

SPIRE INC
 Form 10-Q
 February 01, 2017
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D. C. 20549

FORM 10-Q
 (Mark One)

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

For the Quarter Ended December 31, 2016

OR

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

For the Transition Period from to

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

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

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

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

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 January 30, 2017 was as follows:

Spire Inc.	Common Stock, par value \$1.00 per share	45,738,897
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 Utilities	Alagasco and Mobile Gas, the utilities serving the Alabama region	Laclede Gas	Laclede Gas Company, or Missouri Utilities
Alagasco	Alabama Gas Corporation	MDNR	Missouri Department of Natural Resources
AOCI	Accumulated other comprehensive income or loss	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	Mobile Gas	Mobile Gas Service Corporation
BVCP	Brownfields/Voluntary Cleanup Program	MoPSC	Missouri Public Service Commission
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980	MSPSC	Mississippi Public Service Commission
Degree days	The average of a day's high and low temperature below 65, subtracted from 65, multiplied by the number of days impacted	NYSE	New York Stock Exchange
EnergySouth	EnergySouth, Inc.	NYMEX	New York Mercantile Exchange, Inc.
EPA	US Environmental Protection Agency	OPC	Missouri Office of the Public Counsel
EPS	Earnings per share	OTCBB	Over-the-Counter Bulletin Board
FASB	Financial Accounting Standards Board	PGA	Purchased Gas Adjustment
FERC	Federal Energy Regulatory Commission	PRP	Potentially responsible party
GAAP	Accounting principles generally accepted in the United States of America	RSE	Rate Stabilization and Equalization
Gas Marketing	Operating segment including Spire Marketing, which is engaged in the non-regulated marketing of natural gas and related activities	SEC	US Securities and Exchange Commission
Gas Utility	Segment including the regulated operations of the Utilities	Spire Marketing	Spire Marketing Inc. (formerly known as Laclede Energy Resources, Inc., or LER)
GSA	Gas Supply Adjustment	US	United States
ICE	Intercontinental Exchange	Utilities	Laclede Gas Company, Alabama Gas Corporation, and the subsidiaries of EnergySouth, Inc.
ISRS	Infrastructure System Replacement Surcharge	Willmut Gas	Willmut Gas & Oil Company

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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, 2016.

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

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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 December 31,	
	2016	2015
Operating Revenues:		
Gas Utility	\$472.3	\$398.8
Gas Marketing and other	22.8	0.6
Total Operating Revenues	495.1	399.4
Operating Expenses:		
Gas Utility		
Natural and propane gas	193.8	148.5
Other operation and maintenance expenses	99.4	91.6
Depreciation and amortization	37.7	33.5
Taxes, other than income taxes	33.4	28.2
Total Gas Utility Operating Expenses	364.3	301.8
Gas Marketing and other	41.7	10.6
Total Operating Expenses	406.0	312.4
Operating Income	89.1	87.0
Other Income	0.5	1.4
Interest Charges:		
Interest on long-term debt	19.1	16.9
Other interest charges	3.0	2.1
Total Interest Charges	22.1	19.0
Income Before Income Taxes	67.5	69.4
Income Tax Expense	22.3	22.5
Net Income	\$45.2	\$46.9
Weighted Average Number of Common Shares Outstanding:		
Basic	45.5	43.2
Diluted	45.7	43.4
Basic Earnings Per Share of Common Stock	\$0.99	\$1.08
Diluted Earnings Per Share of Common Stock	\$0.99	\$1.08
Dividends Declared Per Share of Common Stock	\$0.53	\$0.49

See the accompanying Notes to Financial Statements.

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SPIRE INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	Three Months Ended December 31,	
	2016	2015
Net Income	\$45.2	\$46.9
Other Comprehensive (Loss) Income, Before Tax:		
Cash flow hedging derivative instruments:		
Net hedging gains (losses) arising during the period	11.5	(0.7)
Reclassification adjustment for losses included in net income	0.2	1.2
Net unrealized gains on cash flow hedging derivative instruments	11.7	0.5
Net gains on defined benefit pension and other postretirement plans	0.1	0.1
Net unrealized losses on available for sale securities	(0.1)	(0.1)
Other Comprehensive Income, Before Tax	11.7	0.5
Income Tax Expense Related to Items of Other Comprehensive Income	4.3	0.2
Other Comprehensive Income, Net of Tax	7.4	0.3
Comprehensive Income	\$52.6	\$47.2

See the accompanying Notes to Financial Statements.

