SPIRE INC
Form 10-Q
August 03, 2016

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

FORM 10-Q

QUARTERLY REPORT

For the Quarterly Period Ended June 30, 2016

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

FORM 10-Q
(Mark One)

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the Quarter Ended June 30, 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. 700 Market Street St. Louis, MO 63101 Telephone Number 314-342-0500	Missouri	74-2976504
1-1822	Laclede Gas Company 700 Market Street St. Louis, MO 63101 Telephone Number 314-342-0500	Missouri	43-0368139
2-38960	Alabama Gas Corporation 2101 6th Avenue North Birmingham, Alabama 35203 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 [ ]

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 accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting 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 July 29, 2016 was as follows:

Spire Inc.	Common Stock, par value $1.00 per share	45,640,580
Laclede Gas Company	Common Stock, par value $1.00 per share (all owned by Spire Inc.)	24,577
Alabama Gas Corporation	Common Stock, par value $0.01 per share (all owned by Spire Inc.)	1,972,052

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

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

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GLOSSARY OF KEY TERMS AND ABBREVIATIONS

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

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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 June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Operating Revenues:				
Gas Utility	$253.2	$260.2	$1,263.5	$1,688.6
Gas Marketing and other	(3.9)	15.0	(5.5)	83.6
Total Operating Revenues	249.3	275.2	1,258.0	1,772.2
Operating Expenses:				
Gas Utility				
Natural and propane gas	54.1	57.7	463.7	844.8
Other operation and maintenance expenses	91.8	90.6	277.7	291.5
Depreciation and amortization	34.2	32.5	101.5	96.7
Taxes, other than income taxes	27.4	26.2	99.5	119.9
Total Gas Utility Operating Expenses	207.5	207.0	942.4	1,352.9
Gas Marketing and other	6.5	32.2	25.6	138.3
Total Operating Expenses	214.0	239.2	968.0	1,491.2
Operating Income	35.3	36.0	290.0	281.0
Other Income	1.6	0.5	3.8	2.6
Interest Charges:				
Interest on long-term debt	16.6	16.3	50.2	50.0
Other interest charges	2.8	1.5	7.5	6.1
Total Interest Charges	19.4	17.8	57.7	56.1
Income Before Income Taxes	17.5	18.7	236.1	227.5
Income Tax Expense	6.8	4.6	77.7	71.9
Net Income	$10.7	$14.1	$158.4	$155.6
Weighted Average Number of Common Shares Outstanding:				
Basic	44.4	43.2	43.6	43.1
Diluted	44.6	43.3	43.8	43.2
Basic Earnings Per Share of Common Stock	$0.24	$0.32	$3.62	$3.59
Diluted Earnings Per Share of Common Stock	$0.24	$0.32	$3.60	$3.59
Dividends Declared Per Share of Common Stock	$0.49	$0.46	$1.47	$1.38

See the accompanying Notes to Financial Statements.

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SPIRE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In Millions)	Three Months Ended June 30, 2016	2015	Nine Months Ended June 30, 2016	2015
Net Income	$10.7	$14.1	$158.4	$155.6
Other Comprehensive (Loss) Income, Before Tax:				
Cash flow hedging derivative instruments:				
Net hedging (losses) gains arising during the period	(4.3)	0.3	(5.6)	(6.2)
Reclassification adjustment for (gains) losses included in net income	(1.5)	1.3	0.2	3.5
Net unrealized (losses) gains on cash flow hedging derivative instruments	(5.8)	1.6	(5.4)	(2.7)
Net defined benefit pension and other postretirement plans	—	0.1	0.1	0.3
Other Comprehensive (Loss) Income, Before Tax	(5.8)	1.7	(5.3)	(2.4)
Income Tax (Benefit) Expense Related to Items of Other Comprehensive Income	(2.2)	0.7	(2.0)	(0.9)
Other Comprehensive (Loss) Income, Net of Tax	(3.6)	1.0	(3.3)	(1.5)
Comprehensive Income	$7.1	$15.1	$155.1	$154.1

See the accompanying Notes to Financial Statements.

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SPIRE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in Millions, Except Per Share Amounts)	June 30, 2016	September 30, 2015	June 30, 2015
ASSETS			
Utility Plant	$4,339.5	$4,234.5	$4,108.4
Less: Accumulated depreciation and amortization	1,311.5	1,307.0	1,239.1
Net Utility Plant	3,028.0	2,927.5	2,869.3
Non-utility Property (net of accumulated depreciation and amortization of $7.9, $7.5 and $7.4 at June 30, 2016, September 30, 2015, and June 30, 2015, respectively)	13.8	13.7	12.2
Goodwill	946.0	946.0	946.0
Other Investments	62.4	59.9	63.1
Total Other Property and Investments	1,022.2	1,019.6	1,021.3
Current Assets:			
Cash and cash equivalents	4.9	13.8	5.7
Accounts receivable:			
Utility	133.1	138.1	139.7
Other	82.7	86.7	86.7
Allowance for doubtful accounts	(20.2)	(14.2)	(15.7)
Delayed customer billings	3.5	2.6	21.9
Inventories:			
Natural gas	116.6	188.6	136.7
Propane gas	12.0	12.0	12.0
Materials and supplies	15.3	14.8	14.6
Natural gas receivable	17.5	17.3	19.8
Derivative instrument assets	9.0	4.6	3.6
Unamortized purchased gas adjustments	5.4	12.9	—
Other regulatory assets	37.5	27.6	27.0
Prepayments and other	36.1	25.3	31.0
Total Current Assets	453.4	530.1	483.0
Deferred Charges:			
Regulatory assets	730.7	737.6	644.6
Other	76.6	75.4	64.7
Total Deferred Charges	807.3	813.0	709.3
Total Assets	$5,310.9	$5,290.2	$5,082.9

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

	June 30, 2016	September 30, 2015	June 30, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock (par value $1.00 per share; 70.0 million shares authorized; 45.6 million and 43.3 million shares issued and outstanding at June 30, 2016 and for both September 30, 2015 and June 30, 2015, respectively)	$45.6	$43.3	$43.3
Paid-in capital	1,173.5	1,038.1	1,035.6
Retained earnings	588.6	494.2	532.9
Accumulated other comprehensive loss	(5.3)	(2.0)	(3.2)
Total Common Stock Equity	1,802.4	1,573.6	1,608.6
Long-term debt (less current portion)	1,851.7	1,771.5	1,736.4
Total Capitalization	3,654.1	3,345.1	3,345.0
Current Liabilities:			
Current portion of long-term debt	—	80.0	80.0
Notes payable	97.6	338.0	211.4
Accounts payable	135.8	146.5	148.1
Advance customer billings	53.0	44.3	12.9
Wages and compensation accrued	36.5	32.7	30.5
Dividends payable	22.3	21.1	20.9
Customer deposits	31.9	32.1	34.2
Interest accrued	19.7	14.3	19.4
Taxes accrued	41.4	51.7	45.0
Unamortized purchased gas adjustments	—	28.2	52.3
Other regulatory liabilities	22.4	32.4	29.4
Other	31.2	32.5	36.3
Total Current Liabilities	491.8	853.8	720.4
Deferred Credits and Other Liabilities:			
Deferred income taxes	574.1	482.1	487.7
Pension and postretirement benefit costs	246.9	253.4	233.3
Asset retirement obligations	164.6	159.2	102.7
Regulatory liabilities	105.7	119.3	114.9
Other	73.7	77.3	78.9
Total Deferred Credits and Other Liabilities	1,165.0	1,091.3	1,017.5
Commitments and Contingencies (Note 9)			
Total Capitalization and Liabilities	$5,310.9	$5,290.2	$5,082.9

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 Outstanding Shares	Common Stock Outstanding Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2014	43,178,405	$ 43.2	$ 1,029.4	$ 437.5	$ (1.7)	$ 1,508.4
Net income	—	—	—	155.6	—	155.6
Dividend reinvestment plan	6,999	—	1.2	—	—	1.2
Stock-based compensation costs	—	—	1.4	—	—	1.4
Equity Incentive Plan	131,409	0.1	3.0	—	—	3.1
Tax benefit – stock compensation	—	—	0.6	—	—	0.6
Dividends declared:						
Common stock	—	—	—	(60.2)	—	(60.2)
Other comprehensive loss, net of tax	—	—	—	—	(1.5)	(1.5)
Balance at June 30, 2015	43,316,813	$ 43.3	$ 1,035.6	$ 532.9	$ (3.2)	$ 1,608.6
Balance at September 30, 2015	43,335,012	$ 43.3	$ 1,038.1	$ 494.2	$ (2.0)	$ 1,573.6
Net income	—	—	—	158.4	—	158.4
Common stock offering	2,185,000	2.2	131.0	—	—	133.2
Dividend reinvestment plan	17,454	—	1.0	—	—	1.0
Stock-based compensation costs	—	—	0.4	—	—	0.4
Equity Incentive Plan	98,262	0.1	3.0	—	—	3.1
Dividends declared:						
Common stock	—	—	—	(64.0)	—	(64.0)
Other comprehensive loss, net of tax	—	—	—	—	(3.3)	(3.3)
Balance at June 30, 2016	45,635,728	$ 45.6	$ 1,173.5	$ 588.6	$ (5.3)	$ 1,802.4

See the accompanying Notes to Financial Statements.

