | \$ 0.5   | \$ (5.4 )   | \$23.8 |
| LIABILITIES                              |   |  |  |   |        |
| Gas Utility                              |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | \$ 14.1   | \$ —   | \$ —   | \$ (14.1 )  | \$—    |
| OTCBB natural gas contracts              | —   | 14.5   | —  | —   | 14.5   |
| NYMEX gasoline and heating oil contracts | 1.0   | —  | —  | (1.0 )  | —      |
| Interest rate swaps                      | —   | 2.9  | —  | —   | 2.9    |
| Subtotal                                 | 15.1  | 17.4   | —  | (15.1 )   | 17.4   |
| Gas Marketing                            |   |  |  |   |        |
| NYMEX/ICE natural gas contracts          | 1.9   | 3.5  | —  | (5.4 )  | —      |
| Natural gas commodity contracts          | —   | 0.8  | —  | (0.5 )  | 0.3    |
| Total                                    | \$ 17.0   | \$ 21.7  | \$ —   | \$ (21.0 )  | \$17.7 |

## Laclede Gas

|                                    | Quoted<br>Prices<br>in<br>Active<br>Markets<br>(Level<br>1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Effects of<br>Netting and<br>Cash<br>Margin<br>Receivables<br>/Payables | Total  |
|------------------------------------|---|--|--|---|--------|
| As of March 31, 2016               |   |  |  |   |        |
| ASSETS                             |   |  |  |   |        |
| U. S. stock/bond mutual funds      | \$ 16.2   | \$ 4.0   | \$ —   | \$ —  | \$20.2 |
| Total                              | \$ 16.2   | \$ 4.0   | \$ —   | \$ —  | \$20.2 |
| LIABILITIES                        |   |  |  |   |        |
| NYMEX/ICE natural gas contracts    | \$ 13.5   | \$ —   | \$ —   | —\$ (13.5 )   | \$—    |
| OTCBB natural gas contracts        | —   | 6.0  | —  | —   | 6.0    |
| Gasoline and heating oil contracts | 0.2   | —  | —  | (0.2 )  | —      |
| Total                              | \$ 13.7   | \$ 6.0   | \$ —   | —\$ (13.7 )   | \$6.0  |

## As of September 30, 2015

|                               |        |       |     |        |  |
|-------------------------------|--------|-------|-----|--------|--|
| ASSETS                        |        |       |     |        |  |
| U. S. stock/bond mutual funds | \$15.5 | \$4.0 | \$— | \$19.5 |  |

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|  |        |       |     |          |     |        |
|--|--------|-------|-----|----------|-----|--------|
| NYMEX/ICE natural gas contracts          | 1.3    | —     | —   | (1.3)    | )   | —      |
| Total                                    | \$16.8 | \$4.0 | \$— | \$(1.3)  | )   | \$19.5 |
| <b>LIABILITIES</b>                       |        |       |     |          |     |        |
| NYMEX/ICE natural gas contracts          | \$16.4 | \$—   | \$— | \$(16.4) | \$— |        |
| OTCBB natural gas contracts              | —      | 5.9   | —   | —        | 5.9 |        |
| NYMEX gasoline and heating oil contracts | 0.3    | —     | —   | (0.3)    | )   | —      |
| Total                                    | \$16.7 | \$5.9 | \$— | \$(16.7) | )   | \$5.9  |

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|                                    | Quoted<br>Prices<br>in<br>Active<br>Markets<br>(Level<br>1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Effects of<br>Netting and<br>Cash<br>Margin<br>Receivables<br>/Payables | Total  |
|------------------------------------|---|--|--|---|--------|
| As of March 31, 2015               |   |  |  |   |        |
| <b>ASSETS</b>                      |   |  |  |   |        |
| U. S. stock/bond mutual funds      | \$ 16.4   | \$ 3.9   | \$   | —\$ —   | \$20.3 |
| NYMEX natural gas contracts        | 0.6   | —  | —  | (0.6 )  | —      |
| Total                              | \$ 17.0   | \$ 3.9   | \$   | —\$ (0.6 )  | \$20.3 |
| <b>LIABILITIES</b>                 |   |  |  |   |        |
| NYMEX/ICE natural gas contracts    | \$ 14.1   | \$ —   | \$   | —\$ (14.1 )   | \$—    |
| OTCBB natural gas contracts        | —   | 14.5   | —  | —   | 14.5   |
| Gasoline and heating oil contracts | 1.0   | —  | —  | (1.0 )  | —      |
| Total                              | \$ 15.1   | \$ 14.5  | \$   | —\$ (15.1 )   | \$14.5 |

## Algasco

During the second quarter of 2016 Algasco commenced a gasoline derivative program to stabilize the cost of fuel used in operations. As of March 31, 2016, the fair value of related gasoline contracts was not significant. As of March 31, 2015, Algasco had interest rate swaps with a fair value of \$2.9, designated Level 2 on the fair value hierarchy.

**6. CONCENTRATIONS OF CREDIT RISK**

Other than in LER (the Gas Marketing segment), Spire has no significant concentrations of credit risk.

A significant portion of LER'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, LER 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, LER may require credit assurances such as prepayments, letters of credit, or parental guarantees. In addition, LER may enter into netting arrangements to mitigate credit risk with counterparties in the energy industry from which LER both sells and purchases 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. LER records accounts receivable, accounts payable, and prepayments for physical sales and purchases of natural gas on a gross basis. The amount included in LER's accounts receivable attributable to energy producers and their marketing affiliates totaled \$9.0 at March 31, 2016. Net receivable amounts from these customers on the same date, reflecting netting arrangements, were \$5.9. LER's accounts receivable attributable to utility companies and their marketing affiliates comprised \$15.1 of total accounts receivable at March 31, 2016, while net receivable amounts from these customers, reflecting netting arrangements, were \$13.3.

LER also has concentrations of credit risk with certain individually significant counterparties and with pipeline companies associated with its natural gas receivable amounts. At March 31, 2016, the amounts included in accounts receivable from LER's five largest counterparties (in terms of net accounts receivable exposure) totaled \$13.8. Four of these five counterparties are either investment-grade rated or owned by investment-grade rated companies. Net receivable amounts from these five customers on the same date, reflecting netting arrangements, were \$10.6.

**7. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS**

## Pension Plans



The pension plans of Spire consist of plans for employees at the Missouri Utilities and plans covering employees of Alagasco.

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 and investments in diversified mutual funds.

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

The net periodic pension cost included the following components:

|  | Three<br>Months<br>Ended<br>March 31,<br>2016 |        | Six Months<br>Ended<br>March 31,<br>2015 |         |
|--|---|--------|--|---------|
| <b>Spire</b>                                     |   |        |  |         |
| Service cost – benefits earned during the period | \$3.8   | \$4.3  | \$7.7                                    | \$8.6   |
| Interest cost on projected benefit obligation    | 7.0   | 7.4    | 14.1                                     | 14.9    |
| Expected return on plan assets                   | (8.8 )  | (9.3 ) | (17.7 )                                  | (18.7 ) |
| Amortization of prior service cost               | 0.1   | 0.1    | 0.2                                      | 0.2     |
| Amortization of actuarial loss                   | 2.0   | 2.0    | 4.0                                      | 3.9     |
| Gain on lump-sum settlements                     | (2.2 )  | —      | (2.2 )                                   | —       |
| Special termination benefits                     | —   | —      | 1.6                                      | —       |
| Subtotal   | 1.9   | 4.5    | 7.7                                      | 8.9     |
| Regulatory adjustment                            | 6.1   | 4.8    | 11.1                                     | 9.7     |
| Net pension cost                                 | \$8.0   | \$9.3  | \$18.8                                   | \$18.6  |
| <b>Laclede Gas</b>                               |   |        |  |         |
| Service cost – benefits earned during the period | \$2.5   | \$2.9  | \$5.0                                    | \$5.7   |
| Interest cost on projected benefit obligation    | 5.4   | 5.9    | 10.8                                     | 11.8    |
| Expected return on plan assets                   | (6.7 )  | (7.3 ) | (13.4 )                                  | (14.6 ) |
| Amortization of prior service cost               | 0.1   | 0.1    | 0.2                                      | 0.2     |
| Amortization of actuarial loss                   | 2.0   | 2.0    | 4.0                                      | 3.9     |
| Special termination benefits                     | —   | —      | 1.6                                      | —       |
| Subtotal   | 3.3   | 3.6    | 8.2                                      | 7.0     |
| Regulatory adjustment                            | 2.3   | 3.4    | 5.8                                      | 6.8     |
| Net pension cost                                 | \$5.6   | \$7.0  | \$14.0                                   | \$13.8  |
| <b>Alagasco</b>                                  |   |        |  |         |
| Service cost – benefits earned during the period | \$1.3   | \$1.4  | \$2.7                                    | \$2.9   |
| Interest cost on projected benefit obligation    | 1.6   | 1.5    | 3.3                                      | 3.1     |
| Expected return on plan assets                   | (2.1 )  | (2.0 ) | (4.3 )                                   | (4.1 )  |
| Gain on lump-sum settlements                     | (2.2 )  | —      | (2.2 )                                   | —       |
| Subtotal   | (1.4 )  | 0.9    | (0.5 )                                   | 1.9     |
| Regulatory adjustment                            | 3.8   | 1.4    | 5.3                                      | 2.9     |
| Net pension cost                                 | \$2.4   | \$2.3  | \$4.8                                    | \$4.8   |

Pursuant to the provisions of the Missouri Utilities' and Alagasco's pension plans, pension obligations may be satisfied by lump-sum cash payments or special termination benefits. Lump-sum payments are recognized as settlements (which can result in gains or losses) only if the total of such payments exceeds 100% of the sum of service and interest costs in a specific year. Special termination benefits, when offered, are also recognized as settlements which can result in gains or losses. In the quarter ended March 31, 2016, an Alagasco plan met the criteria for settlement recognition, requiring remeasurement of the obligation under the plan using updated census data and assumptions for discount rate and mortality. The lump sum payments recognized as settlements for the Alagasco remeasurement were \$11.8. The lump-sum settlement resulted in a gain of \$2.2. In the quarter ended December 31, 2015, the Laclede Gas pension plans provided qualified employees with voluntary early retirement packages that qualified as special termination benefits, resulting in a charge of \$1.6.

The funding policy of the Utilities is to contribute an amount not less than the minimum required by government funding standards, nor more than the maximum deductible amount for federal income tax purposes. Fiscal year 2016 contributions to Laclede Gas' pension plans through March 31, 2016 were \$11.0 to the qualified trusts and \$0.3 to the non-qualified plans. There were no fiscal 2016 contributions to the Algasco pension plans through March 31, 2016.

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Contributions to the Missouri Utilities' pension plans for the remaining six months of fiscal 2016 are anticipated to be \$15.0 to the qualified trusts and \$0.2 to the non-qualified plans. There are no expected contributions to Alagasco's pension plans for the remaining six months of fiscal 2016.