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SPIRE INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

	December 31, 2016	September 30, 2016	December 31, 2015
(Dollars in millions, except per share amounts)			
ASSETS			
Utility Plant	\$ 4,893.2	\$4,793.6	\$ 4,220.6
Less: Accumulated depreciation and amortization	1,561.4	1,506.4	1,267.3
Net Utility Plant	3,331.8	3,287.2	2,953.3
Non-utility Property (net of accumulated depreciation and amortization of \$8.2, \$8.1 and \$7.7 at December 31, 2016, September 30, 2016, and December 31, 2015, respectively)	19.7	13.7	13.9
Goodwill	1,161.4	1,164.9	946.0
Other Investments	61.9	62.1	60.8
Total Other Property and Investments	1,243.0	1,240.7	1,020.7
Current Assets:			
Cash and cash equivalents	10.6	5.2	4.6
Accounts receivable:			
Utility	310.4	127.8	224.7
Other	133.4	113.4	85.5
Allowance for doubtful accounts	(21.1	) (20.5	) (12.7
Delayed customer billings	5.3	1.6	8.7
Inventories:			
Natural gas	161.9	174.0	176.6
Propane gas	12.0	12.0	12.0
Materials and supplies	16.6	16.3	14.9
Natural gas receivable	8.4	9.7	20.1
Derivative instrument assets	18.7	11.4	4.3
Unamortized purchased gas adjustments	52.2	49.7	44.6
Other regulatory assets	82.3	44.2	31.7
Prepayments and other	24.9	24.8	21.0
Total Current Assets	815.6	569.6	636.0
Deferred Charges:			
Regulatory assets	786.4	838.0	727.0
Other	133.3	128.9	61.8
Total Deferred Charges	919.7	966.9	788.8
Total Assets	\$ 6,310.1	\$6,064.4	\$ 5,398.8

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

	December 31, 2016	September 30, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock (par value \$1.00 per share; 70.0 million shares authorized; 45.7 million, 45.6 million, and 43.4 million shares issued and outstanding at December 31, 2016, September 30, 2016 and December 31, 2015, respectively)	\$ 45.7	\$45.6	\$ 43.4
Paid-in capital	1,175.7	1,175.9	1,038.7
Retained earnings	572.1	550.9	519.9
Accumulated other comprehensive income (loss)	3.2	(4.2)	(1.7)
Total Common Stock Equity	1,796.7	1,768.2	1,600.3
Long-term debt (less current portion)	1,821.3	1,820.7	1,838.9
Total Capitalization	3,618.0	3,588.9	3,439.2
Current Liabilities:			
Current portion of long-term debt	250.0	250.0	—
Notes payable	506.4	398.7	377.1
Accounts payable	273.8	210.9	159.5
Advance customer billings	60.2	70.2	59.3
Wages and compensation accrued	29.6	39.8	25.4
Dividends payable	24.8	23.5	22.3
Customer deposits	35.7	34.9	33.0
Interest accrued	22.3	14.8	19.5
Taxes accrued	39.7	55.2	32.9
Deferred income taxes	—	—	7.4
Unamortized purchased gas adjustments	1.4	1.7	14.3
Other regulatory liabilities	42.8	28.9	41.5
Other	55.5	32.7	55.3
Total Current Liabilities	1,342.2	1,161.3	847.5
Deferred Credits and Other Liabilities:			
Deferred income taxes	636.5	607.3	495.3
Pension and postretirement benefit costs	296.3	303.7	250.7
Asset retirement obligations	208.7	206.4	161.0
Regulatory liabilities	132.1	130.7	129.1
Other	76.3	66.1	76.0
Total Deferred Credits and Other Liabilities	1,349.9	1,314.2	1,112.1
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$ 6,310.1	\$6,064.4	\$ 5,398.8

See the accompanying Notes to Financial Statements.