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

	Nine Months Ended June 30,	
(In Millions)	2016	2015
Operating Activities:		
Net Income	$158.4	$155.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	102.0	97.4
Deferred income taxes and investment tax credits	77.7	70.4
Changes in assets and liabilities:		
Accounts receivable	6.7	(5.2)
Unamortized purchased gas adjustments	(20.7)	83.9
Deferred purchased gas costs	9.4	(16.6)
Accounts payable	(6.4)	(26.1)
Delayed/advance customer billings – net	7.8	(30.4)
Taxes accrued	(10.9)	(18.6)
Inventories	71.5	106.9
Other assets and liabilities	(38.5)	(58.7)
Other	(0.1)	7.7
Net cash provided by operating activities	356.9	366.3
Investing Activities:		
Capital expenditures	(195.3)	(202.9)
Payments for final reconciliation of acquisitions	—	(8.6)
Other	(1.5)	(0.4)
Net cash used in investing activities	(196.8)	(211.9)
Financing Activities:		
Issuance of long-term debt	80.0	—
Repayment of long-term debt	(80.0)	(34.7)
Repayment of short-term debt - net	(240.4)	(75.8)
Issuance of common stock	136.1	3.6
Dividends paid	(62.9)	(59.1)
Other	(1.8)	1.2
Net cash used in financing activities	(169.0)	(164.8)
Net Decrease in Cash and Cash Equivalents	(8.9)	(10.4)
Cash and Cash Equivalents at Beginning of Period	13.8	16.1
Cash and Cash Equivalents at End of Period	$4.9	$5.7
Supplemental disclosure of cash (paid) refunded for:		
Interest	$(48.2)	$(48.3)
Income taxes	3.9	0.3

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(In Millions)	2016	2015	2016	2015
Operating Revenues:				
Utility	$179.3	$187.5	$943.2	$1,265.6
Total Operating Revenues	179.3	187.5	943.2	1,265.6
Operating Expenses:				
Utility				
Natural and propane gas	48.0	57.5	440.6	743.6
Other operation and maintenance expenses	58.4	54.3	178.7	188.7
Depreciation and amortization	22.3	20.7	66.0	61.4
Taxes, other than income taxes	21.2	20.5	76.4	92.0
Total Operating Expenses	149.9	153.0	761.7	1,085.7
Operating Income	29.4	34.5	181.5	179.9
Other Income (Income Deductions)	1.0	(0.2)	2.2	1.1
Interest Charges:				
Interest on long-term debt	8.1	8.2	24.7	24.8
Other interest charges	1.0	0.4	3.2	2.6
Total Interest Charges	9.1	8.6	27.9	27.4
Income Before Income Taxes	21.3	25.7	155.8	153.6
Income Tax Expense	7.4	5.7	48.2	44.7
Net Income	$13.9	$20.0	$107.6	$108.9

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In Millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2016	Nine Months Ended June 30, 2015
Net Income	$13.9	$20.0	$107.6	$108.9
Other Comprehensive Income (Loss), Before Tax:				
Cash flow hedging derivative instruments:				
Net hedging losses (gains) arising during the period	0.1	0.2	(0.1)	(1.1)
Reclassification adjustment for losses included in net income	—	0.3	0.4	0.7
Net unrealized gains (losses) on cash flow hedging derivative instruments	0.1	0.5	0.3	(0.4)
Net defined benefit pension and other postretirement plans	0.1	0.2	0.2	0.3
Other Comprehensive Income (Loss), Before Tax	0.2	0.7	0.5	(0.1)
Income Tax Expense Related to Items of Other Comprehensive Income	0.1	0.3	0.2	—
Other Comprehensive Income (Loss), Net of Tax	0.1	0.4	0.3	(0.1)
Comprehensive Income	$14.0	$20.4	$107.9	$108.8

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED BALANCE SHEETS
(UNAUDITED)

(Dollars in Millions, Except Per Share Amounts)	June 30, 2016	September 30, 2015	June 30, 2015
ASSETS			
Utility Plant	$2,659.7	$2,579.1	$2,527.4
Less: Accumulated depreciation and amortization	595.4	590.0	581.2
Net Utility Plant	2,064.3	1,989.1	1,946.2
Goodwill	210.2	210.2	210.2
Other Property and Investments	56.5	55.3	58.4
Total Other Property and Investments	266.7	265.5	268.6
Current Assets:			
Cash and cash equivalents	1.5	1.7	3.0
Accounts receivable:			
Utility	101.0	103.4	103.4
Other	10.5	25.2	28.2
Allowance for doubtful accounts	(16.5)	(10.0)	(10.6)
Receivables from associated companies	1.3	2.5	2.9
Delayed customer billings	3.5	2.6	21.9
Inventories:			
Natural gas	78.2	138.2	89.9
Propane gas	12.0	12.0	12.0
Materials and supplies	9.2	9.3	9.3
Derivative instrument assets	5.1	—	—
Unamortized purchased gas adjustments	0.6	12.9	—
Other regulatory assets	23.7	16.2	17.5
Prepayments and other	20.4	12.5	19.0
Total Current Assets	250.5	326.5	296.5
Deferred Charges:			
Regulatory assets	562.6	573.6	558.0
Other	9.4	12.8	7.8
Total Deferred Charges	572.0	586.4	565.8
Total Assets	$3,153.5	$3,167.5	$3,077.1

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

	June 30, 2016	September 30, 2015	June 30, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value $1.00 per share; 50,000 authorized; 24,577 shares issued and outstanding)	$750.9	$748.3	$747.3
Retained earnings	333.9	291.2	314.8
Accumulated other comprehensive loss	(1.4)	(1.7)	(2.0)
Total Common Stock Equity	1,083.4	1,037.8	1,060.1
Long-term debt	808.3	808.1	808.1
Total Capitalization	1,891.7	1,845.9	1,868.2
Current Liabilities:			
Notes payable	97.6	233.0	135.2
Notes payable – associated companies	38.8	—	—
Accounts payable	49.7	61.5	57.0
Accounts payable – associated companies	4.1	5.5	6.9
Advance customer billings	35.2	25.2	—
Wages and compensation accrued	28.7	26.8	26.4
Dividends payable	22.4	19.9	19.9
Customer deposits	13.3	13.0	14.7
Interest accrued	9.4	7.6	9.4
Taxes accrued	21.0	25.4	39.0
Unamortized purchased gas adjustments	—	—	20.8
Other regulatory liabilities	1.3	0.6	—
Other	9.1	18.5	20.2
Total Current Liabilities	330.6	437.0	349.5
Deferred Credits and Other Liabilities:			
Deferred income taxes	548.8	485.2	466.7
Pension and postretirement benefit costs	191.9	207.8	200.4
Asset retirement obligations	75.0	72.4	73.8
Regulatory liabilities	65.7	70.6	70.9
Other	49.8	48.6	47.6
Total Deferred Credits and Other Liabilities	931.2	884.6	859.4
Commitments and Contingencies (Note 9)			
Total Capitalization and Liabilities	$3,153.5	$3,167.5	$3,077.1

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 Outstanding Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at September 30, 2014	24,577	$ 0.1	$ 744.0	$ 265.6	$ (1.9)	$ 1,007.8
Net income	—	—	—	108.9	—	108.9
Stock-based compensation costs	—	—	2.7	—	—	2.7
Tax benefit – stock compensation	—	—	0.5	—	—	0.5
Dividends declared:						
Common stock	—	—	—	(59.7)	—	(59.7)
Other comprehensive loss, net of tax	—	—	—	—	(0.1)	(0.1)
Balance at June 30, 2015	24,577	$ 0.1	$ 747.2	$ 314.8	$ (2.0)	$ 1,060.1
Balance at September 30, 2015	24,577	$ 0.1	$ 748.2	$ 291.2	$ (1.7)	$ 1,037.8
Net income	—	—	—	107.6	—	107.6
Stock-based compensation costs	—	—	2.6	—	—	2.6
Dividends declared:						
Common stock	—	—	—	(64.9)	—	(64.9)
Other comprehensive income, net of tax	—	—	—	—	0.3	0.3
Balance at June 30, 2016	24,577	$ 0.1	$ 750.8	$ 333.9	$ (1.4)	$ 1,083.4