## Postretirement Benefits

The Utilities provide certain life insurance benefits at retirement. Laclede Gas plans provide for medical insurance after early retirement until age 65. For retirements prior to January 1, 2015, the MGE plans provided medical insurance after retirement until death. For retirements after January 1, 2015, the MGE plans provide medical insurance after early retirement until age 65. The transition obligation not yet included in postretirement benefit cost is being amortized over 20 years. Under the Alagasco plans, medical insurance is currently available upon retirement until death for certain retirees depending on the type of employee and the date the employee was originally hired.

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

|  | Three<br>Months<br>Ended<br>March 31, |         | Six Months<br>Ended<br>March 31, |         |
|--|---------------------------------------|---------|----------------------------------|---------|
|  | 2016                                  | 2015    | 2016                             | 2015    |
| <b>Spire</b>   |                                       |         |                                  |         |
| Service cost – benefits earned during the period               | \$2.7                                 | \$3.2   | \$5.5                            | \$6.4   |
| Interest cost on accumulated postretirement benefit obligation | 2.5                                   | 2.8     | 5.0                              | 5.6     |
| Expected return on plan assets                                 | (3.4 )                                | (3.3 )  | (6.8 )                           | (6.6 )  |
| Amortization of prior service credit                           | —                                     | 0.2     | 0.1                              | 0.4     |
| Amortization of actuarial loss                                 | 0.9                                   | 1.2     | 1.8                              | 2.5     |
| Special termination benefits                                   | —                                     | —       | 2.6                              | —       |
| Subtotal   | 2.7                                   | 4.1     | 8.2                              | 8.3     |
| Regulatory adjustment  | (1.7 )                                | (2.7 )  | (5.9 )                           | (5.4 )  |
| Net postretirement benefit cost                                | \$1.0                                 | \$1.4   | \$2.3                            | \$2.9   |
| <b>Laclede Gas</b>   |                                       |         |                                  |         |
| Service cost – benefits earned during the period               | \$2.6                                 | \$3.1   | \$5.3                            | \$6.2   |
| Interest cost on accumulated postretirement benefit obligation | 2.0                                   | 2.2     | 4.0                              | 4.3     |
| Expected return on plan assets                                 | (2.2 )                                | (2.1 )  | (4.3 )                           | (4.1 )  |
| Amortization of prior service credit                           | —                                     | 0.2     | 0.1                              | 0.4     |
| Amortization of actuarial loss                                 | 0.9                                   | 1.2     | 1.9                              | 2.5     |
| Special termination benefits                                   | —                                     | —       | 2.6                              | —       |
| Subtotal   | 3.3                                   | 4.6     | 9.6                              | 9.3     |
| Regulatory adjustment  | (1.2 )                                | (2.3 )  | (5.0 )                           | (4.6 )  |
| Net postretirement benefit cost                                | \$2.1                                 | \$2.3   | \$4.6                            | \$4.7   |
| <b>Alagasco</b>  |                                       |         |                                  |         |
| Service cost – benefits earned during the period               | \$0.1                                 | \$0.1   | \$0.2                            | \$0.2   |
| Interest cost on accumulated postretirement benefit obligation | 0.5                                   | 0.6     | 1.0                              | 1.3     |
| Expected return on plan assets                                 | (1.2 )                                | (1.2 )  | (2.5 )                           | (2.5 )  |
| Amortization of prior service credit                           | —                                     | —       | —                                | —       |
| Amortization of actuarial gain                                 | —                                     | —       | (0.1 )                           | —       |
| Subtotal   | (0.6 )                                | (0.5 )  | (1.4 )                           | (1.0 )  |
| Regulatory adjustment  | (0.5 )                                | (0.4 )  | (0.9 )                           | (0.8 )  |
| Net postretirement benefit income                              | \$(1.1)                               | \$(0.9) | \$(2.3)                          | \$(1.8) |

Missouri and Alabama state law provides for the recovery in rates of costs accrued pursuant to GAAP provided that such costs are funded through an independent, external funding mechanism. The Utilities have established Voluntary Employees' Beneficiary Association (VEBA) and Rabbi Trusts as external funding mechanisms. The assets of the VEBA and Rabbi Trusts consist primarily of money market securities and mutual funds invested in stocks and bonds.

During the quarter ended December 31, 2015, the Laclede Gas post-retirement plan offered qualified employees voluntary enhanced early retirement packages that resulted in a special termination benefits charge of \$2.6.

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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 were \$7.2 in fiscal year 2016 contributions to the postretirement plans through March 31, 2016 for the Missouri Utilities. Contributions to the postretirement plans for the remaining six months of fiscal year 2016 are anticipated to be \$7.1 to the qualified trusts and \$0.3 paid directly to participants from the Missouri Utilities' funds. For Alagasco, there were no contributions to the postretirement plans during the first six months of fiscal year 2016, and there are none expected for the remaining six months.

**8. INFORMATION BY OPERATING SEGMENT**

The Company has two reportable segments: Gas Utility and Gas Marketing. The Gas Utility segment is the aggregation of three operating segments: (1) the eastern Missouri service territory of Laclede Gas, (2) the western Missouri service territory of Laclede Gas (MGE), and (3) Alagasco. The Gas Marketing segment includes the results of LER, 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 includes:

- unallocated corporate items, including certain debt and associated interest costs,
- Laclede Pipeline Company, a subsidiary of Spire which operates a propane pipeline under Federal Energy Regulatory Commission (FERC) jurisdiction, and
- Spire's subsidiaries that are engaged in compression of natural gas, oil production, real estate development, risk management, and financial investments in other enterprises, among other activities. All subsidiaries are wholly owned.

Accounting policies are described in Note 1, Summary of Significant Accounting Policies. Intersegment transactions include sales of natural gas from Laclede Gas to LER, propane storage services provided by Laclede Gas to Laclede Pipeline Company, sales of natural gas from LER to Laclede Gas, and propane transportation services provided by Laclede Pipeline Company to Laclede Gas.

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

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|                                      | Gas<br>Utility | Gas<br>Marketing | Other   | Eliminations | Consolidated |
|--------------------------------------|----------------|------------------|---------|--------------|--------------|
| Three Months Ended March 31, 2016    |                |                  |         |              |              |
| Operating Revenues:                  |                |                  |         |              |              |
| Revenues from external customers     | \$611.5        | \$ (2.6 )        | \$0.4   | \$ —         | \$ 609.3     |
| Intersegment revenues                | 1.2            | 10.6             | 0.5     | (12.3 )      | —            |
| Total Operating Revenues             | 612.7          | 8.0              | 0.9     | (12.3 )      | 609.3        |
| Operating Expenses:                  |                |                  |         |              |              |
| Gas Utility                          |                |                  |         |              |              |
| Natural and propane gas              | 273.0          | —                | —       | (11.9 )      | 261.1        |
| Other operation and maintenance      | 94.6           | —                | —       | (0.3 )       | 94.3         |
| Depreciation and amortization        | 33.8           | —                | —       | —            | 33.8         |
| Taxes, other than income taxes       | 43.9           | —                | —       | —            | 43.9         |
| Total Gas Utility Operating Expenses | 445.3          | —                | —       | (12.2 )      | 433.1        |
| Gas Marketing and Other              | —              | 5.5              | 3.1     | (0.1 )       | 8.5          |
| Total Operating Expenses             | 445.3          | 5.5              | 3.1     | (12.3 )      | 441.6        |
| Operating Income (Loss)              | \$167.4        | \$ 2.5           | \$(2.2) | \$ —         | \$ 167.7     |
| Net Economic Earnings (Loss)         | \$102.5        | \$ 3.0           | \$(2.0) | \$ —         | \$ 103.5     |
| Three Months Ended March 31, 2015    |                |                  |         |              |              |
| Operating Revenues:                  |                |                  |         |              |              |
| Revenues from external customers     | \$847.0        | \$ 30.0          | \$0.4   | \$ —         | \$ 877.4     |
| Intersegment revenues                | 2.0            | 14.1             | 0.5     | (16.6 )      | —            |
| Total Operating Revenues             | 849.0          | 44.1             | 0.9     | (16.6 )      | 877.4        |
| Operating Expenses:                  |                |                  |         |              |              |
| Gas Utility                          |                |                  |         |              |              |
| Natural and propane gas              | 499.1          | —                | —       | (16.3 )      | 482.8        |
| Other operation and maintenance      | 104.0          | —                | —       | (0.2 )       | 103.8        |
| Depreciation and amortization        | 32.2           | —                | —       | —            | 32.2         |
| Taxes, other than income taxes       | 55.7           | —                | —       | —            | 55.7         |
| Total Gas Utility Operating Expenses | 691.0          | —                | —       | (16.5 )      | 674.5        |
| Gas Marketing and Other              | —              | 43.5             | 1.8     | (0.1 )       | 45.2         |
| Total Operating Expenses             | 691.0          | 43.5             | 1.8     | (16.6 )      | 719.7        |
| Operating Income (Loss)              | \$158.0        | \$ 0.6           | \$(0.9) | \$ —         | \$ 157.7     |
| Net Economic Earnings (Loss)         | \$96.5         | \$ 2.1           | \$(1.0) | \$ —         | \$ 97.6      |

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|                                      | Gas<br>Utility | Gas<br>Marketing | Other   | Eliminations | Consolidated |
|--------------------------------------|----------------|------------------|---------|--------------|--------------|
| Six Months Ended March 31, 2016      |                |                  |         |              |              |
| Operating Revenues:                  |                |                  |         |              |              |
| Revenues from external customers     | \$1,010.3      | \$ (2.4 )        | \$0.8   | \$ —         | \$ 1,008.7   |
| Intersegment revenues                | 1.9            | 23.2             | 0.9     | (26.0 )      | —            |
| Total Operating Revenues             | 1,012.2        | 20.8             | 1.7     | (26.0 )      | 1,008.7      |
| Operating Expenses:                  |                |                  |         |              |              |
| Gas Utility                          |                |                  |         |              |              |
| Natural and propane gas              | 434.9          | —                | —       | (25.3 )      | 409.6        |
| Other operation and maintenance      | 186.5          | —                | —       | (0.6 )       | 185.9        |
| Depreciation and amortization        | 67.3           | —                | —       | —            | 67.3         |
| Taxes, other than income taxes       | 72.1           | —                | —       | —            | 72.1         |
| Total Gas Utility Operating Expenses | 760.8          | —                | —       | (25.9 )      | 734.9        |
| Gas Marketing and Other              | —              | 14.5             | 4.7     | (0.1 )       | 19.1         |
| Total Operating Expenses             | 760.8          | 14.5             | 4.7     | (26.0 )      | 754.0        |
| Operating Income (Loss)              | \$251.4        | \$ 6.3           | \$(3.0) | \$ —         | \$ 254.7     |
| Net Economic Earnings (Loss)         | \$152.5        | \$ 2.7           | \$(6.6) | \$ —         | \$ 148.6     |