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SPIRE INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(UNAUDITED)

(Dollars in millions)	Common Stock Outstanding		Paid-in Capital	Retained Earnings	AOCI*	Total
	Shares	Amount				
Balance at September 30, 2015	43,335,012	\$ 43.3	\$1,038.1	\$ 494.2	\$(2.0)	\$1,573.6
Net income	—	—	—	46.9	—	46.9
Dividend reinvestment plan	5,866	—	0.3	—	—	0.3
Stock-based compensation costs	—	—	1.7	—	—	1.7
Stock issued under stock-based compensation plans	106,306	0.1	0.2	—	—	0.3
Employee's tax withholding for stock-based compensation	(29,083)	—	(1.6)	—	—	(1.6)
Dividends declared	—	—	—	(21.2)	—	(21.2)
Other comprehensive income, net of tax	—	—	—	—	0.3	0.3
Balance at December 31, 2015	43,418,101	\$ 43.4	\$1,038.7	\$ 519.9	\$(1.7)	\$1,600.3
Balance at September 30, 2016	45,650,642	\$ 45.6	\$1,175.9	\$ 550.9	\$(4.2)	\$1,768.2
Net income	—	—	—	45.2	—	45.2
Dividend reinvestment plan	5,610	—	0.3	—	—	0.3
Stock-based compensation costs	—	—	1.7	—	—	1.7
Stock issued under stock-based compensation plans	110,136	0.1	(0.1)	—	—	—
Employee's tax withholding for stock-based compensation	(33,615)	—	(2.1)	—	—	(2.1)
Dividends declared	—	—	—	(24.0)	—	(24.0)
Other comprehensive income, net of tax	—	—	—	—	7.4	7.4
Balance at December 31, 2016	45,732,773	\$ 45.7	\$1,175.7	\$ 572.1	\$ 3.2	\$1,796.7

* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

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

	Three Months Ended December 31,	
(In millions)	2016	2015
Operating Activities:		
Net Income	\$45.2	\$46.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	37.8	33.7
Deferred income taxes and investment tax credits	22.1	22.4
Changes in assets and liabilities:		
Accounts receivable	(186.8)	(77.6)
Unamortized purchased gas adjustments	(2.8)	(45.7)
Deferred purchased gas costs	7.9	12.6
Accounts payable	85.5	18.0
Delayed/advance customer billings – net	(13.7)	8.9
Taxes accrued	(16.9)	(18.8)
Inventories	11.8	11.9
Other assets and liabilities	18.5	20.3
Other	1.7	0.9
Net cash provided by operating activities	10.3	33.5
Investing Activities:		
Capital expenditures	(89.3)	(62.4)
Settlement for acquisition of EnergySouth	3.8	—
Other	(0.4)	(0.4)
Net cash used in investing activities	(85.9)	(62.8)
Financing Activities:		
Issuance of long-term debt	—	80.0
Repayment of long-term debt	—	(80.0)
Issuance of short-term debt - net	107.7	39.1
Issuance of common stock	0.1	1.1
Dividends paid	(22.8)	(19.9)
Other	(4.0)	(0.2)
Net cash provided by financing activities	81.0	20.1
Net Increase (Decrease) in Cash and Cash Equivalents	5.4	(9.2)
Cash and Cash Equivalents at Beginning of Period	5.2	13.8
Cash and Cash Equivalents at End of Period	\$10.6	\$4.6
Supplemental disclosure of cash paid for:		
Interest	\$(14.3)	\$(12.9)
Income taxes	(0.1)	(0.1)

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF INCOME
 (UNAUDITED)

(In millions)	Three Months Ended December 31,	
	2016	2015
Operating Revenues:		
Utility	\$363.6	\$317.2
Total Operating Revenues	363.6	317.2
Operating Expenses:		
Utility		
Natural and propane gas	191.3	149.8
Other operation and maintenance expenses	60.5	58.8
Depreciation and amortization	22.7	21.8
Taxes, other than income taxes	24.6	21.7
Total Operating Expenses	299.1	252.1
Operating Income	64.5	65.1
Other Income	0.1	0.8
Interest Charges:		
Interest on long-term debt	8.3	8.4
Other interest charges	1.4	0.9
Total Interest Charges	9.7	9.3
Income Before Income Taxes	54.9	56.6
Income Tax Expense	16.9	17.2
Net Income	\$38.0	\$39.4