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In Millions)	Nine Months Ended June 30, 2016	2015
Operating Activities:		
Net Income	$107.6	$108.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	66.0	61.4
Deferred income taxes and investment tax credits	48.2	34.0
Changes in assets and liabilities:		
Accounts receivable	24.6	7.0
Unamortized purchased gas adjustments	12.3	74.8
Deferred purchased gas costs	9.4	(16.6)
Accounts payable	(7.3)	(11.1)
Delayed / advance customer billings – net	9.1	(26.5)
Taxes accrued	(4.5)	(4.8)
Inventories	60.1	99.4
Other assets and liabilities	(29.4)	(24.9)
Other	0.7	1.5
Net cash provided by operating activities	296.8	303.1
Investing Activities:		
Capital expenditures	(138.8)	(142.4)
Other	0.9	0.5
Net cash used in investing activities	(137.9)	(141.9)
Financing Activities:		
Repayment of short-term debt - net	(135.4)	(103.5)
Borrowings from Spire	38.8	18.4
Repayment of borrowings from Spire	—	(18.4)
Dividends paid to Spire	(62.5)	(58.8)
Other	—	0.4
Net cash used in financing activities	(159.1)	(161.9)
Net Decrease in Cash and Cash Equivalents	(0.2)	(0.7)
Cash and Cash Equivalents at Beginning of Period	1.7	3.7
Cash and Cash Equivalents at End of Period	$1.5	$3.0
Supplemental disclosure of cash (paid) refunded for:		
Interest	$(22.1)	$(22.0)
Income taxes	2.1	(0.6)

See the accompanying Notes to Financial Statements.

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ALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In Millions)	Three Months Ended June 30, 2016	2015	Nine Months Ended June 30, 2016	2015
Operating Revenues:				
Utility	$74.0	$73.7	$322.3	$427.0
Total Operating Revenues	74.0	73.7	322.3	427.0
Operating Expenses:				
Utility				
Natural gas	13.1	15.7	55.4	158.5
Operation and maintenance	33.5	36.6	99.7	103.6
Depreciation and amortization	11.9	11.8	35.5	35.3
Taxes, other than income taxes	6.2	5.7	23.1	27.9
Total Operating Expenses	64.7	69.8	213.7	325.3
Operating Income	9.3	3.9	108.6	101.7
Other Income	0.5	0.5	1.5	1.5
Interest Charges:				
Interest on long-term debt	2.8	2.8	8.5	8.8
Other interest charges	0.6	0.5	1.9	1.8
Total Interest Charges	3.4	3.3	10.4	10.6
Income Before Income Taxes	6.4	1.1	99.7	92.6
Income Tax Expense	2.4	0.4	37.7	35.0
Net Income	$4.0	$0.7	$62.0	$57.6

See the accompanying Notes to Financial Statements.

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ALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS
(UNAUDITED)

(Dollars in Millions, Except Per Share Amounts)	June 30, 2016	September 30, 2015	June 30, 2015
ASSETS			
Utility Plant	$1,679.8	$1,655.4	$1,581.0
Less: Accumulated depreciation and amortization	716.1	717.0	657.8
Net Utility Plant	963.7	938.4	923.2
Current Assets:			
Cash and cash equivalents	—	7.2	0.2
Accounts receivable:			
Utility	32.2	34.7	36.3
Other	5.3	5.2	5.7
Allowance for doubtful accounts	(3.7)	(4.2)	(5.1)
Inventories:			
Natural gas	28.3	40.4	35.3
Materials and supplies	6.0	5.4	5.1
Deferred income taxes	5.0	6.2	3.6
Unamortized purchased gas adjustments	4.8	—	—
Other regulatory assets	13.8	11.4	9.5
Prepayments and other	6.1	4.6	6.4
Total Current Assets	97.8	110.9	97.0
Deferred Charges:			
Regulatory assets	167.5	163.6	86.6
Deferred income taxes	211.0	248.4	245.2
Other	60.1	57.7	51.3
Total Deferred Charges	438.6	469.7	383.1
Total Assets	$1,500.1	$1,519.0	$1,403.3

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ALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS (Continued)
(UNAUDITED)

	June 30, 2016	September 30, 2015	June 30, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value $0.01 per share; 3.0 million shares authorized; 2.0 million shares issued and outstanding)	451.9	480.9	481.1
Retained earnings	432.2	393.7	403.3
Total Common Stock Equity	884.1	874.6	884.4
Long-term debt	250.0	170.0	135.0
Total Capitalization	1,134.1	1,044.6	1,019.4
Current Liabilities:			
Current portion of long-term debt	—	80.0	80.0
Notes payable	—	31.0	8.5
Notes payable – associated companies	37.8	—	—
Accounts payable	26.6	21.8	33.6
Accounts payable – associated companies	1.3	0.2	1.7
Advance customer billings	17.8	19.1	12.9
Wages and compensation accrued	7.8	5.8	4.0
Customer deposits	18.6	19.1	19.5
Interest accrued	3.6	3.5	3.2
Taxes accrued	19.8	26.0	25.0
Unamortized purchased gas adjustments	—	28.2	31.5
Other regulatory liabilities	21.1	31.8	28.8
Other	5.1	5.4	6.7
Total Current Liabilities	159.5	271.9	255.4
Deferred Credits and Other Liabilities:			
Pension and postretirement benefit costs	55.0	45.6	32.9
Asset retirement obligations	89.4	86.6	28.7
Regulatory liabilities	40.0	48.7	44.3
Other	22.1	21.6	22.6
Total Deferred Credits and Other Liabilities	206.5	202.5	128.5
Commitments and Contingencies (Note 9)			
Total Capitalization and Liabilities	$1,500.1	$ 1,519.0	$1,403.3

See the accompanying Notes to Financial Statements.

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

(Dollars in Millions)	Common Stock Outstanding Shares	Amount	Paid-in Capital	Retained Earnings	Total
Balance at September 30, 2014	1,972,052	$ —	$ 503.9	$ 345.7	$ 849.6
Net income	—	—	—	57.6	57.6
Purchase accounting adjustments	—	—	4.2	—	4.2
Return of capital to Spire	—	—	(27.0)	—	(27.0)
Balance at June 30, 2015	1,972,052	$ —	$ 481.1	$ 403.3	$ 884.4
Balance at September 30, 2015	1,972,052	$ —	$ 480.9	$ 393.7	$ 874.6
Net income	—	—	—	62.0	62.0
Return of capital to Spire	—	—	(29.0)	—	(29.0)
Dividends declared	—	—	—	(23.5)	(23.5)
Balance at June 30, 2016	1,972,052	$ —	$ 451.9	$ 432.2	$ 884.1

See the accompanying Notes to Financial Statements.

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ALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
(In Millions)	2016	2015
Operating Activities:		
Net Income	$62.0	$57.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35.5	35.3
Deferred income taxes and investment tax credits	37.7	35.0
Changes in assets and liabilities:		
Accounts receivable	(6.4)	(11.1)
Unamortized purchased gas adjustments	(33.0)	9.1
Accounts payable	4.3	(0.4)
Advance customer billings - net	(1.3)	(3.8)
Taxes accrued	(6.2)	(5.0)
Inventories	11.5	12.6
Other assets and liabilities	(7.0)	(12.0)
Other	(0.7)	2.5
Net cash provided by operating activities	96.4	119.8
Investing Activities:		
Capital expenditures	(56.1)	(56.7)
Other	(1.8)	(0.5)
Net cash used in investing activities	(57.9)	(57.2)
Financing Activities:		
Issuance of long-term debt	80.0	—
Redemption and maturity of long-term debt	(80.0)	(34.7)
Repayment of short-term debt	(31.0)	—
Borrowings from Spire	37.8	—
Return of capital to Spire	(29.0)	(27.0)
Dividends paid to Spire	(23.5)	(7.5)
Other	—	1.2
Net cash used in financing activities	(45.7)	(68.0)
Net Decrease in Cash and Cash Equivalents	(7.2)	(5.4)
Cash and Cash Equivalents at Beginning of Period	7.2	5.6
Cash and Cash Equivalents at End of Period	$—	$0.2
Supplemental disclosure of cash (paid) refunded for:		
Interest	$(9.2)	$(9.9)
Income taxes	0.8	—

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.