## Six Months Ended March 31, 2015

|                                      |           |         |         |         |            |
|--------------------------------------|-----------|---------|---------|---------|------------|
| Operating Revenues:                  |           |         |         |         |            |
| Revenues from external customers     | \$1,428.4 | \$ 67.8 | \$0.8   | \$ —    | \$ 1,497.0 |
| Intersegment revenues                | 3.0       | 38.5    | 1.0     | (42.5 ) | —          |
| Total Operating Revenues             | 1,431.4   | 106.3   | 1.8     | (42.5 ) | 1,497.0    |
| Operating Expenses:                  |           |         |         |         |            |
| Gas Utility                          |           |         |         |         |            |
| Natural and propane gas              | 828.9     | —       | —       | (41.8 ) | 787.1      |
| Other operation and maintenance      | 201.4     | —       | —       | (0.5 )  | 200.9      |
| Depreciation and amortization        | 64.2      | —       | —       | —       | 64.2       |
| Taxes, other than income taxes       | 93.7      | —       | —       | —       | 93.7       |
| Total Gas Utility Operating Expenses | 1,188.2   | —       | —       | (42.3 ) | 1,145.9    |
| Gas Marketing and Other              | —         | 102.1   | 4.2     | (0.2 )  | 106.1      |
| Total Operating Expenses             | 1,188.2   | 102.1   | 4.2     | (42.5 ) | 1,252.0    |
| Operating Income (Loss)              | \$243.2   | \$ 4.2  | \$(2.4) | \$ —    | \$ 245.0   |
| Net Economic Earnings (Loss)         | \$146.3   | \$ 2.5  | \$(5.5) | \$ —    | \$ 143.3   |

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

|               | March 31,<br>2016 | September 30,<br>2015 | March 31,<br>2015 |
|---------------|-------------------|-----------------------|-------------------|
| Total Assets: |                   |                       |                   |
| Gas Utility   | \$4,687.1         | \$4,686.2             | \$4,615.6         |
| Gas Marketing | 156.5             | 160.6                 | 131.7             |
| Other         | 1,521.9           | 1,560.2               | 1,590.8           |
| Eliminations  | (1,045.7 )        | (1,116.8 )            | (1,157.4 )        |
| Total Assets  | \$5,319.8         | \$5,290.2             | \$5,180.7         |





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The following table reconciles the Company's net economic earnings to the most comparable GAAP measure, net income.

|   | Three Months Ended March 31, |        | Six Months Ended March 31, |         |
|---|------------------------------|--------|----------------------------|---------|
|   | 2016                         | 2015   | 2016                       | 2015    |
| Net Income (GAAP)   | \$100.8                      | \$94.4 | \$147.7                    | \$141.5 |
| Unrealized loss (gain) on energy-related derivative contracts                   | 1.8                          | 2.6    | (1.2 )                     | (0.4 )  |
| Lower of cost or market inventory adjustments                                   | 0.2                          | (1.0 ) | 0.5                        | 0.2     |
| Realized loss (gain) on economic hedges prior to sale of the physical commodity | (0.4 )                       | 0.1    | (0.4 )                     | 0.1     |
| Acquisition, divestiture and restructuring activities                           | 1.1                          | 1.5    | 2.0                        | 1.9     |
| Net Economic Earnings (Non-GAAP)  | \$103.5                      | \$97.6 | \$148.6                    | \$143.3 |

## 9. COMMITMENTS AND CONTINGENCIES

### Commitments

The Company and the Utilities have entered into contracts with various counterparties, expiring on dates through 2024, for the storage, transportation, and supply of natural gas. Minimum payments required under the contracts in place at March 31, 2016 are estimated at approximately \$1,314.6, \$514.3, and \$367.3 for the Company, Laclede Gas, and Alagasco, respectively. Additional contracts are generally entered into prior to or during the heating season of November through April. The Missouri Utilities recover their costs from customers in accordance with their PGA clause and Alagasco recovers its cost through its GSA rider.

### Contingencies

The Company and Utilities account for environmental liabilities and other contingencies 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, Laclede Gas and Alagasco are involved in other litigation, claims, and investigations arising in the normal course of business. Management, after discussion with counsel, believes that 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, Laclede Gas or Alagasco. However, there is uncertainty in the valuation of pending claims and prediction of litigation results.

### Laclede Gas

Similar to other natural gas utility companies, Laclede Gas owns and operates 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 Laclede Gas' financial position and results of operations. As environmental laws, regulations, and their interpretations change, however, the Company or Laclede Gas may incur additional environmental liabilities that may result in additional costs.

In the natural gas industry, many gas distribution companies like Laclede Gas have incurred environmental liabilities associated with sites they or their predecessor companies formerly owned or operated where manufactured gas operations took place. At this time, Laclede Gas has identified three former manufactured gas plant (MGP) sites in eastern Missouri where costs have been incurred and claims have been asserted: one in Shrewsbury, Missouri and two in the City of St. Louis, Missouri. Laclede Gas has enrolled the two sites in the City of St. Louis in the Missouri Department of Natural Resources Brownfields/Voluntary Cleanup Program (BVCP). In Laclede Gas' western service area, MGE has enrolled all of its owned former manufactured gas plant sites in the BVCP.

With regard to the former MGP site located in Shrewsbury, Missouri, Laclede Gas and state and federal environmental regulators agreed upon certain remedial actions to a portion of the site in a 1999 Administrative Order on Consent (AOC), which actions have been completed. On September 22, 2008, Environmental Protection Agency (EPA) Region VII issued a letter of Termination and Satisfaction terminating the AOC. However, if after this

termination of the AOC, regulators require additional remedial actions, or additional claims are asserted, Laclede Gas may incur additional costs.

In conjunction with redevelopment of one of the sites located in the City of St. Louis, Laclede Gas and another former owner of the site entered into an agreement (Remediation Agreement) with the City development agencies, the developer, and an

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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 Missouri Department of Natural Resources. The Remediation Agreement also provides for a release of Laclede Gas 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 Laclede Gas 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 Laclede Gas did not materially impact the financial condition, results of operations, or cash flows of the Company.

Laclede Gas has not owned the other site located in the City of St. Louis for many years. In a letter dated June 29, 2011, the Attorney General for the state of Missouri informed Laclede Gas that the Missouri Department of Natural Resources had completed an investigation of the site. The Attorney General requested that Laclede Gas participate in the follow up investigations of the site. In a letter dated January 10, 2012, Laclede Gas stated that it would participate in future environmental response activities at the site in conjunction with other potentially responsible parties (PRPs) that are willing to contribute to such efforts in a meaningful and equitable fashion. Accordingly, Laclede Gas entered into a cost sharing agreement for remedial investigation with other PRPs. Pending Missouri Department of Natural Resources approval, which has not occurred as of the date of filing, the remedial investigation of the site will begin.

Laclede Gas 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, Laclede Gas continues to discuss potential reimbursements with them.

On March 10, 2015, Laclede Gas received a Section 104(e) information request from EPA Region VII regarding the former Thompson Chemical/Superior Solvents site in St. Louis, Missouri. In turn, Laclede Gas 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.

MGE 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, which is in the early stages of site analysis and characterization. Remediation efforts at these sites are at various stages of completion, ranging from groundwater monitoring and sampling following source removal activities to early site characterization in Joplin. As part of its participation in the BVCP, MGE communicates regularly with the Missouri Department of Natural Resources (MDNR) with respect to its remediation efforts and monitoring activities at these sites. On May 11, 2015, the MDNR approved the next phase of investigation at the Kansas City Station A North and Railroad area.

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 Laclede Gas 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 potential responsible parties to pay, the successful completion of remediation efforts required by the Remediation Agreement described above, and any insurance recoveries.

In 2013, Laclede Gas retained an outside consultant to conduct probabilistic cost modeling of 19 former MGP sites owned or operated by Laclede Gas in eastern Missouri or MGE in western 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. Laclede Gas has recorded its best estimate of the probable expenditures that relate to these matters. The amount is not material.

Costs associated with environmental remediation activities are accrued when such costs are probable and reasonably estimable. To the extent such costs (less any amounts received from insurance proceeds or as contributions from other PRPs), are incurred prior to a rate case, Laclede Gas would request from the MoPSC authority to defer such costs and collect them in the next rate case. Laclede Gas 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.

Algasco

Algasco owns and operates 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 Algasco's financial

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position and results of operations. As environmental laws, regulations, and their interpretations change, Alagasco may be required to incur additional costs.

Alagasco 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. As of March 31, 2016, Alagasco does not foresee a probable or reasonably estimable loss associated with these nine sites. Alagasco and the Company do not expect potential liabilities that may arise from remediating these sites to have a material impact on their future financial conditions or results of operations.

In 2012, Alagasco responded to an EPA Request for Information Pursuant to Section 104 of the Comprehensive Environment Response, Compensation, and Liability Act (CERCLA) relating to the 35th Avenue Superfund Site located in North Birmingham, Jefferson County, Alabama. Alagasco 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, Alagasco 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.

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. Alagasco 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 were contained therein. Alagasco has been named as a defendant in several lawsuits arising from the incident, and additional lawsuits and claims may be filed against Alagasco.

Alagasco is, from time to time, a party to various pending or threatened legal proceedings and has accrued a provision for its estimated liability. Certain of these lawsuits include claims for punitive damages in addition to other specified relief. Alagasco recognizes its liability for contingencies when information available indicates both a loss is probable and the amount of the loss can be reasonably estimated. Based upon information presently available, and in light of available legal and other defenses, contingent liabilities arising from threatened and pending litigation are not considered material in relation to the financial position of Alagasco. However, there is uncertainty in the valuation of pending claims and prediction of litigation results.

#### 10. SUBSEQUENT EVENT

On April 26, 2016, the Company announced an agreement with Sempra U.S. Gas & Power, a unit of Sempra Energy, to acquire the parent company of Mobile Gas, serving 85,000 natural gas utility customers in Alabama, and Willmut Gas, with 19,000 customers in Mississippi. Spire is acquiring 100 percent of the outstanding equity of EnergySouth, Inc., the parent of Mobile Gas and Willmut Gas, for \$344. All non-utility businesses in EnergySouth will be retained by Sempra. After the inclusion of working capital adjustments and the assumption of \$67 in debt, the transaction is expected to result in total cash consideration of \$323. Closing on the transaction is expected to occur in 2016.

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

(Dollars in millions, except per share amounts)

This section analyzes the financial condition and results of operations of Spire Inc. (Spire or the Company), Laclede Gas Company (Laclede Gas), and Alabama Gas Corporation (Alagasco). Spire was formerly known as The Laclede Group, Inc., which changed its name to Spire Inc. effective April 28, 2016. Laclede Gas and Alagasco are wholly owned subsidiaries of the Company. Collectively, Laclede Gas and Alagasco are referred to as the Utilities. This section includes management's view of factors that affect the respective business of the Company, Laclede Gas, and Alagasco, explanations of past financial results including changes in earnings and costs from the prior periods, and the effects of such factors on the Company's, Laclede Gas' and Alagasco'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 in or shut 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;
- Acquisitions may not achieve their intended results, including anticipated cost savings;
- 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 and access, in general, of 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.

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 Laclede Gas' and Alagasco's Condensed Financial Statements and the Notes thereto.



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### RESULTS OF OPERATIONS

#### Overview

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

#### Gas Utility – Laclede Gas

Laclede Gas is Missouri's largest natural gas distribution company and is regulated by the Missouri Public Service Commission (MoPSC). Laclede Gas serves St. Louis and eastern Missouri through Laclede Gas and serves Kansas City and western Missouri through MGE. Laclede Gas delivers natural gas to retail and transportation customers at rates and in accordance with tariffs authorized by the MoPSC. The earnings of Laclede Gas are primarily generated by the sale of heating energy. The rate design for both service territories lessens the impact of weather volatility on Laclede Gas' customers during cold winters and stabilizes its earnings.