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)

(In millions)	Three Months Ended December 31,	
	2016	2015
Net Income	\$ 38.0	\$ 39.4
Other Comprehensive Income (Loss), Before Tax:		
Cash flow hedging derivative instruments:		
Net hedging gains (losses) arising during the period	0.3	(0.1)
Reclassification adjustment for losses included in net income	—	0.3
Net unrealized gains on cash flow hedging derivative instruments	0.3	0.2
Net (losses) gains on defined benefit pension and other postretirement plans	(0.1)	0.1
Net unrealized gains (losses) on available for sale securities	0.1	(0.1)
Other Comprehensive Income, Before Tax	0.3	0.2
Income Tax Expense Related to Items of Other Comprehensive Income	0.1	0.1
Other Comprehensive Income, Net of Tax	0.2	0.1
Comprehensive Income	\$ 38.2	\$ 39.5

See the accompanying
 Notes to Financial
 Statements.

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CONDENSED BALANCE SHEETS
(UNAUDITED)

	December 31,	September 30,	December 31,
(Dollars in millions, except per share amounts)	2016	2016	2015
ASSETS			
Utility Plant	\$ 2,794.7	\$2,718.5	\$ 2,580.6
Less: Accumulated depreciation and amortization	646.4	604.5	573.1
Net Utility Plant	2,148.3	2,114.0	2,007.5
Goodwill	210.2	210.2	210.2
Other Property and Investments	57.1	57.3	56.0
Total Other Property and Investments	267.3	267.5	266.2
Current Assets:			
Cash and cash equivalents	4.0	2.1	1.3
Accounts receivable:			
Utility	221.0	87.9	167.3
Other	12.2	11.4	24.6
Allowance for doubtful accounts	(17.1	) (16.1	) (8.7
Receivables from associated companies	5.3	2.2	4.6
Delayed customer billings	5.3	1.6	8.7
Inventories:			
Natural gas	118.2	127.3	125.5
Propane gas	12.0	12.0	12.0
Materials and supplies	9.3	9.2	9.3
Derivative instrument assets	2.2	4.9	—
Unamortized purchased gas adjustments	33.8	43.1	44.6
Other regulatory assets	59.7	23.9	20.9
Prepayments and other	15.5	14.5	12.8
Total Current Assets	481.4	324.0	422.9
Deferred Charges:			
Regulatory assets	543.4	589.8	563.9
Other	2.4	1.1	6.4
Total Deferred Charges	545.8	590.9	570.3
Total Assets	\$ 3,442.8	\$3,296.4	\$ 3,266.9

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

	December 31, 2016	September 30, 2016	December 31, 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)	\$ 753.1	\$752.0	\$ 749.5
Retained earnings	341.6	318.3	309.4
Accumulated other comprehensive loss	(1.6	) (1.8	) (1.6
Total Common Stock Equity	1,093.1	1,068.5	1,057.3
Long-term debt	804.3	804.1	803.6
Total Capitalization	1,897.4	1,872.6	1,860.9
Current Liabilities:			
Notes payable	312.9	243.7	274.1
Accounts payable	104.3	67.6	64.6
Accounts payable – associated companies	9.4	5.4	4.5
Advance customer billings	38.8	49.1	36.8
Wages and compensation accrued	22.1	29.9	19.7
Dividends payable	14.7	14.0	21.2
Customer deposits	13.6	13.5	13.0
Interest accrued	9.5	7.7	9.4
Taxes accrued	16.4	29.1	10.2
Deferred income taxes	—	—	12.3
Regulatory liabilities	2.7	1.3	1.1
Other	35.2	9.9	37.9
Total Current Liabilities	579.6	471.2	504.8
Deferred Credits and Other Liabilities:			
Deferred income taxes	578.2	556.9	493.5
Pension and postretirement benefit costs	202.8	211.8	204.2
Asset retirement obligations	76.1	75.2	73.3
Regulatory liabilities	67.3	67.3	81.4
Other	41.4	41.4	48.8
Total Deferred Credits and Other Liabilities	965.8	952.6	901.2
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$ 3,442.8	\$ 3,296.4	\$ 3,266.9

See the accompanying Notes to Financial Statements.