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 June 30, 2016, September 30, 2015, and June 30, 2015 were $28.5, $27.6, and $26.4, 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 June 30, 2016, September 30, 2015, and June 30, 2015 were $6.4, $6.4, and $5.4, 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 Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Spire	$14.8	$14.6	$65.0	$87.0
Laclede Gas	11.1	11.1	49.7	66.9
Alagasco	3.7	3.5	15.3	20.1

REGULATED OPERATIONS – The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, “Regulated Operations.” This Topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. In addition, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process. As authorized by the Missouri Public Service Commission (MoPSC), the 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 borrowings from Spire reflected in Alagasco's Condensed Balance Sheets and Condensed Statements of Cash Flows and normal intercompany shared services transactions, there were no transactions between Alagasco and affiliates during the nine months ended June 30, 2016 and June 30, 2015. Laclede Gas' transactions with affiliates included:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Purchases of natural gas from LER	$6.7	$15.2	$31.5	$56.5
Sales of natural gas to LER	—	0.9	1.7	3.8

UTILITY PLANT – Laclede Gas had accrued capital expenditures of $5.3, $9.6, and $5.3 as of June 30, 2016, September 30, 2015, and June 30, 2015, respectively. Alagasco had accrued capital expenditures of $4.6, $3.1, and $5.0 as of June 30, 2016, September 30, 2015, and June 30, 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 $11.4, $11.2, and $10.9 as of June 30, 2016, September 30, 2015, and June 30, 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 as of June 30, 2016, September 30, 2015, and June 30, 2015. Alagasco recorded corresponding reserves for credit losses at each of those dates.

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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. In 2016, the FASB issued related ASU Nos. 2016-08, 2016-10, 2016-11 and 2016-12, which further modified the standards for accounting for revenue. The Company, Laclede Gas and Alagasco are currently assessing the available transition methods and the potential impacts of the updates, which must be adopted by the first quarter of fiscal year 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.

On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The standard introduces new guidance for the accounting for credit losses on instruments within its scope, including trade receivables. It is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, but may be adopted up to two years earlier. The Company, Laclede Gas and Alagasco are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal year 2021.

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2. EARNINGS PER COMMON SHARE

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Basic EPS:				
Net Income	$10.7	$14.1	$158.4	$155.6
Less: Income allocated to participating securities	—	0.1	0.5	0.5
Net Income Available to Common Shareholders	$10.7	$14.0	$157.9	$155.1
Weighted Average Shares Outstanding (in millions)	44.4	43.2	43.6	43.1
Basic Earnings Per Share of Common Stock	$0.24	$0.32	$3.62	$3.59
Diluted EPS:				
Net Income	$10.7	$14.1	$158.4	$155.6
Less: Income allocated to participating securities	—	0.1	0.5	0.5
Net Income Available to Common Shareholders	$10.7	$14.0	$157.9	$155.1
Weighted Average Shares Outstanding (in millions)	44.4	43.2	43.6	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)	44.6	43.3	43.8	43.2
Diluted Earnings Per Share of Common Stock	$0.24	$0.32	$3.60	$3.59
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	0.5	0.3	0.5	0.3

Spire's 2014 2.0% Series Equity Units issued in June 2014 were anti-dilutive for the three and nine months ended June 30, 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 June 30, 2016, September 30, 2015 and June 30, 2015.

Spire	June 30, 2016	September 30, 2015	June 30, 2015
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	$ 26.9	$ 22.0	$ 21.6
Unamortized purchased gas adjustments	5.4	12.9	—
Other	10.6	5.6	5.4
Total Regulatory Assets (current)	42.9	40.5	27.0
Non-current:			
Future income taxes due from customers	146.4	134.5	130.3
Pension and postretirement benefit costs	434.4	448.7	424.6
Cost of removal	81.2	78.9	19.5
Purchased gas costs	14.7	24.1	20.9
Energy efficiency	24.4	22.3	21.3
Other	29.6	29.1	28.0
Total Regulatory Assets (non-current)	730.7	737.6	644.6
Total Regulatory Assets	$ 773.6	$ 778.1	$ 671.6
Regulatory Liabilities:			
Current:			
Rate Stabilization and Equalization (RSE) adjustment	$ 2.9	$ 12.2	$ 10.3
Unbilled service margin	6.4	6.4	5.4
Refundable negative salvage	9.3	10.8	10.8
Unamortized purchased gas adjustments	—	28.2	52.3
Other	3.8	3.0	2.9
Total Regulatory Liabilities (current)	22.4	60.6	81.7
Non-current:			
Postretirement liabilities	27.2	28.9	24.5
Refundable negative salvage	9.3	16.2	16.2
Accrued cost of removal	55.4	58.7	59.1
Other	13.8	15.5	15.1
Total Regulatory Liabilities (non-current)	105.7	119.3	114.9
Total Regulatory Liabilities	$ 128.1	$ 179.9	$ 196.6

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Laclede Gas	June 30, 2016	September 30, 2015	June 30, 2015
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	$ 20.2	$ 15.5	$ 15.2
Unamortized purchased gas adjustments	0.6	12.9	—
Other	3.5	0.7	2.3
Total Regulatory Assets (current)	24.3	29.1	17.5
Non-current:			
Future income taxes due from customers	146.4	134.5	130.3
Pension and postretirement benefit costs	352.1	368.0	362.9
Purchased gas costs	14.7	24.1	20.9
Energy efficiency	24.4	22.3	21.3
Other	25.0	24.7	22.6
Total Regulatory Assets (non-current)	562.6	573.6	558.0
Total Regulatory Assets	$ 586.9	$ 602.7	$ 575.5
Regulatory Liabilities:			
Current:			
Unamortized purchased gas adjustments	$ —	$ —	$ 20.8
Other	1.3	0.6	0.6
Total Regulatory Liabilities (current)	1.3	0.6	21.4
Non-current:			
Accrued cost of removal	55.4	58.7	59.1
Other	10.3	11.9	11.8
Total Regulatory Liabilities (non-current)	65.7	70.6	70.9
Total Regulatory Liabilities	$ 67.0	$ 71.2	$ 92.3

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Alagasco	June 30, 2016	September 30, 2015	June 30, 2015
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	$ 6.7	$ 6.5	$ 6.4
Unamortized purchased gas adjustments	4.8	—	—
Other	7.1	4.9	3.1
Total Regulatory Assets (current)	18.6	11.4	9.5
Non-current:			
Pension and postretirement benefit costs	82.3	80.7	61.7
Cost of removal	81.2	78.9	19.5
Other	4.0	4.0	5.4
Total Regulatory Assets (non-current)	167.5	163.6	86.6
Total Regulatory Assets	$ 186.1	$ 175.0	$ 96.1
Regulatory Liabilities:			
Current:			
RSE adjustment	$ 2.9	$ 12.2	$ 10.3
Unbilled service margin	6.4	6.4	5.4
Refundable negative salvage	9.3	10.8	10.8
Unamortized purchased gas adjustments	—	28.2	31.5
Other	2.5	2.4	2.3
Total Regulatory Liabilities (current)	21.1	60.0	60.3
Non-current:			
Postretirement liabilities	27.2	28.9	24.5
Refundable negative salvage	9.3	16.2	16.2
Other	3.5	3.6	3.6
Total Regulatory Liabilities (non-current)	40.0	48.7	44.3
Total Regulatory Liabilities	$ 61.1	$ 108.7	$ 104.6

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

	Spire			Laclede Gas		
($ Millions)	June 30, 2016	September 30, 2015	June 30, 2015	June 30, 2016	September 30, 2015	June 30, 2015
Regulatory Assets Not Earning a Return:						
Future income taxes due from customers	$ 146.4	$ 134.5	$ 130.3	$ 146.4	$ 134.5	$ 130.3
Pension and postretirement benefit costs	203.8	223.7	221.2	203.8	223.7	221.2
Other	13.2	14.2	14.6	13.2	14.2	14.6
Total Regulatory Assets Not Earning a Return	$ 363.4	$ 372.4	$ 366.1	$ 363.4	$ 372.4	$ 366.1

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:

			Classification of Estimated Fair Value		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2016					
Cash and cash equivalents	$ 4.9	$ 4.9	$ 4.9	$ —	$ —
Short-term debt	97.6	97.6	—	97.6	—
Long-term debt	1,851.7	2,014.3	—	2,014.3	—
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 June 30, 2015					
Cash and cash equivalents	$ 5.7	$ 5.7	$ 5.7	$ —	$ —
Short-term debt	211.4	211.4	—	211.4	—
Long-term debt, including current portion	1,816.4	1,888.4	—	1,888.4	—

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:

			Classification of Estimated Fair Value		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2016					
Cash and cash equivalents	$ 1.5	$ 1.5	$ 1.5	$ —	$ —
Short-term debt	136.4	136.4	—	136.4	—
Long-term debt	808.3	901.8	—	901.8	—
As of September 30, 2015					

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 June 30, 2015						
Cash and cash equivalents	$ 3.0	$ 3.0	$ 3.0	$	—$	—
Short-term debt	135.2	135.2	—	135.2	—	
Long-term debt	808.1	868.5	—	868.5	—	

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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:

			Classification of Estimated Fair Value		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2016					
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —
Short-term debt	37.8	37.8	—	37.8	—
Long-term debt	250.0	272.5	—	272.5	—
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 June 30, 2015					
Cash and cash equivalents	$ 0.2	$ 0.2	$ 0.2	$ —	$ —
Short-term debt	8.5	8.5	—	8.5	—
Long-term debt, including current portion	215.0	226.7	—	226.7	—

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 June 30, 2016, September 30, 2015 and June 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 Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of June 30, 2016					
ASSETS					
Gas Utility					
U. S. stock/bond mutual funds	$ 16.4	$ 4.0	$ —	$ —	$20.4
NYMEX/ICE natural gas contracts	8.2	—	—	(3.1)	5.1
Subtotal	24.6	4.0	—	(3.1)	25.5
Gas Marketing					
NYMEX/ICE natural gas contracts	0.6	5.5	—	(5.6)	0.5
Natural gas commodity contracts	—	6.3	0.3	(0.6)	6.0
Total	$ 25.2	$ 15.8	$ 0.3	$ (9.3)	$32.0
LIABILITIES					
Gas Utility					
OTCBB natural gas contracts	$ —	$ 0.6	$ —	$ —	$0.6
Subtotal	—	0.6	—	—	0.6
Gas Marketing					
NYMEX/ICE natural gas contracts	6.5	2.5	—	(9.0)	—
Natural gas commodity contracts	—	3.4	—	(0.5)	2.9
Other					
Interest rate swaps	—	4.0	—	—	4.0
Total	$ 6.5	$ 10.5	$ —	$ (9.5)	$7.5
As of September 30, 2015					
ASSETS					
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
LIABILITIES					
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)	—
Natural gas commodity contracts	—	2.2	—	(0.5)	1.7
Total	$ 17.9	$ 12.0	$ —	$ (22.3)	$7.6

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	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of June 30, 2015					
ASSETS					
Gas Utility					
U. S. stock/bond mutual funds	$ 16.0	$ 4.0	$ —	$ —	$20.0
NYMEX/ICE natural gas contracts	1.7	—	—	(1.7)	—
Subtotal	17.7	4.0	—	(1.7)	20.0
Gas Marketing					
NYMEX/ICE natural gas contracts	2.7	2.6	—	(4.1)	1.2
Natural gas commodity contracts	—	2.4	0.7	(0.5)	2.6
Total	$ 20.4	$ 9.0	$ 0.7	$ (6.3)	$23.8
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	$ 9.5	$ —	$ —	$ (9.5)	$—
OTCBB natural gas contracts	—	7.1	—	—	7.1
NYMEX gasoline and heating oil contracts	0.4	—	—	(0.4)	—
Subtotal	9.9	7.1	—	(9.9)	7.1
Gas Marketing					
NYMEX/ICE natural gas contracts	0.4	2.9	—	(3.3)	—
Natural gas commodity contracts	—	0.9	—	(0.5)	0.4
Total	$ 10.3	$ 10.9	$ —	$ (13.7)	$7.5

Laclede Gas

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of June 30, 2016					
ASSETS					
U. S. stock/bond mutual funds	$ 16.4	$ 4.0	$ —	$ —	$20.4
NYMEX/ICE natural gas contracts	8.2	—	—	(3.1)	5.1
Total	$ 24.6	$ 4.0	$ —	$ (3.1)	$25.5
LIABILITIES					
OTCBB natural gas contracts	$ —	$ 0.6	$ —	$ —	$0.6
Total	$ —	$ 0.6	$ —	$ —	$0.6
As of September 30, 2015					
ASSETS					
U. S. stock/bond mutual funds	$15.5	$4.0	$—	$—	$19.5
NYMEX/ICE natural gas contracts	1.3	—	—	(1.3)	—
Total	$16.8	$4.0	$—	$(1.3)	$19.5

LIABILITIES					
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 Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Effects of Netting and Cash Margin Receivables /Payables	Total
As of June 30, 2015					
ASSETS					
U. S. stock/bond mutual funds	$ 16.0	$ 4.0	$ —	$ —	$20.0
NYMEX natural gas contracts	1.7	—	—	(1.7)	—
Total	$ 17.7	$ 4.0	$ —	$ (1.7)	$20.0
LIABILITIES					
NYMEX/ICE natural gas contracts	$ 9.5	$ —	$ —	$ (9.5)	$—
OTCBB natural gas contracts	—	7.1	—	—	7.1
Gasoline and heating oil contracts	0.4	—	—	(0.4)	—
Total	$ 9.9	$ 7.1	$ —	$ (9.9)	$7.1

Alagasco

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

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 $10.1 at June 30, 2016. Net receivable amounts from these customers on the same date, reflecting netting arrangements, were $6.5. LER's accounts receivable attributable to utility companies and their marketing affiliates were $40.9 at June 30, 2016, while net receivable amounts from these customers, reflecting netting arrangements, were $39.0.

LER also has concentrations of credit risk with certain individually significant counterparties and with pipeline companies associated with its natural gas receivable amounts. At June 30, 2016, the amounts included in accounts receivable from LER’s five largest counterparties (in terms of net accounts receivable exposure) totaled $20.6. These five counterparties are all investment-grade rated companies. Net receivable amounts from these five customers on the same date, reflecting netting arrangements, were $19.5.

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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, trusteed 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.

Alagasco has non-contributory, defined benefit, trusteed 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 Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Spire				
Service cost – benefits earned during the period	$3.8	$4.4	$11.5	$13.0
Interest cost on projected benefit obligation	6.9	7.4	21.0	22.3
Expected return on plan assets	(8.6)	(9.4)	(26.3)	(28.1)
Amortization of prior service cost	0.1	0.1	0.3	0.3
Amortization of actuarial loss	1.9	1.8	5.9	5.7
Loss on lump-sum settlements	0.2	12.5	2.4	12.5
Special termination benefits	—	—	1.6	—
Subtotal	4.3	16.8	16.4	25.7
Regulatory adjustment	4.4	(6.3)	11.1	3.4
Net pension cost	$8.7	$10.5	$27.5	$29.1
Laclede Gas				
Service cost – benefits earned during the period	$2.5	$2.9	$7.5	$8.6
Interest cost on projected benefit obligation	5.4	5.8	16.2	17.6
Expected return on plan assets	(6.7)	(7.3)	(20.1)	(21.9)
Amortization of prior service cost	0.1	0.1	0.3	0.3
Amortization of actuarial loss	1.9	1.8	5.9	5.7
Loss on lump-sum settlements	—	12.5	—	12.5
Special termination benefits	—	—	1.6	—
Subtotal	3.2	15.8	11.4	22.8
Regulatory adjustment	3.0	(7.8)	8.8	(1.0)
Net pension cost	$6.2	$8.0	$20.2	$21.8
Alagasco				
Service cost – benefits earned during the period	$1.3	$1.5	$4.0	$4.4
Interest cost on projected benefit obligation	1.5	1.6	4.8	4.7
Expected return on plan assets	(1.9)	(2.1)	(6.2)	(6.2)
Loss on lump-sum settlements	0.2	—	2.4	—
Subtotal	1.1	1.0	5.0	2.9
Regulatory adjustment	1.4	1.5	2.3	4.4
Net pension cost	$2.5	$2.5	$7.3	$7.3

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

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quarters ended March 31 and June 30, 2016, an Alagasco plan met the criteria for settlement recognition, requiring remeasurements 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 remeasurements totaled $12.6. The lump-sum settlement resulted in a loss of $2.2 and $0.2 in the quarters ended March 31 and June 30, 2016, respectively. 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 June 30, 2016 were $20.2 to the qualified trusts and $0.4 to the non-qualified plans. There were no fiscal 2016 contributions to the Alagasco pension plans through June 30, 2016. Contributions to the Missouri Utilities' pension plans for the remainder of fiscal 2016 are anticipated to be $5.8 to the qualified trusts and $0.1 to the non-qualified plans. No contributions to Alagasco's pension plans are expected to be required for the remainder 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. Under the Alagasco plans, medical insurance is currently available upon retirement until death for certain retirees depending on the type of employee and the date the employee was originally hired.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Spire				
Service cost – benefits earned during the period	$2.7	$3.2	$8.2	$9.6
Interest cost on accumulated postretirement benefit obligation	2.6	2.8	7.6	8.4
Expected return on plan assets	(3.3)	(3.3)	(10.1)	(9.9)
Amortization of prior service credit	0.1	0.2	0.2	0.6
Amortization of actuarial loss	0.9	1.3	2.7	3.8
Special termination benefits	—	—	2.6	—
Subtotal	3.0	4.2	11.2	12.5
Regulatory adjustment	(1.7)	(2.8)	(7.6)	(8.2)
Net postretirement benefit cost	$1.3	$1.4	$3.6	$4.3
Laclede Gas				
Service cost – benefits earned during the period	$2.6	$3.0	$7.9	$9.2
Interest cost on accumulated postretirement benefit obligation	2.1	2.2	6.1	6.5
Expected return on plan assets	(2.1)	(2.0)	(6.4)	(6.1)
Amortization of prior service credit	0.1	0.2	0.2	0.6
Amortization of actuarial loss	1.0	1.3	2.9	3.8
Special termination benefits	—	—	2.6	—
Subtotal	3.7	4.7	13.3	14.0
Regulatory adjustment	(1.2)	(2.3)	(6.2)	(6.9)
Net postretirement benefit cost	$2.5	$2.4	$7.1	$7.1