#### Gas Utility – Alagasco

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

#### Gas Marketing

Laclede Energy Resources, Inc. (LER) is engaged in the marketing of natural gas and related activities on a non-regulated basis and is reported in the Gas Marketing segment. LER markets natural gas to both on-system utility transportation customers and customers outside of Laclede Gas' traditional service territory, including large retail and wholesale customers. LER's operations and customer base are more subject to fluctuations in market conditions than the Utilities. LER has a contract for 1 Bcf of natural gas storage expiring August 1, 2023 and has contracts for an additional 3.75 Bcf of storage that expire at various times through March 31, 2019.

#### Other

In addition to the Gas Utility and Gas Marketing segments, the Company's business includes certain other non-utility activities reported as Other. Other includes:

- unallocated corporate costs, including certain debt and associated interest costs,

- Laclede Pipeline Company, a subsidiary of Spire which operates a propane pipeline under Federal Energy Regulatory Commission (FERC) jurisdiction, and

- Spire's subsidiaries that are engaged in compression of natural gas, oil production, real estate development, risk management, and financial investments in other enterprises, among other activities. All subsidiaries are wholly owned.

### EARNINGS

Net income reported by Spire, Laclede Gas and Alagasco are determined in accordance with accounting principles generally accepted in the United States of America (GAAP). Management also uses the non-GAAP measures of net economic earnings, net economic earnings per share and operating margin when internally evaluating and reporting results of operations. These non-GAAP operating metrics should not be considered as an alternative to, or more meaningful than, GAAP measures such as net income.

Non-GAAP Measures – 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 after-tax impacts of fair value accounting and timing adjustments associated with energy-related transactions as well as acquisition,

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divestiture, and restructuring activities. These fair value and timing adjustments are made in instances where the accounting treatment differs from 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 transaction(s) occur. While management uses these non-GAAP measures to evaluate both the Utilities and LER, the net effect of adjustments on the Utilities' earnings are minimal. This is due to gains or losses on Laclede Gas' natural gas derivative instruments being deferred pursuant to its PGA clause, as authorized by the MoPSC.

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. In addition, management excludes the impact related to unique acquisition, divestiture, and restructuring activities when evaluating on-going performance, and therefore excludes these impacts from net economic earnings. Management believes that this presentation provides a useful representation of operating performance by facilitating comparisons of year-over-year results. The definition and measurement of net economic earnings provided above is consistent with that used by management and the Board of Directors in assessing the Company's, Laclede Gas' and Alagasco's performance as well as determining performance under the Company's, Laclede Gas' and Alagasco's incentive compensation plans. Further, the Company believes this better enables an investor to view the Company's, Laclede Gas' and Alagasco's performance in that period on a basis that would be comparable to prior periods. Reconciliations of net economic earnings and net economic earnings per share to the Company's most directly comparable GAAP measures are provided on the following pages.

#### Non-GAAP Measure – Operating Margin

In addition to operating revenues and operating expenses, management also uses the non-GAAP measure of operating margin when evaluating results of operations, as shown in the table below. The Utilities pass to their customers (subject to prudence review by, as applicable, the MoPSC or APSC) increases and decreases in the wholesale cost of natural gas in accordance with their PGA clauses (Missouri Utilities) and GSA rider (Alabama Utility). 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 (1) the cost of gas associated with system gas sales volumes and (2) gross receipts tax expense, which is calculated as a percentage of revenues, with the same amounts (excluding immaterial timing differences) included in revenues, have no direct effect on operating income. As these costs are included in revenue and operating expenses and management does not have any control over these amounts for the Utilities, management believes that beginning with operating margin provides a more useful measure. In addition, it is management's belief that separating operating margin from the remaining operating expenses that determine operating income is a more useful approach to assessing the Company's and the Utilities' performance, as management has more ability to influence control over these revenues and expenses.



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## THREE MONTHS ENDED MARCH 31, 2016

## 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<br>Utility | Gas<br>Marketing | Other   | Consolidated | Per<br>Diluted<br>Share** |
|--|----------------|------------------|---------|--------------|---------------------------|
| Three Months Ended March 31, 2016  |                |                  |         |              |                           |
| Net Income (Loss) (GAAP)   | \$102.4        | \$ 1.5           | \$(3.1) | \$ 100.8     | \$ 2.31                   |
| Unrealized loss on energy-related derivatives*                                   | 0.1            | 1.7              | —       | 1.8          | 0.04                      |
| Lower of cost or market inventory adjustments*                                   | —              | 0.2              | —       | 0.2          | —                         |
| Realized gain on economic hedges prior<br>to the sale of the physical commodity* | —              | (0.4 )           | —       | (0.4 )       | (0.01 )                   |
| Acquisition, divestiture and restructuring activities*                           | —              | —                | 1.1     | 1.1          | 0.03                      |
| Net Economic Earnings (Loss) (Non-GAAP)  | \$102.5        | \$ 3.0           | \$(2.0) | \$ 103.5     | \$ 2.37                   |
| Three Months Ended March 31, 2015  |                |                  |         |              |                           |
| Net Income (Loss) (GAAP)   | \$96.2         | \$ 0.3           | \$(2.1) | \$ 94.4      | \$ 2.18                   |
| Unrealized (gain) loss on energy-related derivatives*                            | (0.1 )         | 2.7              | —       | 2.6          | 0.06                      |
| Lower of cost or market inventory adjustments*                                   | —              | (1.0 )           | —       | (1.0 )       | (0.02 )                   |
| Realized loss on economic hedges prior<br>to the sale of the physical commodity* | —              | 0.1              | —       | 0.1          | —                         |
| Acquisition, divestiture and restructuring activities*                           | 0.4            | —                | 1.1     | 1.5          | 0.03                      |
| Net Economic Earnings (Loss) (Non-GAAP)  | \$96.5         | \$ 2.1           | \$(1.0) | \$ 97.6      | \$ 2.25                   |

\* Amounts presented net of income taxes. Income taxes are calculated by applying federal, state, and local income tax rates applicable to ordinary income to the amounts of the pre-tax reconciling items.

\*\* 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 \$100.8 for the three months ended March 31, 2016, compared with \$94.4 for the three months ended March 31, 2015. Basic and diluted earnings per share for the three months ended March 31, 2016 were \$2.32 and \$2.31, respectively, compared with basic and diluted earnings per share of \$2.18 for the three months ended March 31, 2015. Net income increased \$6.4, driven by higher operating income in both the Gas Utility and Gas Marketing segments, as described below. Spire's net economic earnings were \$103.5 (\$2.37 per diluted share) for the three months ended March 31, 2016, an increase of \$5.9 from the \$97.6 (\$2.25 per diluted share) reported for the same period last year. The increase is primarily attributable to stronger results delivered by the Gas Utility segment, as described below.

## Gas Utility

For the three months ended March 31, 2016, Gas Utility net income increased by \$6.2, and net economic earnings increased by \$6.0, versus the prior-year quarter. Lower bad debt expenses and other operating expenses more than offset higher depreciation expense and income taxes in the current quarter. The changes in operating margin and operating expenses are further described below.

## Gas Marketing

The Gas Marketing segment reported net income totaling \$1.5 for the three months ended March 31, 2016, \$1.2 higher than the prior year, primarily due to natural gas storage results. Net economic earnings for the three months ended March 31, 2016 increased \$0.9 compared with the three months ended March 31, 2015, reflecting the impact of excluding changes in fair value measurements that are included in net income, as noted in the discussion of operating revenues below.



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## Operating Revenues and Operating Expenses

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

|                                      | Gas<br>Utility | Gas<br>Marketing | Other   | Eliminations | Consolidated |
|--------------------------------------|----------------|------------------|---------|--------------|--------------|
| Three Months Ended March 31,<br>2016 |                |                  |         |              |              |
| Operating revenues                   | \$612.7        | \$ 8.0           | \$0.9   | \$ (12.3 )   | \$ 609.3     |
| Natural and propane gas expense      | 273.0          | 4.0              | —       | (12.0 )      | 265.0        |
| Gross receipts tax expense           | 32.2           | 0.1              | —       | —            | 32.3         |
| Operating margin (non-GAAP)          | 307.5          | 3.9              | 0.9     | (0.3 )       | 312.0        |
| Depreciation and amortization        | 33.8           | —                | 0.1     | —            | 33.9         |
| Other operating expenses             | 106.3          | 1.4              | 3.0     | (0.3 )       | 110.4        |
| Operating income (loss) (GAAP)       | \$167.4        | \$ 2.5           | \$(2.2) | \$ —         | \$ 167.7     |

Three Months Ended March 31,  
2015

|                                 |         |         |         |            |          |
|---------------------------------|---------|---------|---------|------------|----------|
| Operating revenues              | \$849.0 | \$ 44.1 | \$0.9   | \$ (16.6 ) | \$ 877.4 |
| Natural and propane gas expense | 499.1   | 42.0    | 0.1     | (16.3 )    | 524.9    |
| Gross receipts tax expense      | 44.1    | —       | —       | —          | 44.1     |
| Operating margin (non-GAAP)     | 305.8   | 2.1     | 0.8     | (0.3 )     | 308.4    |
| Depreciation and amortization   | 32.2    | 0.1     | 0.2     | —          | 32.5     |
| Other operating expenses        | 115.6   | 1.4     | 1.5     | (0.3 )     | 118.2    |
| Operating income (loss) (GAAP)  | \$158.0 | \$ 0.6  | \$(0.9) | \$ —       | \$ 157.7 |

## Consolidated

Spire reported operating revenues of \$609.3 for the three months ended March 31, 2016 compared with \$877.4 for the same period last year, with decreases in both Gas Utility and Gas Marketing, as discussed below. Spire's operating margin increased \$3.6 for the three months ended March 31, 2016 compared with the same period last year due primarily to increases in the Gas Utility and Gas Marketing segments, as discussed below. Depreciation and amortization expenses were \$33.9 for the three months ended March 31, 2016, compared with \$32.5 for the same period last year. Other operating expenses were \$110.4 for the three months ended March 31, 2016, compared with \$118.2 for the same period last year. The decrease was primarily the result of lower expenses at the Missouri Utilities, as discussed below.

## Gas Utility

Operating Revenues – Gas Utility operating revenues for the three months ended March 31, 2016 were \$612.7, or \$236.3 less than the same period last year. The decrease in Gas Utility operating revenues was attributable to the following factors:

|  |           |
|--|-----------|
| Lower wholesale gas costs passed on to customers                               | \$(142.6) |
| Lower system sales volumes   | (76.8 )   |
| Lower off-system sales and capacity release                                    | (12.2 )   |
| Lower gross receipts taxes (GRT)   | (12.5 )   |
| Missouri Utilities – Higher Infrastructure System Replacement Surcharge (ISRS) | 3.9       |
| Alagasco – Lower Rate Stabilization and Equalization (RSE) revenue reduction   | 3.9       |
| Total Variation  | \$(236.3) |

As shown, the decrease was primarily attributable to lower revenues reflecting the decline in natural gas pricing due to overall market conditions and lower volumes due to warmer weather (lower degree days). Gross receipts taxes (GRT) are a function of sales revenue, and therefore also decreased. These decreases were partially offset by higher ISRS charges within the Missouri Utilities and the effect of adjustments under the RSE rate-setting process. Under the RSE, the APSC conducts quarterly reviews of the expected rate of return on average common equity at the end of the year, and reductions in rates can be made quarterly to bring the projected return to within the allowed range. The net

reduction recorded in the second quarter of fiscal 2016 was \$3.9 smaller than in last year's second quarter.