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

(Dollars in millions)	Common Stock		Paid-in Capital	Retained Earnings	AOCI*	Total
	Outstanding Shares	Amount				
Balance at September 30, 2015	24,577	\$ 0.1	\$ 748.2	\$ 291.2	\$(1.7)	\$1,037.8
Net income	—	—	—	39.4	—	39.4
Stock-based compensation costs	—	—	1.2	—	—	1.2
Dividends declared	—	—	—	(21.2)	—	(21.2)
Other comprehensive income, net of tax	—	—	—	—	0.1	0.1
Balance at December 31, 2015	24,577	\$ 0.1	\$ 749.4	\$ 309.4	\$(1.6)	\$1,057.3
Balance at September 30, 2016	24,577	\$ 0.1	\$ 751.9	\$ 318.3	\$(1.8)	\$1,068.5
Net income	—	—	—	38.0	—	38.0
Stock-based compensation costs	—	—	1.1	—	—	1.1
Dividends declared	—	—	—	(14.7)	—	(14.7)
Other comprehensive income, net of tax	—	—	—	—	0.2	0.2
Balance at December 31, 2016	24,577	\$ 0.1	\$ 753.0	\$ 341.6	\$(1.6)	\$1,093.1

* Accumulated other comprehensive income
 (loss)

See the accompanying Notes to Financial
 Statements.

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LACLEDE GAS COMPANY
 CONDENSED STATEMENTS OF CASH FLOWS
 (UNAUDITED)

(In millions)	Three Months Ended December 31,	
	2016	2015
Operating Activities:		
Net Income	\$ 38.0	\$ 39.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22.7	21.8
Deferred income taxes and investment tax credits	16.9	17.2
Changes in assets and liabilities:		
Accounts receivable	(136.0)	(66.9)
Unamortized purchased gas adjustments	9.3	(31.8)
Deferred purchased gas costs	7.9	12.6
Accounts payable	50.3	8.6
Delayed/advance customer billings – net	(14.0)	5.6
Taxes accrued	(12.6)	(15.2)
Inventories	9.0	12.6
Other assets and liabilities	16.7	17.7
Other	0.5	0.3
Net cash provided by operating activities	8.7	21.9
Investing Activities:		
Capital expenditures	(61.2)	(43.4)
Other	0.1	(0.1)
Net cash used in investing activities	(61.1)	(43.5)
Financing Activities:		
Issuance of short-term debt	69.2	41.1
Dividends paid	(14.0)	(19.9)
Other	(0.9)	—
Net cash provided by financing activities	54.3	21.2
Net Increase (Decrease) in Cash and Cash Equivalents	1.9	(0.4)

Cash and Cash Equivalents at Beginning of Period			2.1		
Cash and Cash Equivalents at End of Period	\$	4.0		\$	1.3
Supplemental disclosure of cash paid for:					
Interest	\$	(7.9	)	\$	(4.1
Income taxes	—			—)

See the accompanying
Notes to Financial
Statements.

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

(In millions)	Three Months Ended December 31,	
	2016	2015
Operating Revenues:		
Utility	\$ 86.7	\$ 82.3
Total Operating Revenues	86.7	82.3
Operating Expenses:		
Utility		
Natural gas	16.8	12.1
Operation and maintenance	31.2	33.1
Depreciation and amortization	12.3	11.7
Taxes, other than income taxes	6.6	6.5
Total Operating Expenses	66.9	63.4
Operating Income	19.8	18.9
Other Income	0.4	0.5
Interest Charges:		
Interest on long-term debt	2.8	3.0
Other interest charges	0.8	0.5
Total Interest Charges	3.6	3.5
Income Before Income Taxes	16.6	15.9
Income Tax Expense	6.3	6.0
Net Income	\$ 10.3	\$ 9.9

See the accompanying Notes to Financial Statements.