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Alagasco				
Service cost – benefits earned during the period	$0.1	$0.2	$0.3	$0.4
Interest cost on accumulated postretirement benefit obligation	0.5	0.6	1.5	1.9
Expected return on plan assets	(1.2)	(1.3)	(3.7)	(3.8)
Amortization of prior service credit	—	—	—	—
Amortization of actuarial gain	(0.1)	—	(0.2)	—
Subtotal	(0.7)	(0.5)	(2.1)	(1.5)
Regulatory adjustment	(0.5)	(0.5)	(1.4)	(1.3)
Net postretirement benefit income	$(1.2)	$(1.0)	$(3.5)	$(2.8)

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.
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 $10.8 in fiscal year 2016 contributions to the postretirement plans through June 30, 2016 for the Missouri Utilities. Contributions to the postretirement plans for the remainder of fiscal year 2016 are anticipated to be $3.5 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 nine months of fiscal year 2016, and none are expected to be required for the remainder of the fiscal year.

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 which operates a propane pipeline under Federal Energy Regulatory Commission (FERC) jurisdiction, and Spire STL Pipeline LLC, a subsidiary that plans to build, own, operate and maintain a pipeline interconnecting with the Rockies Express pipeline to deliver gas to the St. Louis, Missouri area under 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 LER to Laclede Gas and from Laclede Gas to LER, propane storage services provided by Laclede Gas to Laclede Pipeline Company, propane transportation services provided by Laclede Pipeline Company to Laclede Gas, and insurance services provided by Laclede Risk Insurance Services 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 Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended June 30, 2016					
Operating Revenues:					
Revenues from external customers	$253.2	$ (4.3)	$0.4	$ —	$ 249.3
Intersegment revenues	0.1	6.6	0.5	(7.2)	—
Total Operating Revenues	253.3	2.3	0.9	(7.2)	249.3
Operating Expenses:					
Gas Utility					
Natural and propane gas	61.1	—	—	(7.0)	54.1
Other operation and maintenance	91.9	—	—	(0.1)	91.8
Depreciation and amortization	34.2	—	—	—	34.2
Taxes, other than income taxes	27.4	—	—	—	27.4
Total Gas Utility Operating Expenses	214.6	—	—	(7.1)	207.5
Gas Marketing and Other	—	3.9	2.7	(0.1)	6.5
Total Operating Expenses	214.6	3.9	2.7	(7.2)	214.0
Operating Income (Loss)	$38.7	$ (1.6)	$(1.8)	$ —	$ 35.3
Net Economic Earnings (Loss)	$18.0	$ 1.8	$(5.2)	$ —	$ 14.6
Three Months Ended June 30, 2015					
Operating Revenues:					
Revenues from external customers	$260.2	$ 14.5	$0.5	$ —	$ 275.2
Intersegment revenues	1.0	14.4	0.5	(15.9)	—
Total Operating Revenues	261.2	28.9	1.0	(15.9)	275.2
Operating Expenses:					
Gas Utility					
Natural and propane gas	73.2	—	—	(15.5)	57.7
Other operation and maintenance	90.9	—	—	(0.3)	90.6
Depreciation and amortization	32.5	—	—	—	32.5
Taxes, other than income taxes	26.2	—	—	—	26.2
Total Gas Utility Operating Expenses	222.8	—	—	(15.8)	207.0
Gas Marketing and Other	—	27.4	4.9	(0.1)	32.2
Total Operating Expenses	222.8	27.4	4.9	(15.9)	239.2
Operating Income (Loss)	$38.4	$ 1.5	$(3.9)	$ —	$ 36.0
Net Economic Earnings (Loss)	$16.5	$ 0.5	$(5.9)	$ —	$ 11.1

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Nine Months Ended June 30, 2016					
Operating Revenues:					
Revenues from external customers	$1,263.5	$ (6.7)	$1.2	$ —	$ 1,258.0
Intersegment revenues	2.0	29.8	1.4	(33.2)	—
Total Operating Revenues	1,265.5	23.1	2.6	(33.2)	1,258.0
Operating Expenses:					
Gas Utility					
Natural and propane gas	496.0	—	—	(32.3)	463.7
Other operation and maintenance	278.4	—	—	(0.7)	277.7
Depreciation and amortization	101.5	—	—	—	101.5
Taxes, other than income taxes	99.5	—	—	—	99.5
Total Gas Utility Operating Expenses	975.4	—	—	(33.0)	942.4
Gas Marketing and Other	—	18.4	7.4	(0.2)	25.6
Total Operating Expenses	975.4	18.4	7.4	(33.2)	968.0
Operating Income (Loss)	$290.1	$ 4.7	$(4.8)	$ —	$ 290.0
Net Economic Earnings (Loss)	$170.5	$ 4.5	$(11.8)	$ —	$ 163.2
Nine Months Ended June 30, 2015					
Operating Revenues:					
Revenues from external customers	$1,688.6	$ 82.3	$1.3	$ —	$ 1,772.2
Intersegment revenues	4.0	52.9	1.5	(58.4)	—
Total Operating Revenues	1,692.6	135.2	2.8	(58.4)	1,772.2
Operating Expenses:					
Gas Utility					
Natural and propane gas	902.1	—	—	(57.3)	844.8
Other operation and maintenance	292.3	—	—	(0.8)	291.5
Depreciation and amortization	96.7	—	—	—	96.7
Taxes, other than income taxes	119.9	—	—	—	119.9
Total Gas Utility Operating Expenses	1,411.0	—	—	(58.1)	1,352.9
Gas Marketing and Other	—	129.5	9.1	(0.3)	138.3
Total Operating Expenses	1,411.0	129.5	9.1	(58.4)	1,491.2
Operating Income (Loss)	$281.6	$ 5.7	$(6.3)	$ —	$ 281.0
Net Economic Earnings (Loss)	$162.8	$ 3.0	$(11.4)	$ —	$ 154.4

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

	June 30, 2016	September 30, 2015	June 30, 2015
Total Assets:			
Gas Utility	$4,653.7	$4,686.2	$4,480.1
Gas Marketing	167.8	160.6	151.2
Other	1,597.7	1,560.2	1,560.6
Eliminations	(1,108.3)	(1,116.8)	(1,109.0)
Total Assets	$5,310.9	$5,290.2	$5,082.9

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$10.7	$14.1	$158.4	$155.6
Adjustments, pre-tax:				
Unrealized loss (gain) on energy-related derivative contracts	4.9	(2.9)	2.9	(3.5)
Lower of cost or market inventory adjustments	(0.1)	(0.4)	0.6	—
Realized (gain) loss on economic hedges prior to sale of the physical commodity	(0.3)	2.5	(0.9)	2.6
Acquisition, divestiture and restructuring activities	1.8	3.5	5.1	6.5
Gain on sale of property	—	(7.6)	—	(7.6)
Income tax effect of adjustments	(2.4)	1.9	(2.9)	0.8
Net Economic Earnings	$14.6	$11.1	$163.2	$154.4

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 June 30, 2016 are estimated at approximately $1,316.9, $494.0, and $371.4 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 the 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.

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

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.

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Laclede Gas

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 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 (MDNR). 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 MDNR 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 MDNR 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 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.

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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.

Alagasco

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 June 30, 2016, Alagasco does not foresee a probable or reasonably estimable loss associated with these nine former MGP 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, fines, or penalties 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.

10. PENDING ACQUISITION

On April 26, 2016, the Company announced an agreement with Sempra Global, a unit of Sempra Energy, to acquire 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. Spire has received confirmation of the early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended. On May 20, 2016, Spire Inc., Sempra, EnergySouth, and Willmut jointly filed with the Mississippi Public Service Commission (MSPSC) to request approval of the indirect change of control of Willmut Gas. Closing on the transaction is expected to occur shortly after all conditions have been met, including MSPSC approval.