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Operating Margin – Gas Utility operating margin was \$307.5 for the three months ended March 31, 2016, a \$1.7 increase over the same period last year. The increase was attributable to the following factors:

|  | Variance  |
|--|-----------|
| Lower system sales volumes   | \$(16.0 ) |
| Missouri Utilities – Higher Infrastructure System Replacement Surcharge (ISRS) | 3.9       |
| Alagasco – Lower Rate Stabilization and Equalization (RSE) revenue reduction   | 3.9       |
| Other variations, including timing of gas cost recoveries                      | 9.9       |
| Total Variation  | \$ 1.7    |

The increase in operating margin was primarily attributable to favorable timing of gas cost recovery at Alagasco, \$3.9 higher ISRS charges within the Missouri Utilities for the current quarter, and Alagasco's RSE adjustment that was \$3.9 lower than in the prior year. These favorable impacts were partly offset by lower sales volumes resulting from the lower degree days, as described above under Operating Revenues. While lower gas costs and GRT negatively impact revenues, their impact on operating margin is minimal due to the related pass-through mechanisms, including the PGA clause for the Missouri Utilities and the GSA rider for the Alabama Utility.

Operating Expenses – Depreciation and amortization expenses for the three months ended March 31, 2016 increased \$1.6 from last year, primarily due to the higher levels of capital expenditures undertaken over the last twelve months. Other operating expenses for the three months ended March 31, 2016 are \$9.3 lower than the same period in the prior year, largely due to the impact of warmer weather, especially on bad debt expense and employee-related costs, and, to a lesser extent, to cost efficiencies and the favorable timing of expenses.

#### Gas Marketing

Operating Revenues – Operating revenues decreased \$36.1 versus the prior year period, due primarily to lower general pricing levels and lower basis differentials (price volatility between regions), as well as an increase in the amount of expenses associated with trading activities, partially offset by the effects of higher volumes. Average pricing for the quarter ended March 31, 2016 was approximately \$2.130/MMBtu versus approximately \$3.177/MMBtu for the quarter ended March 31, 2015.

Operating Margin – Gas Marketing operating margin during the three months ended March 31, 2016 increased \$1.8 from the same period last year. The increase in operating margin is primarily due to the net favorable impact of storage services in the current quarter, partially offset by the effects of current market conditions (tighter basis differentials and lower price volatility).

#### Interest Charges

Consolidated interest charges during the three months ended March 31, 2016 increased by \$0.2 from the same period last year. For the three months ended March 31, 2016 and 2015, average short-term borrowings were \$345.9 and \$377.5, respectively, and the average interest rates on these borrowings were 1.0% and 0.7%, respectively.

#### Income Taxes

Consolidated income tax expense during the three months ended March 31, 2016 increased \$3.5 versus the prior year as a result of the increase in pre-tax book income.

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## LACLEDE GAS

|                                 | Three Months<br>Ended<br>March 31, |         |
|---------------------------------|------------------------------------|---------|
|                                 | 2016                               | 2015    |
| Operating revenues              | \$446.7                            | \$615.7 |
| Natural and propane gas expense | 242.8                              | 402.7   |
| Gross receipts tax expense      | 24.7                               | 33.3    |
| Operating margin (non-GAAP)     | 179.2                              | 179.7   |
| Depreciation and amortization   | 21.9                               | 20.5    |
| Other operating expenses        | 70.3                               | 78.6    |
| Operating income (GAAP)         | \$87.0                             | \$80.6  |
| Net Income                      | \$54.3                             | \$49.9  |

Operating revenues for the three months ended March 31, 2016 decreased \$169.0 from the same period last year primarily due to \$107.9 in lower wholesale gas costs passed on to customers and \$43.6 in lower system sales volumes resulting from the delay in seasonal customer connections and lower degree days due to warmer weather. Operating revenues were also reduced by a \$12.2 decline in off-system sales and capacity release and a \$9.2 decline in gross receipts taxes, partially offset by a \$3.9 increase in ISRS charges. Operating margin for the three months ended March 31, 2016 decreased \$0.5 from the same period last year. Other operating expenses for the three months ended March 31, 2016 decreased \$8.3 versus the prior year quarter, largely attributable to the warmer weather, including favorable bad debt experience and lower employee-related expenses. Resulting net income for the three months ended March 31, 2016 increased \$4.4 from the same period last year.

Temperatures in Laclede Gas' service areas during the three months ended March 31, 2016 were 18.0% warmer than the same period last year, resulting in lower gas usage and operating revenues on a year-over-year comparative basis, and 15% warmer than normal. The Missouri Utilities' total system therms sold and transported were 758.7 million for the three months ended March 31, 2016, compared with 877.3 million for the same period last year, including a 12.9 million decrease in off-system sales. Total off-system therms sold and transported were 86.9 million for the three months ended March 31, 2016, compared with 99.8 million for the same period last year.

## ALAGASCO

|                               | Three Months<br>Ended<br>March 31, |         |
|-------------------------------|------------------------------------|---------|
|                               | 2016                               | 2015    |
| Operating revenues            | \$166.0                            | \$233.3 |
| Natural gas expense           | 30.2                               | 96.4    |
| Gross receipts tax expense    | 7.5                                | 10.8    |
| Operating margin (non-GAAP)   | 128.3                              | 126.1   |
| Depreciation and amortization | 11.9                               | 11.7    |
| Other operating expenses      | 36.0                               | 37.0    |
| Operating income (GAAP)       | \$80.4                             | \$77.4  |
| Net Income                    | \$48.1                             | \$46.3  |

Operating revenues for the three months ended March 31, 2016 decreased \$67.3 from the same period last year. The decrease was driven by \$34.7 lower gas prices passed through to customers, the \$33.2 effect of reduced customer usage, and \$3.3 lower gross receipts taxes. These decreases were partially offset by a \$3.9 reduction in RSE adjustments compared to the prior year quarter. Operating margin increased \$2.2 as the effect of lower customer usage was more than offset by favorable timing of gas cost recovery and the lower RSE adjustments. Depreciation and amortization expenses for the three months ended March 31, 2016 were comparable to the same period last year. Other operating expenses were \$1.0 lower, primarily due to lower employee costs related to lower than planned headcount. Net income during the three months ended March 31, 2016 increased \$1.8 from the same period last year,

primarily due to the factors discussed above.

Temperatures in Alagasco's service area during the three months ended March 31, 2016 were 27% warmer than the same period last year, and 20% warmer than normal. Alagasco's total system therms sold and transported were 188.6 million for the three months ended March 31, 2016, compared with 216.3 million for the same period last year.

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For further information on the GSA and RSE mechanisms, please see Note 1, Summary of Significant Accounting Policies, and Note 15, Regulatory Matters, of Alagasco's Annual Report on Form 10-K for the period ended September 30, 2015.

## SIX MONTHS ENDED MARCH 31, 2016

## 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<br>Utility | Gas<br>Marketing | Other   | Total   | Per<br>Diluted<br>Share<br>** |
|--|----------------|------------------|---------|---------|-------------------------------|
| Six Months Ended March 31, 2016  |                |                  |         |         |                               |
| Net Income (Loss) (GAAP)   | \$151.7        | \$ 3.8           | \$(7.8) | \$147.7 | \$ 3.39                       |
| Unrealized gain on energy-related derivatives*                                   | —              | (1.2 )           | —       | (1.2 )  | (0.03 )                       |
| Lower of cost or market inventory adjustments*                                   | —              | 0.5              | —       | 0.5     | 0.01                          |
| Realized gain on economic hedges prior<br>to the sale of the physical commodity* | —              | (0.4 )           | —       | (0.4 )  | (0.01 )                       |
| Acquisition, divestiture and restructuring activities*                           | 0.8            | —                | 1.2     | 2.0     | 0.05                          |
| Net Economic Earnings (Loss) (Non-GAAP)  | \$152.5        | \$ 2.7           | \$(6.6) | \$148.6 | \$ 3.41                       |
| Six Months Ended March 31, 2015  |                |                  |         |         |                               |
| Net Income (Loss) (GAAP)   | \$145.8        | \$ 2.5           | \$(6.8) | \$141.5 | \$ 3.26                       |
| Unrealized gain on energy-related derivatives*                                   | (0.1 )         | (0.3 )           | —       | (0.4 )  | (0.01 )                       |
| Lower of cost or market inventory adjustments*                                   | —              | 0.2              | —       | 0.2     | 0.01                          |
| Realized loss on economic hedges prior<br>to the sale of the physical commodity* | —              | 0.1              | —       | 0.1     | —                             |
| Acquisition, divestiture and restructuring activities*                           | 0.6            | —                | 1.3     | 1.9     | 0.05                          |
| Net Economic Earnings (Loss) (Non-GAAP)  | \$146.3        | \$ 2.5           | \$(5.5) | \$143.3 | \$ 3.31                       |

\* Amounts presented net of income taxes. Income taxes are calculated by applying federal, state, and local income tax rates applicable to ordinary income to the amounts of the pre-tax reconciling items.

\*\* 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 \$147.7 for the six months ended March 31, 2016, compared with \$141.5 for the six months ended March 31, 2015. Basic and diluted earnings per share for the six months ended March 31, 2016 were \$3.40 and \$3.39, respectively, compared with basic and diluted earnings per share of \$3.27 and \$3.26, respectively, for the six months ended March 31, 2015. Net income increased \$6.2, driven by higher operating income in both the Gas Utility and Gas Marketing segments, as described below. Similarly, net economic earnings were \$148.6 (\$3.41 per diluted share) for the six months ended March 31, 2016, up from \$143.3 (\$3.31 per diluted share) for the same period last year.

## Gas Utility

Gas Utility net income and net economic earnings increased by \$5.9 and \$6.2, respectively, for the six months ended March 31, 2016, compared with the six months ended March 31, 2015. As discussed in more detail below, the increase was primarily due to lower other operating expenses more than offsetting lower operating margin and higher income taxes.



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## Gas Marketing

The Gas Marketing segment reported GAAP net income totaling \$3.8, an increase of \$1.3 compared with the same period last year. Net economic earnings for the six months ended March 31, 2016 increased \$0.2 compared with the six months ended March 31, 2015. The increases in net income and net economic earnings were primarily attributable to an increase in operating margin, with the impact to net economic earnings relative to GAAP net income being partly offset by less favorable mark-to-market activity in the current year, as discussed below.