Table of ContentsALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS
(UNAUDITED)

	December 31,	September	December 31,
(Dollars in millions, except per share amounts)	2016	30, 2016	2015
ASSETS			
Utility Plant	\$ 1,750.2	\$ 1,729.6	\$ 1,640.0
Less: Accumulated depreciation and amortization	768.0	756.6	694.1
Net Utility Plant	982.2	973.0	945.9
Current Assets:			
Cash and cash equivalents	—	—	0.1
Accounts receivable:			
Utility	77.5	34.0	57.4
Other	6.1	7.2	5.9
Allowance for doubtful accounts	(2.4	) (3.3	) (4.0
Inventories:			
Natural gas	28.4	34.6	40.0
Materials and supplies	6.1	5.9	5.4
Deferred income taxes	—	—	5.7
Unamortized purchased gas adjustments	17.1	5.6	—
Other regulatory assets	14.4	14.9	10.8
Prepayments and other	5.4	5.1	4.2
Total Current Assets	152.6	104.0	125.5
Deferred Charges:			
Regulatory assets	229.5	230.7	162.5
Deferred income taxes	215.1	221.4	242.8
Other	61.8	60.8	55.7
Total Deferred Charges	506.4	512.9	461.0
Total Assets	\$ 1,641.2	\$ 1,589.9	\$ 1,532.4

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

	December 31, 2016	September 30, 2016	December 31, 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	\$ 451.9	\$ 471.9
Retained earnings	419.0	415.4	396.1
Total Common Stock Equity	870.9	867.3	868.0
Long-term debt	247.7	247.6	247.6
Total Capitalization	1,118.6	1,114.9	1,115.6
Current Liabilities:			
Notes payable	102.5	82.0	43.0
Accounts payable	48.7	34.3	34.9
Accounts payable – associated companies	1.9	0.4	1.7
Advance customer billings	21.4	21.1	22.5
Wages and compensation accrued	5.7	7.8	5.7
Customer deposits	18.8	18.2	20.0
Interest accrued	3.4	3.3	3.3
Taxes accrued	18.9	21.6	22.5
Unamortized purchased gas adjustments	—	—	14.3
Other regulatory liabilities	37.4	22.7	40.4
Other	5.0	6.3	5.1
Total Current Liabilities	263.7	217.7	213.4
Deferred Credits and Other Liabilities:			
Pension and postretirement benefit costs	75.6	74.3	46.5
Asset retirement obligations	121.4	120.1	87.5
Regulatory liabilities	40.6	41.7	47.7
Other	21.3	21.2	21.7
Total Deferred Credits and Other Liabilities	258.9	257.3	203.4
Commitments and Contingencies (<u>Note 10</u>)			
Total Capitalization and Liabilities	\$ 1,641.2	\$ 1,589.9	\$ 1,532.4

See the accompanying Notes to Financial Statements.

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

(Dollars in millions)	Common Stock		Paid-in Capital	Retained Earnings	Total
	Outstanding Shares	Amount			
Balance at September 30, 2015	1,972,052	\$	—\$480.9	\$ 393.7	\$874.6
Net income	—	—	—	9.9	9.9
Return of capital to Spire	—	—	(9.0)	—	(9.0)
Dividends declared	—	—	—	(7.5)	(7.5)
Balance at December 31, 2015	1,972,052	\$	—\$471.9	\$ 396.1	\$868.0
Balance at September 30, 2016	1,972,052	\$	—\$451.9	\$ 415.4	\$867.3
Net income	—	—	—	10.3	10.3
Dividends declared	—	—	—	(6.7)	(6.7)
Balance at December 31, 2016	1,972,052	\$	—\$451.9	\$ 419.0	\$870.9

See the accompanying Notes to Financial Statements.