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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 expression identify forward-looking statements that involve uncertainties and risks. Future developments may not be in accordance with our current expectations or beliefs and the effect of future developments may not be those anticipated. Among the factors that may cause results to differ materially from those contemplated in any forward-looking statement are:

- Weather conditions and catastrophic events, particularly severe weather in the natural gas producing areas of the country;
- Volatility in gas prices, particularly sudden and sustained changes in natural gas prices, including the related impact on margin deposits associated with the use of natural gas derivative instruments;
- The impact of changes and volatility in natural gas prices on our competitive position in relation to suppliers of alternative heating sources, such as electricity;
- Changes in gas supply and pipeline availability, including decisions by natural gas producers to reduce production or shut in producing natural gas wells, expiration of existing supply and transportation arrangements that are not replaced with contracts with similar terms and pricing, as well as other changes that impact supply for and access to the markets in which our subsidiaries transact business;
- 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 of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets;
- Retention of, ability to attract, ability to collect from, and conservation efforts of, customers;
- Our ability to comply with all covenants in our indentures and credit facilities any violations of which, if not cured in a timely manner, could trigger a default of our obligation;

- Capital and energy commodity market conditions, including the ability to obtain funds with reasonable terms for necessary capital expenditures and general operations and the terms and conditions imposed for obtaining sufficient gas supply;
- Discovery of material weakness in internal controls; and
- Employee workforce issues, including but not limited to labor disputes and future wage and employee benefit costs including changes in discount rates and returns on benefit plan assets.

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, though the rate design for the Missouri Utilities lessens the impact of weather volatility on Laclede Gas' customers during cold winters and tends to stabilize its earnings.

Gas Utility

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 as "Laclede Gas" and serves Kansas City and western Missouri as "Missouri Gas Energy." Alagasco is the largest natural gas distribution utility in the state of Alabama and is regulated by the Alabama Public Service Commission (APSC). 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. The Utilities purchase natural gas through interstate and intrastate suppliers and distribute the purchased gas through their distribution facilities for sale to residential, commercial, and industrial customers and other end-users of natural gas at rates and in accordance with tariffs authorized by their regulators, and their earnings are primarily generated by the sale of heating energy. The Utilities also provide transportation services to large industrial and commercial customers located on its distribution system. These transportation customers, using the Utilities as their agent or acting on their own, purchase gas directly from marketers or suppliers and arrange for delivery of the gas into the Utilities’ distribution system. The Utilities charge 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 utility transportation customers and large retail and wholesale customers across the Midwest. 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 which operates a propane pipeline under Federal Energy Regulatory Commission (FERC) jurisdiction, and Spire STL Pipeline LLC, a subsidiary that plans to build, own, operate and maintain a pipeline interconnecting with the Rockies Express pipeline to deliver gas to the St. Louis, Missouri area under 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.

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EARNINGS

Net income reported by Spire, Laclede Gas and Alagasco is 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, 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,
2) ineffective portions of accounting hedges, required to be recorded in earnings prior to settlement, due to differences 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

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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.

THREE MONTHS ENDED JUNE 30, 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 Utility	Gas Marketing	Other	Consolidated	Per Diluted Share**
Three Months Ended June 30, 2016					
Net Income (Loss) (GAAP)	$17.9	$ (1.0)	$(6.2)	$ 10.7	$ 0.24
Adjustments, pre-tax:					
Unrealized loss on energy-related derivatives	—	4.9	—	4.9	0.11
Lower of cost or market inventory adjustments	—	(0.1)	—	(0.1)	—
Realized gain on economic hedges prior to the sale of the physical commodity	—	(0.3)	—	(0.3)	(0.01)
Acquisition, divestiture and restructuring activities	0.2	—	1.6	1.8	0.04
Income tax effect of adjustments*	(0.1)	(1.7)	(0.6)	(2.4)	(0.06)
Weighted average shares adjustment	—	—	—	—	0.01
Net Economic Earnings (Loss) (Non-GAAP)**	$18.0	$ 1.8	$(5.2)	$ 14.6	$ 0.33
Three Months Ended June 30, 2015					
Net Income (Loss) (GAAP)	$20.7	$ 1.0	$(7.6)	$ 14.1	$ 0.32
Adjustments, pre-tax:					
Unrealized gain on energy-related derivatives	—	(2.9)	—	(2.9)	(0.07)
Lower of cost or market inventory adjustments	—	(0.4)	—	(0.4)	(0.01)
Realized loss on economic hedges prior to the sale of the physical commodity	—	2.5	—	2.5	0.06
Acquisition, divestiture and restructuring activities	0.8	—	2.7	3.5	0.08
Gain on sale of property	(7.6)	—	—	(7.6)	(0.17)
Income tax effect of adjustments*	2.6	0.3	(1.0)	1.9	0.04
Net Economic Earnings (Loss) (Non-GAAP)**	$16.5	$ 0.5	$(5.9)	$ 11.1	$ 0.25

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

** Fiscal 2016 net economic earnings per share exclude the impact of the May 2016 equity issuance to fund a portion of the acquisition described in Note 10 to the financial statements in Item 1. The weighted average diluted shares used in the net economic earnings per share calculation for the three months ended June 30, 2016 was 43.5 million compared to 44.6 million in the GAAP diluted EPS calculation. Fiscal 2015 net economic earnings per share is calculated by replacing consolidated net income with consolidated net economic earnings in the GAAP diluted EPS calculation.

Consolidated

Spire’s net income was $10.7 for the three months ended June 30, 2016, compared with $14.1 for the three months ended June 30, 2015. Basic and diluted earnings per share for the three months ended June 30, 2016 were $0.24, compared with basic and diluted earnings per share of $0.32 for the three months ended June 30, 2015. Net income decreased $3.4 as the effect of a $4.7 after-tax gain on the sale of property in the prior year was only partially offset by growth in the utility business. Spire's net economic earnings were $14.6 ($0.33 per diluted share) for the three months ended June 30, 2016, an increase of $3.5 from the $11.1 ($0.25 per diluted share) reported for the same period last year. The increase is primarily attributable to stronger results delivered by the Gas Utility and Gas Marketing segments, as described below.

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Gas Utility

For the three months ended June 30, 2016, Gas Utility net income decreased by $2.8 versus the prior-year quarter. Stronger operating results delivered in the current-year quarter were more than offset by the inclusion of a $4.7 gain on the sale of property in the prior-year quarter's net income. Net economic earnings increased by $1.5 versus the prior-year quarter. The increase in net economic earnings, which excludes the gain on the sale of property, was driven by lower bad debt expenses and lower other operating expenses, partially offset by higher depreciation expense and higher income taxes. The changes in operating margin and operating expenses are further described below.

Gas Marketing

The Gas Marketing segment reported a net loss totaling $1.0 for the three months ended June 30, 2016, versus net income of $1.0 in the prior year. The result was driven by unfavorable fair market value adjustments, primarily on energy-related derivatives, incurred in the current-year quarter. Net economic earnings for the three months ended June 30, 2016 increased $1.3 compared with the three months ended June 30, 2015, reflecting higher overall volumes and stronger value associated with storage activity, partially offset by the effect of a narrowing spread reflective of the current market.

Operating Revenues and Operating Expenses

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

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Three Months Ended June 30, 2016					
Operating revenues	$253.3	$ 2.3	$0.9	$ (7.2)	$ 249.3
Natural and propane gas expense	61.1	2.5	—	(6.9)	56.7
Gross receipts tax expense	15.3	—	—	—	15.3
Operating margin (non-GAAP)	176.9	(0.2)	0.9	(0.3)	177.3
Depreciation and amortization	34.2	0.1	0.1	—	34.4
Other operating expenses	104.0	1.3	2.6	(0.3)	107.6
Operating income (loss) (GAAP)	$38.7	$ (1.6)	$(1.8)	$ —	$ 35.3
Three Months Ended June 30, 2015					
Operating revenues	$261.2	$ 28.9	$1.0	$ (15.9)	$ 275.2
Natural and propane gas expense	73.2	25.7	0.1	(15.6)	83.4
Gross receipts tax expense	15.1	0.1	—	—	15.2
Operating margin (non-GAAP)	172.9	3.1	0.9	(0.3)	176.6
Depreciation and amortization	32.5	0.1	0.1	—	32.7
Other operating expenses	102.0	1.5	4.7	(0.3)	107.9
Operating income (loss) (GAAP)	$38.4	$ 1.5	$(3.9)	$ —	$ 36.0

Consolidated

As shown in the table above, Spire reported operating revenue decreases for the three months ended June 30, 2016 compared with the same period last year, with decreases in both Gas Utility and Gas Marketing. Spire's third quarter operating margin increased $0.7 compared with last year due primarily to increases in the Gas Utility segment, partly offset by lower results in the Gas Marketing segment. Depreciation and amortization expenses were up in the Gas Utility segment, reflecting the higher levels of capital investment undertaken in the past fifteen months. Other operating expenses and operating income for the third quarter were comparable to last year as the effects of some reduced cost were offset by the effect of the prior year's gain on sale of property. These fluctuations are described in more detail below.