## Operating Revenues and Operating Expenses

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

|                                    | Gas<br>Utility | Gas<br>Marketing | Other   | Eliminations | Consolidated |
|------------------------------------|----------------|------------------|---------|--------------|--------------|
| Six Months Ended March 31,<br>2016 |                |                  |         |              |              |
| Operating revenues                 | \$1,012.2      | \$ 20.8          | \$1.7   | \$ (26.0 )   | \$ 1,008.7   |
| Natural and propane gas expense    | 434.9          | 11.4             | —       | (25.4 )      | 420.9        |
| Gross receipts tax expense         | 49.7           | 0.1              | —       | —            | 49.8         |
| Operating margin (non-GAAP)        | 527.6          | 9.3              | 1.7     | (0.6 )       | 538.0        |
| Depreciation and amortization      | 67.3           | —                | 0.3     | —            | 67.6         |
| Other operating expenses           | 208.9          | 3.0              | 4.4     | (0.6 )       | 215.7        |
| Operating income (loss) (GAAP)     | \$251.4        | \$ 6.3           | \$(3.0) | \$ —         | \$ 254.7     |

Six Months Ended March 31,  
2015

|                                 |           |          |         |            |            |
|---------------------------------|-----------|----------|---------|------------|------------|
| Operating revenues              | \$1,431.4 | \$ 106.3 | \$1.8   | \$ (42.5 ) | \$ 1,497.0 |
| Natural and propane gas expense | 828.9     | 99.1     | 0.2     | (42.0 )    | 886.2      |
| Gross receipts tax expense      | 71.0      | 0.1      | —       | —          | 71.1       |
| Operating margin (non-GAAP)     | 531.5     | 7.1      | 1.6     | (0.5 )     | 539.7      |
| Depreciation and amortization   | 64.2      | 0.2      | 0.3     | —          | 64.7       |
| Other operating expenses        | 224.1     | 2.7      | 3.7     | (0.5 )     | 230.0      |
| Operating income (loss) (GAAP)  | \$243.2   | \$ 4.2   | \$(2.4) | \$ —       | \$ 245.0   |

## Consolidated

Spire reported operating revenues of \$1,008.7 for the six months ended March 31, 2016 compared with \$1,497.0 for the same period last year. Spire's operating margin decreased \$1.7 for the six months ended March 31, 2016 compared with the same period last year due to lower Gas Utility operating margin offsetting higher Gas Marketing results, as discussed below. Depreciation and amortization expenses were \$67.6 for the six months ended March 31, 2016, compared with \$64.7 for the same period last year. Other operating expenses were \$215.7 for the six months ended March 31, 2016, compared with \$230.0 for the same period last year. The decrease was primarily due to lower operating expenses within the Missouri Utilities, as discussed below.

## Gas Utility

Operating Revenues – Gas Utility operating revenues for the six months ended March 31, 2016 were \$1,012.2, or \$419.2 less than the same period last year. The decrease in Gas Utility operating revenues was attributable to the following factors:

|  | Variance  |
|--|-----------|
| Lower wholesale gas costs passed on to customers                               | \$(234.5) |
| Lower system sales volumes   | (149.8 )  |
| Lower off-system sales and capacity release                                    | (24.5 )   |
| Lower gross receipts taxes (GRT)   | (22.3 )   |
| Alagasco – Lower Rate Stabilization and Equalization (RSE) revenue reduction   | 6.9       |
| Missouri Utilities – Higher Infrastructure System Replacement Surcharge (ISRS) | 6.5       |

|                  |           |
|------------------|-----------|
| Other variations | (1.5 )    |
| Total Variation  | \$(419.2) |

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As shown (and as discussed in more detail for the three months ended March 31, 2016 above), the decrease was primarily attributable to the decline in natural gas pricing, lower sales volumes due to warmer weather, and the related decrease in gross receipts taxes. These decreases were partially offset by higher ISRS charges within the Missouri Utilities and lower RSE adjustments at Alagasco.

Operating Margin – Gas Utility operating margin was \$527.6 for the six months ended March 31, 2016, a \$3.9 decrease over the same period last year. The decrease was attributable to the following factors:

|  | Variance   |
|--|------------|
| Lower system sales volumes   | \$ (29.1 ) |
| Alagasco – Lower Rate Stabilization and Equalization (RSE) revenue reduction   | 6.9        |
| Missouri Utilities – Higher Infrastructure System Replacement Surcharge (ISRS) | 6.5        |
| Other variations, including timing of gas cost recoveries                      | 11.8       |
| Total Variation  | \$ (3.9 )  |

The decrease was primarily attributable to lower system volumes due to the warmer weather. The favorable impacts of the timing of gas cost recoveries, Alagasco's lower RSE adjustments, and the Missouri Utilities' ISRS charges mitigated the negative volume impact. Since gas costs and GRT are passed through to customers, their impact on operating margin is minimal.

Operating Expenses – Depreciation and amortization expenses for the six months ended March 31, 2016 increased \$3.1 from the same period last year due to the increased capital investments over the past year. Other operating expenses for the six months ended March 31, 2016 decreased \$15.2 from last year, partially attributable to the warmer weather, with lower employee-related expenses at both the Missouri and Alabama Utilities and lower bad debt expense in the current year.

**Gas Marketing**

Operating Revenues – Gas Marketing operating revenues during the six months ended March 31, 2016 decreased \$85.5 from the same period last year due to lower average pricing in the current year, combined with lower regional basis differentials. Overall commodity pricing in the current year is \$1.40/MMBtu below the prior year. The prior year period also included a \$1.8 higher benefit from mark-to-market impact on derivatives.

Operating Margin – Gas Marketing operating margin during the six months ended March 31, 2016 increased \$2.2 from the same period last year. The increase in operating margin is primarily due to the net favorable impact of storage services in the second quarter of this year, partially offset by the effects of current market conditions (tighter basis differentials and lower price volatility).

**Interest Charges**

Consolidated interest charges during the six months ended March 31, 2016 are flat from the same period last year. Interest expense reductions from the refinancing of \$115.0 in Alagasco long-term debt in September and December of 2015 were offset by higher charges on short-term borrowings. For the six months ended March 31, 2016 and 2015, average short-term borrowings were \$360.2 and \$358.0, respectively, and the average interest rates on these borrowings were 0.9% and 0.6%, respectively.

**Income Taxes**

Consolidated income tax expense during the six months ended March 31, 2016 increased \$3.6 from the same period last year primarily as a result of higher pre-tax book income.



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## LACLEDE GAS

| (\$ Millions)                   | Six Months<br>Ended March 31, |           |
|---------------------------------|-------------------------------|-----------|
|                                 | 2016                          | 2015      |
| Operating revenues              | \$763.9                       | \$1,078.1 |
| Natural and propane gas expense | 392.6                         | 686.1     |
| Gross receipts tax expense      | 38.2                          | 54.4      |
| Operating margin (non-GAAP)     | 333.1                         | 337.6     |
| Depreciation and amortization   | 43.7                          | 40.7      |
| Other operating expenses        | 137.3                         | 151.5     |
| Operating income (GAAP)         | \$152.1                       | \$145.4   |
| Net Income                      | \$93.7                        | \$88.9    |

Operating revenues during the six months ended March 31, 2016 decreased \$314.2 from the same period last year primarily due to \$183.7 lower wholesale gas costs passed on to customers, a \$93.9 volume decrease related to the current year warmer weather, \$24.5 lower off-system sales and capacity release and lower gross receipts tax collections of \$17.2. These impacts were only slightly offset by ISRS charges totaling \$6.5. Operating margin decreased \$4.5 primarily due to lower volume, offset partly by higher ISRS charges. Other operating expenses during the six months ended March 31, 2016 decreased \$14.2 from the same period last year, partly offset by higher depreciation. The decrease in other operating expenses were driven by lower employee-related costs and lower bad debts. Income tax expense in the current year increased \$1.8 due to higher pre-tax book income. Net income increased \$4.8, primarily due to the factors discussed above.

Temperatures in Laclede Gas' service areas during the six months ended March 31, 2016 were 22.0% warmer than the same period last year, resulting in lower gas usage and operating revenues on a year-over-year comparative basis, and 20% warmer than normal. The Missouri Utilities' total system therms sold and transported were 1,253.2 million for the six months ended March 31, 2016, compared with 1,495.9 million for the same period last year, including a 10.6 decrease in off-system sales. Total off-system therms sold and transported were 164.5 million for the six months ended March 31, 2016, compared with 175.1 million for the same period last year.

## ALAGASCO

| (\$ Millions)                 | Six Months<br>Ended<br>March 31, |         |
|-------------------------------|----------------------------------|---------|
|                               | 2016                             | 2015    |
| Operating revenues            | \$248.3                          | \$353.3 |
| Natural gas expense           | 42.3                             | 142.8   |
| Gross receipts tax expense    | 11.5                             | 16.6    |
| Operating margin (non-GAAP)   | 194.5                            | 193.9   |
| Depreciation and amortization | 23.6                             | 23.5    |
| Other operating expenses      | 71.6                             | 72.6    |
| Operating income (GAAP)       | \$99.3                           | \$97.8  |
| Net Income                    | \$58.0                           | \$56.9  |

Operating revenues for the six months ended March 31, 2016 decreased \$105.0 from the same period last year. The primary drivers were the impact of lower cycle customer usage of \$55.9 due to the warmer weather experienced in the current year, lower natural gas prices passed onto customers of \$50.8, lower gross receipts taxes of \$5.1, offset partly by RSE adjustments. Operating margin increased \$0.6 versus the prior period due to RSE adjustments offsetting the impacts of the lower volume. Other operating expenses for the six months ended March 31, 2016 decreased \$1.0 from the same period last year primarily driven by decreases in labor and employee-related expenses. Net income during the six months ended March 31, 2016 increased \$1.1 from the same period last year, primarily due to the factors discussed above.

Temperatures in Alagasco's service area during the six months ended March 31, 2016 were 34% warmer than the same period last year, and 24% warmer than normal. Alagasco's total system therms sold and transported were 482.4 million for the six months ended March 31, 2016, compared with 540.0 million for the same period last year. For further information on the GSA and RSE mechanisms, please see Note 1, Summary of Significant Accounting Policies, and Note 3, Regulatory Matters, of Alagasco's Annual Report on Form 10-K for the year ended September 30, 2015.

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## REGULATORY AND OTHER MATTERS

Please see the Environmental Matters section for information relative to environmental matters. Spire, Laclede Gas and Alagasco are involved in other litigation, claims, and investigations arising in the normal course of business. Management, after discussion with counsel, believes that the final outcomes of these matters will not have a material effect on the consolidated financial position, results of operations, or cash flows of the Company, Laclede Gas or Alagasco.

## Laclede Gas

On November 12, 2015, the MoPSC approved an incremental ISRS amount of \$4.4 for Laclede Gas' eastern Missouri service territory and \$1.9 for MGE, effective December 1, 2015, bringing total annualized ISRS revenue to \$19.6 for Laclede Gas' eastern Missouri service territory and \$6.7 for MGE's service territory. On January 15, 2016, the Missouri Office of the Public Counsel filed an appeal to Missouri's Western District Court of Appeals of the Commission's decision permitting Laclede Gas to update its ISRS applications during the pendency of the case. Laclede Gas believes the Commission's decision was lawful and reasonable, and intends to vigorously oppose the appeal. On February 1, the Missouri Utilities filed to increase their ISRS revenues related to investments from September 2015 through February 2016. On April 1, 2016, the MoPSC staff filed recommendations that supported an incremental increase of \$5.4 for Laclede Gas' eastern Missouri service territory and \$3.6 for MGE, with an effective date no earlier than May 23, 2016. On April 11, 2016, the Missouri Office of the Public Counsel filed a motion for evidentiary hearing for issues and arguments the same or similar to the appeal.