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

	Three Months Ended December 31,	
(In millions)	2016	2015
Operating Activities:		
Net Income	\$10.3	\$9.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12.3	11.7
Deferred income taxes and investment tax credits	6.3	6.0
Changes in assets and liabilities:		
Accounts receivable	(28.1)	(14.2)
Unamortized purchased gas adjustments	(11.5)	(13.9)
Accounts payable	17.0	13.1
Advance customer billings - net	0.3	3.3
Taxes accrued	(2.7)	(3.5)
Inventories	5.9	0.4
Other assets and liabilities	(1.1)	1.5
Other	0.3	0.6
Net cash provided by operating activities	9.0	14.9
Investing Activities:		
Capital expenditures	(21.8)	(18.7)
Other	(0.6)	(0.3)
Net cash used in investing activities	(22.4)	(19.0)
Financing Activities:		
Issuance of long-term debt	—	80.0
Redemption and maturity of long-term debt	—	(80.0)
Issuance of short-term debt	20.5	12.0
Return of capital to Spire	—	(9.0)
Dividends paid	(6.7)	(7.5)
Other	(0.4)	1.5
Net cash provided by (used in) financing activities	13.4	(3.0)
Net Decrease in Cash and Cash Equivalents	—	(7.1)
Cash and Cash Equivalents at Beginning of Period	—	7.2
Cash and Cash Equivalents at End of Period	\$—	\$0.1
Supplemental disclosure of cash paid for:		
Interest	\$(3.1)	\$(3.2)
Income taxes	—	—

See the accompanying Notes to Financial Statements.

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

(Dollars in millions, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

	Gas Utility	Gas Marketing	Other	Total
Balance as of September 30, 2016	\$210.2	\$	—\$954.7	\$1,164.9
Adjustments related to the acquisition of EnergySouth	—	—	(3.5)	(3.5)

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Balance as of December 31, 2016	\$210.2	\$	—\$951.2	\$1,161.4
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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 December 31, 2016, September 30, 2016, and December 31, 2015 were \$103.5, \$26.1, and \$74.6, respectively.

Alagasco records natural gas distribution revenues in accordance with the tariff established by the Alabama Public Service Commission (APSC). Unbilled revenues for Alagasco, which are not recorded as revenue until billed, at December 31, 2016, September 30, 2016, and December 31, 2015 were \$22.0, \$5.9, and \$16.4, respectively. The subsidiaries of EnergySouth record natural gas revenues in accordance with tariffs established by the APSC and the Mississippi Public Service Commission (MSPSC). Their unbilled revenues are accrued as described for Laclede Gas above.

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

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

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

	Three Months Ended December 31,	
	2016	2015
Spire	\$ 19.4	\$ 17.9
Laclede Gas	14.1	13.9
Alagasco	4.2	4.0

REGULATED OPERATIONS – The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, “Regulated Operations.” This topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. In addition, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process.

As authorized by the Missouri Public Service Commission (MoPSC), MSPSC and APSC, the Purchased Gas Adjustment (PGA) clauses and Gas Supply Adjustment (GSA) riders allow the Utilities to pass through to customers the cost of purchased gas supplies. Regulatory assets and liabilities related to the PGA clauses and the GSA rider are

both labeled Unamortized Purchased Gas Adjustments herein. See additional information about regulatory assets and liabilities in Note 3, Regulatory Matters.

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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 three months ended December 31, 2016 and December 31, 2015. Laclede Gas’ transactions with affiliates included:

	Three Months Ended December 31, 2016 2015	
Purchases of natural gas from Spire Marketing	\$ 20.5	\$ 13.2
Sales of natural gas to Spire Marketing	3.6	0.7
Transportation services received from Laclede Pipeline Company	0.3	0.3
Insurance services received from Laclede Insurance Risk Services	1.1	0.2

UTILITY PLANT – Laclede Gas had accrued capital expenditures of \$6.8, \$14.8, and \$4.6 as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively. Alagasco had accrued capital expenditures of \$5.6, \$6.8, and \$3.1 as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively. Accrued capital expenditures are excluded from the capital expenditures shown in the statements of cash flows.