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Gas Utility

Operating Revenues – Gas Utility operating revenues for the three months ended June 30, 2016 were $253.3, or $7.9 less than the same period last year. The net decrease in Gas Utility operating revenues was attributable to the following factors:

Lower wholesale gas costs passed on to customers	$(16.5)
Higher system sales volumes	4.3
Missouri Utilities – Higher Infrastructure System Replacement Surcharge (ISRS)	3.3
Alagasco – Lower Rate Stabilization and Equalization (RSE) revenue reduction	2.8
Lower off-system sales and capacity release	(1.8)
Higher gross receipts taxes (GRT)	0.3
All other variations	(0.3)
Total Variation	$(7.9)

As shown, the decrease was primarily attributable to lower revenues reflecting the decline in wholesale gas costs and lower off-system sales. These decreases were partially offset by the effects of higher volumes due to slightly colder weather (higher degree days), higher ISRS charges within the Missouri Utilities, and the 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 for the full 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 third quarter of fiscal 2016 was $2.8 less than in last year's third quarter.

Operating Margin – Gas Utility operating margin was $176.9 for the three months ended June 30, 2016, a $4.0 increase over the same period last year. The net increase was attributable to the following factors:

Missouri Utilities – Higher Infrastructure System Replacement Surcharge (ISRS)	$3.3
Alagasco – Lower Rate Stabilization and Equalization (RSE) revenue reduction	2.8
Other variations, including timing of gas cost recoveries	(2.1)
Total Variation	$4.0

The increase in operating margin was primarily attributable to $3.3 higher ISRS charges within the Missouri Utilities for the current quarter, and Alagasco's RSE adjustment that was $2.8 less than in the prior year. These favorable impacts were partly offset by a $2.4 unfavorable effect from the timing of gas cost recoveries in the quarter. While lower gas costs 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 June 30, 2016 increased $1.7 from last year, primarily due to the higher levels of capital expenditures undertaken over the last fifteen months. Other operating expenses for the three months ended June 30, 2016 are $2.0 higher than the same period in the prior year, largely due to the prior year including the $7.6 gain on the sale of property. Excluding this gain, other operating expenses were $5.6 below prior year levels due to lower bad debt expense (reflecting the impact of warmer weather experienced during the heating season) and employee-related costs.

Gas Marketing

Operating Revenues – Operating revenues decreased $26.6 versus the prior-year period, as the effect of higher total volumes was more than offset by lower general pricing levels, the effect of increased trading activities, and unfavorable mark-to-market adjustments on derivatives. Under GAAP, revenues associated with trading activities are presented net of related costs. Average pricing for the quarter ended June 30, 2016 was approximately $2.031/MMBtu versus approximately $2.705/MMBtu for the quarter ended June 30, 2015.

Operating Margin – Gas Marketing operating margin during the three months ended June 30, 2016 decreased $3.3 from the same period last year. The decrease in operating margin is primarily due to the negative $5.3 mark-to-market impact of fair value adjustments and narrowing spread, partially offset by the favorable impact of higher overall volumes and stronger value associated with storage activity.

Interest Charges

Consolidated interest charges during the three months ended June 30, 2016 increased by $1.6 from the same period last year. The increase was driven by charges related to a temporary bridge facility secured and liquidated during the third quarter of this year, combined with higher interest rates on the $250.0 senior floating notes. Also, for the three months ended June 30, 2016 and 2015, average short-term borrowings were $208.5 and $205.4, respectively, and the average interest rates on these borrowings were 0.9% and 0.8%, respectively.

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Income Taxes

Consolidated income tax expense during the three months ended June 30, 2016 increased $2.2 versus the prior-year quarter. The effective tax rate for the current quarter was 38.9% versus 24.6% in the prior-year period. The effective tax rate for the current-year quarter includes tax expense associated with a valuation allowance on deferred tax assets. The effective tax rate for the prior-year quarter reflects the benefit of adjustments from the prior year tax return filing.

LACLEDE GAS

	Three Months Ended June 30,	
	2016	2015
Operating revenues	$179.3	$187.5
Natural and propane gas expense	48.0	57.5
Gross receipts tax expense	11.5	11.6
Operating margin (non-GAAP)	119.8	118.4
Depreciation and amortization	22.3	20.7
Other operating expenses	68.1	63.2
Operating income (GAAP)	$29.4	$34.5
Net Income	$13.9	$20.0

Operating revenues for the three months ended June 30, 2016 decreased $8.2 from the same period last year primarily due to $12.3 in lower wholesale gas costs passed on to customers, and $1.8 in lower off-system sales and capacity release. These decreases were partially offset by a $3.3 increase in ISRS charges and the $2.9 favorable impact of higher gas usage by customers. Operating margin for the three months ended June 30, 2016 increased $1.4 from the same period last year. Other operating expenses for the three months ended June 30, 2016 increased $4.9, largely attributable to a $7.6 gain on the sale of property in the prior year. Excluding this gain, other operating expenses declined $2.7 versus the prior year due primarily to favorable bad debt experience and lower employee-related expenses. Depreciation and amortization increased $1.6 in the current quarter versus the prior year due to higher capital investments. Resulting net income for the three months ended June 30, 2016 decreased $6.1 from the same period last year.

Temperatures in Laclede Gas' service areas during the three months ended June 30, 2016 were 18.0% colder than the same period last year, resulting in higher usage on a year-over-year comparative basis, but 11% warmer than normal. The Missouri Utilities' total system therms sold and transported were 237.3 million for the three months ended March 31, 2016, compared with 218.3 million for the same period last year, including a 1.4 million decrease in off-system sales. Total off-system therms sold and transported were 15.5 million for the three months ended March 31, 2016, compared with 16.9 million for the same period last year.

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ALAGASCO

	Three Months Ended June 30,	
	2016	2015
Operating revenues	$74.0	$73.7
Natural gas expense	13.1	15.7
Gross receipts tax expense	3.8	3.5
Operating margin (non-GAAP)	57.1	54.5
Depreciation and amortization	11.9	11.8
Other operating expenses	35.9	38.8
Operating income (GAAP)	$9.3	$3.9
Net Income	$4.0	$0.7

Operating revenues for the three months ended June 30, 2016 increased $0.3 from the same period last year. A $2.8 reduction in RSE adjustments compared to the prior year quarter, a $1.4 increase in customer usage, and a $0.3 increase in gross receipts taxes passed through to customers were largely offset by $4.2 lower gas prices passed through to customers. Operating margin increased $2.6 as the effect of lower gas prices 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 June 30, 2016 were comparable to the same period last year. Other operating expenses were $2.9 lower, primarily due to lower employee costs and favorable bad debt experience. Net income during the three months ended June 30, 2016 increased $3.3 from the same period last year, primarily due to the factors discussed above.
Temperatures in Alagasco's service area during the three months ended June 30, 2016 were 34% colder than a year ago, but 26% warmer than normal. Alagasco's total system therms sold and transported were 191.3 million for the three months ended June 30, 2016, compared with 170.5 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 15, Regulatory Matters, of Alagasco's Annual Report on Form 10-K for the period ended September 30, 2015.

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NINE MONTHS ENDED JUNE 30, 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 Utility	Gas Marketing	Other	Total	Per Diluted Share**
Nine Months Ended June 30, 2016					
Net Income (Loss) (GAAP)	$169.6	$ 2.8	$(14.0)	$158.4	$ 3.60
Adjustments, pre-tax:					
Unrealized (gain) loss on energy-related derivatives	(0.1)	3.0	—	2.9	0.07
Lower of cost or market inventory adjustments	—	0.6	—	0.6	0.01
Realized gain on economic hedges prior to the sale of the physical commodity	—	(0.9)	—	(0.9)	(0.02)
Acquisition, divestiture and restructuring activities	1.6	—	3.5	5.1	0.12
Income tax effect of adjustments*	(0.6)	(1.0)	(1.3)	(2.9)	(0.07)
Weighted average shares adjustment	—	—	—	—	0.03
Net Economic Earnings (Loss) (Non-GAAP)	$170.5	$ 4.5	$(11.8)	$163.2	$ 3.74
Nine Months Ended June 30, 2015					
Net Income (Loss) (GAAP)	$166.5	$ 3.5	$(14.4)	$155.6	$ 3.59
Adjustments, pre-tax:					
Unrealized gain on energy-related derivatives	(0.1)	(3.4)	—	(3.5)	(0.09)
Realized loss on economic hedges prior to the sale of the physical commodity	—	2.6	—	2.6	0.06
Acquisition, divestiture and restructuring activities	1.7	—	4.8	6.5	0.15
Gain on sale of property	(7.6)	—	—	(7.6)	(0.17)
Income tax effect of adjustments*					