On October 28, 2015, Laclede Gas' eastern Missouri service territory and MGE both filed for PGA reductions that were approved and became effective November 6, 2015, which decreased the average residential customers' bill by 9% and 5%, respectively. On March 4, 2016, Laclede Gas' eastern Missouri service territory and MGE both filed for PGA reductions that were approved and became effective March 21, 2016, which decreased the average residential customers' bill by 3.5% and 3.3%, respectively.

Laclede Gas had authority from the MoPSC to issue long-term debt securities and preferred stock, including on a private placement basis, as well as to issue common stock, receive paid-in capital, and enter into capital lease agreements, all for a total of up to \$518.0. This authority was scheduled to expire, so Laclede Gas filed for a new financing authorization in the amount of \$550.0. On February 10, 2016, the MoPSC issued an order authorizing Laclede Gas long-term financing authority for \$300.0 for financings placed any time before September 30, 2018. Laclede Gas filed an application for rehearing, which was denied on March 9, 2016. On March 31, 2016, Laclede Gas filed an appeal with the Western District Court of Appeals to reconsider the level of authority.

On April 26, 2016, the Office of Public Counsel (OPC) filed a complaint to address whether the gas rates of the Missouri Utilities are just and reasonable. The OPC alleged that the Missouri Utilities were overearning based on an unadjusted return on equity for fiscal 2015. We believe that complaint lacks merit and is flawed in several respects, and we will vigorously defend our position that our rates are just and reasonable.

## Alagasco

Alagasco is subject to regulation by the APSC which established the Rate Stabilization and Equalization (RSE) rate-setting process in 1983 (see the 2015 Form 10-K for more detail). Reductions in rates can be made quarterly to bring the projected return within the allowed range; increases, however, are allowed only once each rate year, effective December 1, and cannot exceed 4% of prior-year revenues. The quarterly point of test reductions from rate year 2015 went into effect October 1, 2015 for \$4.4 and December 1, 2015 for \$12.2. Alagasco filed a \$4.6 reduction for rate year 2016, effective December 1, 2015. There was no RSE reduction for the January 31, 2016 quarterly point of test. As of March 31, 2016, Alagasco recorded an estimated \$5.5 RSE reduction to operating revenues to bring the expected rate of return on average common equity at the end of the year to within the allowed range of return. The inflation-based Cost Control Mechanism (CCM), established by the APSC, allows for annual increases to operations and maintenance (O&M) expense, with savings below a defined level shared 50/50 with the customer and three-quarters of costs above a defined level returned to customers (see the 2015 Form 10-K for more detail). A CCM benefit to the company for such cost saving of \$4.7 related to, and accrued in, fiscal 2015 went into rates effective December 1, 2015.

On June 28, 2010, the APSC approved a reduction in depreciation rates, effective June 1, 2010, and a regulatory liability set up for Alagasco. Refunds from such will be passed back to eligible customers on a declining basis through rate year 2019 pursuant to the terms of this Negative Salvage Rebalancing (NSR) rider (see the 2015 Form 10-K for more detail). Through March 31, 2016, \$7.6 of the customer refund has been returned to customers, and \$19.4 is remaining to be refunded to customers.

Alagasco's rate schedules for natural gas distribution charges contain a Gas Supply Adjustment (GSA) rider, established in 1993, which permits the pass-through to customers of changes in the cost of gas supply. Alagasco's tariff provides a Temperature Adjustment Rider mechanism, also included in the GSA, which is designed to moderate the impact of departures from normal

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temperatures on Alagasco's earnings (see the 2015 Form 10-K for more detail). Effective December 1, 2015, adjustments to the GSA will provide customers a refund of approximately \$13.0 on an annualized basis. As of March 31, 2016, a \$23.9 temperature adjustment has been booked to the GSA account to reflect actual weather that has been 23.8% warmer than normal.

On March 25, 2016, Alagasco filed an application with the APSC for an intercompany revolving credit agreement allowing Alagasco to borrow from Spire in a principal amount not to exceed \$200.0 at any time outstanding in combination with its bank line of credit, and to loan to Spire in a principal amount not to exceed \$25.0 at any time outstanding. Borrowings may be used for the following purposes: (a) increasing working capital requirements; (b) financing construction requirements related to additions, extensions, and replacements of the distribution systems; and (c) financing other expenditures that may arise from time to time in the normal course of business. The application was approved by APSC order dated April 5, 2016.

### CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition, results of operations, liquidity, and capital resources is based upon our financial statements, which have been prepared in accordance with GAAP. GAAP requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our critical accounting policies used in the preparation of our financial statements are described in Item 7 of the Company's, Laclede Gas' and Alagasco's Annual Reports on Form 10-K for the fiscal year ended September 30, 2015 and include the following:

- Regulatory accounting,
- Employee benefits and postretirement obligations,
- Revenue recognition, and
- Asset retirement obligations.

Additionally, goodwill is a critical accounting policy also included in the Company's and Laclede Gas' Annual Reports on Form 10-K for the fiscal year ended September 30, 2015.

There were no significant changes to these critical accounting policies during the three months ended March 31, 2016. For discussion of other significant accounting policies, see Note 1 of the Notes to Financial Statements included in this Form 10-Q as well as Note 1 of the Notes to Financial Statements included in the Company's, Laclede Gas', and Alagasco's Annual Reports on Form 10-K for the fiscal year ended September 30, 2015.

### ACCOUNTING PRONOUNCEMENTS

The Company, Laclede Gas and Alagasco have evaluated or are in the process of evaluating the impact that recently issued accounting standards will have on the companies' financial position or results of operations upon adoption. For disclosures related to the adoption of new accounting standards, see the New Accounting Pronouncements section of Note 1 of the Notes to Financial Statements.

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## FINANCIAL CONDITION

## Cash Flows

## Spire

The Company's short-term borrowing requirements typically peak during colder months when the Utilities borrow money to cover the lag between purchases of natural gas and customer payments for that gas. Changes in the wholesale cost of natural gas (including cash payments for margin deposits associated with the Missouri Utilities' use of natural gas derivative instruments), variations in the timing of collections of gas cost under the Missouri Utilities' PGA clauses and Alagasco's GSA rider, the seasonality of accounts receivable balances, and the utilization of storage gas inventories cause short-term cash requirements to vary during the year and from year to year, and can cause significant variations in the Utilities' cash provided by or used in operating activities.

|   | Six Months<br>Ended<br>March 31, |          |
|---|----------------------------------|----------|
| Cash Flow Summary                         | 2016                             | 2015     |
| Net cash provided by operating activities | \$243.0                          | \$279.9  |
| Net cash used in investing activities     | (122.5 )                         | (138.5 ) |
| Net cash used in financing activities     | (125.6 )                         | (110.6 ) |

Net cash provided by operating activities was \$243.0 for the six months ended March 31, 2016, compared with \$279.9 for the six months ended March 31, 2015. The change is primarily due to fluctuations in working capital, as mentioned above, largely driven by the relative weather conditions during the periods.

For the six months ended March 31, 2016, net cash used in investing activities was \$16.0 lower than the same period in the prior year, primarily as a result of an \$8.6 payment last year for the final reconciliation amount associated with the Alagasco acquisition. Capital expenditures, which were slightly lower in the first half of fiscal 2016 than in the first half of fiscal 2015, are expected to total approximately \$320 for the year ending September 30, 2016.

For the six months ended March 31, 2016, net cash used in financing activities was \$15.0 higher than for the six months ended March 31, 2015. This change primarily reflects an increase in short-term borrowing repayments and an increase in dividends paid.

## LIQUIDITY AND CAPITAL RESOURCES

## Cash and Cash Equivalents

None of Spire, Laclede Gas, or Alagasco had any short-term investments as of or in the six months ended March 31, 2016.

Bank deposits were used to support working capital needs of the business.

## Short-term Debt

The Utilities' short-term borrowing requirements typically peak during the colder months. These short-term cash requirements can be met through the sale of commercial paper supported by lines of credit with banks or through direct use of the lines of credit. At March 31, 2016, Laclede Gas had a syndicated line of credit of \$450.0 in place with nine banks that matures on September 3, 2019. The largest portion provided by a single bank under the line is 15.6%.

The Laclede Gas line of credit includes a covenant limiting total debt, including short-term debt, to no more than 70% of total capitalization. As defined in the line of credit, total debt was 47% of total capitalization on March 31, 2016.

On September 2, 2014, Alagasco entered into a \$150.0 syndicated line of credit with twelve banks and extinguished the line that was in place prior to its acquisition by Spire. The largest portion provided by a single bank is 10%. The line of credit, which matures on September 2, 2019, has a covenant limiting total debt to 70% of Alagasco's total capital. As defined in the line of credit, total debt was 25% of total capitalization on March 31, 2016.

Short-term cash requirements outside of the Utilities have generally been funded by internally generated funds or borrowings by Spire under its \$150.0 syndicated line of credit with nine banks maturing on September 3, 2019, with the largest portion provided by a single bank being 15.6%. The line of credit has a covenant limiting the total consolidated debt of Spire to no more than 70% of its total consolidated capitalization. As defined in the line of credit, this ratio stood at 56% on March 31, 2016.



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## Spire

Information about Spire's consolidated short-term borrowings (excluding any current portion of long-term debt) during the six months ended March 31, 2016 and as of March 31, 2016, is presented below:

|   | Spire<br>Bank Line<br>Borrowings | Laclede Gas<br>Short-Term<br>Borrowings | Alagasco<br>Bank Line<br>Borrowings | Total<br>Short-Term<br>Borrowings |
|---|----------------------------------|---|-------------------------------------|-----------------------------------|
| Six Months Ended March 31, 2016         |                                  |   |                                     |                                   |
| Weighted average borrowings outstanding | \$62.8                           | \$258.7                                 | \$38.7                              | \$360.2                           |
| Weighted average interest rate          | 1.6%                             | 0.6%                                    | 1.4%                                | 0.9%                              |
| Range of borrowings outstanding         | \$42.0 – \$74.0                  | \$159.2 – \$307.2                       | \$19.0 – \$61.0                     | \$253.6 – \$427.2                 |
| As of March 31, 2016                    |                                  |   |                                     |                                   |
| Borrowings outstanding at end of period | \$43.0                           | \$169.6                                 | \$41.0                              | \$253.6                           |
| Weighted average interest rate          | 1.7%                             | 0.8%                                    | 1.5%                                | 1.1%                              |

Based on average short-term borrowings for the six months ended March 31, 2016, an increase in the average interest rate of 100 basis points would decrease the Company's pre-tax earnings and cash flows by approximately \$3.6 on an annual basis, portions of which may be offset through the application of PGA carrying costs.

## Long-term Debt and Equity

## Spire

At March 31, 2016, excluding unamortized discounts and net hedging gains, Spire had fixed-rate long-term debt totaling \$1,603.8 and floating rate debt totaling \$250.0, of which \$810.0 was issued by Laclede Gas and \$250.0 was issued by Alagasco. With the exception of the \$250.0 floating rate senior notes issued by Spire in August 2014, the long-term debt issues are fixed-rate and are subject to changes in their fair value as market interest rates change. However, increases or decreases in fair value would impact earnings and cash flows only if the Company were to reacquire any of these issues in the open market prior to maturity. Under GAAP applicable to the Utilities' regulated operations, losses or gains on early redemptions of long-term debt have been deferred as regulatory assets or regulatory liabilities and amortized over a future period. Of the Company's \$1,710.0 senior long-term debt, \$25.0 has no call options, \$710.0 has make-whole call options, \$725.0 is callable at par one to six months prior to maturity and \$250.0 is callable at par one year prior to maturity. The remainder of the Company's long-term debt is \$143.8 of junior subordinated notes associated with its equity units. None of the debt has any put options.

Spire has a shelf registration statement on Form S-3 on file with the SEC for the issuance and sale of up to 168,698 shares of its common stock under its Dividend Reinvestment and Direct Stock Purchase Plan. There were 117,339 and 112,596 shares at March 31, 2016 and April 30, 2016, respectively, remaining available for issuance under its Form S-3. Spire also has a shelf registration statement on Form S-3 on file with the SEC for the issuance of equity and debt securities, which expires August 6, 2016. The amount, timing, and type of additional financing to be issued under this shelf registration will depend on cash requirements and market conditions.

Consolidated capitalization at March 31, 2016 consisted of 47.6% of Spire common stock equity and 52.4% of long-term debt, compared to 47.0% of Spire common stock equity and 53.0% of long-term debt at September 30, 2015.

## Laclede Gas

Of Laclede Gas' \$810.0 in long-term debt, \$25.0 has no call option, \$435.0 has make-whole call options, and \$350.0 are callable at par one to six months prior to maturity. None of the debt has any put options.

Laclede Gas has authority from the MoPSC to issue debt securities and preferred stock, including on a private placement basis, as well as to issue common stock, receive paid-in capital, and enter into capital lease agreements, all for a total of up to \$300.0, through September 30, 2018. This authority became effective March 11, 2016, but is under appeal by Laclede Gas, as discussed under Regulatory and Other Matters above. Laclede Gas has not issued securities under this new authorization.

Laclede Gas has a shelf registration on Form S-3 on file with the SEC for issuance of first mortgage bonds, unsecured debt, and preferred stock, which expires August 6, 2016. The amount, timing, and type of additional financing to be issued under this shelf registration will depend on cash requirements and market conditions, as well as future MoPSC



authorizations.

Laclede Gas capitalization at March 31, 2016 consisted of 57.4% of common stock equity and 42.6% of long-term debt compared to 56.2% of common stock equity and 43.8% of long-term debt at September 30, 2015.

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### Alagasco

All of Alagasco's \$250.0 long-term debt issues have make-whole call options. None of the debt has any put options. Alagasco has no standing authority to issue long-term debt and must petition the APSC for each planned issuance. On February 3, 2015, Alagasco received authorization and approval from the APSC to borrow \$80.0 for the purpose of refinancing \$80.0 of existing debt scheduled to mature on December 1, 2015. Pursuant to this authorization and an earlier authorization for a \$35.0 debt issuance, Alagasco entered into a master note purchase agreement on June 5, 2015 with certain institutional purchasers pursuant to which Alagasco committed to issue \$115.0 unsecured notes in the private placement market: \$35.0 at a rate of 3.21% for 10 years which settled on September 15, 2015, and \$80.0 at a rate of 4.31% for 30 years which settled on December 1, 2015. Alagasco used the net proceeds of the private placements to refinance existing indebtedness and for general corporate purchases.

Alagasco's capitalization at March 31, 2016 consisted of 78.0% of common stock equity and 22.0% of long-term debt compared to 83.7% of common stock equity and 16.3% of long-term debt at September 30, 2015.

The Company's, Laclede Gas' and Alagasco's access to capital markets, including the commercial paper market, and their respective financing costs, may depend on the credit rating of the entity that is accessing the capital markets. The credit ratings of the Company, Laclede Gas and Alagasco are considered to be investment grade, but are subject to review and change by the rating agencies.

It is management's view that the Company, Laclede Gas, and Alagasco have adequate access to capital markets and will have sufficient capital resources, both internal and external, to meet anticipated capital requirements, which primarily include capital expenditures, interest payments of long-term debt, scheduled maturities of long-term debt, short-term seasonal needs, and dividends.

### CONTRACTUAL OBLIGATIONS

During the six months ended March 31, 2016, there were no material changes outside the ordinary course of business to the estimated contractual obligations from the disclosure provided in the Company's, Laclede Gas' and Alagasco's Form 10-K for the period ended September 30, 2015.

### MARKET RISK

There were no material changes in the Company's commodity price risk or counterparty credit risk as of March 31, 2016 relative to the corresponding information provided as of September 30, 2015 in the Company's Annual Report on Form 10-K.

During the second quarter of fiscal 2016, Spire entered into five-year interest rate swap transactions with a fixed interest rate of 1.776% and a notional amount of \$105.0 to protect itself against adverse movement in interest rates in anticipation of the issuance of long-term debt in 2017. As a result, a \$1.8 mark-to-market loss was recognized for the quarter ended March 31, 2016.

The fair values of related derivative instruments are shown in Note 5, Fair Value Measurements, and information on concentrations of credit risk, including how LER manages these risks, is included in Note 6, Concentrations of Credit Risk, of the Notes to Financial Statements under Item 1. Information about the Company's short-term and long-term debt is included under the heading "Liquidity and Capital Resources" in this Item 2.

### ENVIRONMENTAL MATTERS

The Missouri Utilities and Alagasco 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, Laclede Gas' or Alagasco's financial position and results of operations. As environmental laws, regulations, and their interpretations change, however, Laclede Gas and Alagasco may be required to incur additional costs. For information relative to environmental matters, see Note 9, Commitments and Contingencies, of the Notes to Financial Statements included in Item 1.



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OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2016, the Company had no off-balance-sheet financing arrangements, other than operating leases entered into in the ordinary course of business. The Company does not expect to engage in any significant off-balance-sheet financing arrangements in the near future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For this discussion, see Part I., Item 2., Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk.

Item 4. Controls and Procedures

Spire

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Laclede Gas

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. There were no changes in Laclede Gas' internal control over financial reporting that occurred during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, Laclede Gas' internal control over financial reporting.

Alagasco

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. There were no changes in Alagasco's internal control over financial reporting that occurred during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, Alagasco's internal control over financial reporting.

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## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

For a description of environmental matters and legal proceedings, see [Note 9](#), Commitments and Contingencies, of the Notes to Financial Statements in Item 1 of Part 1. For a description of pending regulatory matters, see [Note 3](#), Regulatory Matters.

The registrants are involved in litigation, claims and investigations arising in the normal course of business. Management, after discussion with counsel, believes that the final outcomes of these matters will not have a material effect on any registrant's financial position or results of operations reflected in the financial statements presented herein.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2016, the only repurchases of Spire's common stock were pursuant to elections by employees to have shares of stock withheld to cover employee tax withholding obligations upon the vesting of performance-based and time-vested restricted stock and stock units. The following table provides information on those repurchases.

| Period                               | Total No. of Shares Purchased | Average Price Paid Per Share | Total No. of Shares Purchased as Part of Publicly Announced Plans | Maximum No. of Shares that May Yet be Purchased Under the Plans |
|--------------------------------------|-------------------------------|------------------------------|---|---|
| January 1, 2016 - January 31, 2016   | 144                           | \$59.015                     | —   | —   |
| February 1, 2016 - February 29, 2016 | —                             | \$—                          | —   | —   |
| March 1, 2016 - March 31, 2016       | —                             | \$—                          | —   | —   |
| Total                                | 144                           |                              | —   | —   |

Laclede Gas' outstanding first mortgage bonds contain restrictions on its ability to pay cash dividends on its common stock. As of March 31, 2016, all of Laclede Gas' retained earnings were free from such restrictions.

## Item 6. Exhibits

See [Exhibit Index](#).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Spire Inc.

Date: May 4, 2016 By: /s/ Steven P. Rasche  
Steven P. Rasche  
Executive Vice President,  
Chief Financial Officer  
(Authorized Signatory and  
Principal Financial Officer)

Laclede Gas Company

Date: May 4, 2016 By: /s/ Steven P. Rasche  
Steven P. Rasche  
Chief Financial Officer  
(Authorized Signatory and  
Principal Financial Officer)

Alabama Gas Corporation

Date: May 4, 2016 By: /s/ Steven P. Rasche  
Steven P. Rasche  
Chief Financial Officer  
(Authorized Signatory and  
Principal Financial Officer)

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## EXHIBIT INDEX

| Exhibit No. | Description  |
|-------------|--|
| 3.1*        | Articles of Incorporation of Spire Inc., as amended, effective as of April 28, 2016; filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 3, 2016. |
| 3.2*        | Bylaws of Spire Inc., as amended, effective as of April 28, 2016; filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed May 3, 2016.                    |
| 31.1        | CEO and CFO Certifications under Exchange Act Rule 13a-14(a) of Spire Inc.   |
| 31.2        | CEO and CFO Certifications under Exchange Act Rule 13a-14(a) of Laclede Gas Company.   |
| 31.3        | CEO and CFO Certifications under Exchange Act Rule 13a-14(a) of Alabama Gas Corporation.   |
| 32.1        | CEO and CFO Section 1350 Certifications of Spire Inc.  |
| 32.2        | CEO and CFO Section 1350 Certifications of Laclede Gas Company.  |
| 32.3        | CEO and CFO Section 1350 Certifications of Alabama Gas Corporation.  |
| 101.INS     | XBRL Instance Document. (1)  |
| 101.SCH     | XBRL Taxonomy Extension Schema. (1)  |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase. (1)  |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase. (1)   |
| 101.LAB     | XBRL Taxonomy Extension Label Linkbase. (1)  |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase. (1)   |

(1) Attached as Exhibit 101 to this Quarterly Report are the following documents for each registrant formatted in extensible business reporting language (XBRL): (i) Document and Entity Information; (ii) unaudited Condensed Consolidated Statements of Income and Condensed Statements of Income for the three and six months ended March 31, 2016 and 2015; (iii) unaudited Consolidated Statements of Comprehensive Income and Statements of Comprehensive Income for the three and six months ended March 31, 2016 and 2015; (iv) unaudited Condensed Consolidated Balance Sheets and Condensed Balance Sheets at March 31, 2016, September 30, 2015 and March 31, 2015; (v) unaudited Consolidated Statements of Common Shareholders' Equity and Statements of Common Shareholder's Equity for the six months ended March 31, 2016 and 2015; (vi) unaudited Condensed Consolidated Statements of Cash Flows and Condensed Statements of Cash Flows for the six months ended March 31, 2016 and 2015, and (vii) combined Notes to Financial Statements. We also make available on our website the Interactive Data Files submitted as Exhibit 101 to this Quarterly Report.

\* Incorporated herein by reference and made a part hereof. The Company File No. 1-16681. Laclede Gas File No. 1-1822. Alagasco file No. 2-38960.