FINANCING RECEIVABLES – Alagasco finances third-party contractor sales of merchandise including gas furnaces and appliances, and related financing receivables totaled approximately \$11.8, \$11.8, and \$11.2 as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively. Financing is available only to qualified customers who meet creditworthiness thresholds for customer payment history and external agency credit reports. Alagasco relies upon ongoing payments as the primary indicator of credit quality during the term of each contract. The allowance for credit losses is recognized using an estimate of write-off percentages based on historical experience applied to an aging of the financing 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 financing receivable is written off approximately 12 months after being assigned to the third-party collection agency. Alagasco’s financing receivables that were at least 90 days past due totaled \$0.4 as of December 31, 2016, September 30, 2016, and December 31, 2015. Alagasco recorded corresponding reserves for credit losses at each of those dates. Mobile Gas also finances customer purchases of gas heating and cooling systems, but related financing receivables are not material.

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

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

	December 31, 2016	September 30, 2016	December 31, 2015
Spire	\$ 12.5	\$ 13.0	\$ 12.6
Laclede Gas	4.1	4.2	4.6
Alagasco	2.3	2.4	2.4

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2. EARNINGS PER COMMON SHARE

	Three Months Ended December 31, 2016 2015	
Basic EPS:		
Net Income	\$ 45.2	\$ 46.9
Less: Income allocated to participating securities	0.1	0.2
Net Income Available to Common Shareholders	\$ 45.1	\$ 46.7
Weighted Average Shares Outstanding (in millions)	45.5	43.2
Basic Earnings Per Share of Common Stock	\$ 0.99	\$ 1.08
Diluted EPS:		
Net Income	\$ 45.2	\$ 46.9
Less: Income allocated to participating securities	0.1	0.2
Net Income Available to Common Shareholders	\$ 45.1	\$ 46.7
Weighted Average Shares Outstanding (in millions)	45.5	43.2
Dilutive Effect of Restricted Stock, Restricted Stock Units, and Stock Options (in millions)	0.2	0.2
Weighted Average Diluted Shares (in millions)	45.7	43.4
Diluted Earnings Per Share of Common Stock	\$ 0.99	\$ 1.08
Outstanding Shares (in millions) Excluded from the Calculation of Diluted EPS Attributable to:		
Restricted stock and stock units subject to performance and/or market conditions	0.4	0.4
Spire's 2014 2.0% Series Equity Units issued in June 2014 were anti-dilutive for the three months ended December 31, 2016 and 2015; accordingly, they were excluded from the calculation of weighted average diluted shares for those periods.		

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3. REGULATORY MATTERS

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

	December 31, 2016	September 30, 2016	December 31, 2015
Spire			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 63.2	\$ 27.0	\$ 26.7
Unamortized purchased gas adjustments	52.2	49.7	44.6
Other	19.1	17.2	5.0
Total Regulatory Assets (current)	134.5	93.9	76.3
Non-current:			
Future income taxes due from customers	155.5	151.3	138.7
Pension and postretirement benefit costs	439.2	487.9	441.3
Cost of removal	131.6	130.6	79.4
Purchased gas costs	4.7	12.6	11.5
Energy efficiency	26.0	25.5	23.0
Other	29.4	30.1	33.1
Total Regulatory Assets (non-current)	786.4	838.0	727.0
Total Regulatory Assets	\$ 920.9	\$ 931.9	\$ 803.3
Regulatory Liabilities:			
Current:			
Rate Stabilization and Equalization (RSE) adjustment	\$ 3.8	\$ 7.5	\$ 11.1
Unbilled service margin	22.0	5.9	16.4
Refundable negative salvage	9.0	9.3	10.5
Unamortized purchased gas adjustments	1.4	1.7	14.3
Other	8.0	6.2	3.5
Total Regulatory Liabilities (current)	44.2	30.6	55.8
Non-current:			
Postretirement liabilities	28.3	28.9	28.4
Refundable negative salvage	8.9	9.4	15.8
Accrued cost of removal	74.7	74.8	58.6
Other	20.2	17.6	26.3
Total Regulatory Liabilities (non-current)	132.1	130.7	129.1
Total Regulatory Liabilities	\$ 176.3	\$ 161.3	\$ 184.9

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	December 31,	September	December 31,
	2016	30,	2015
		2016	
Laclede Gas			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 56.3	\$ 20.2	\$ 20.2
Unamortized purchased gas adjustments	33.8	43.1	44.6
Other	3.4	3.7	0.7
Total Regulatory Assets (current)	93.5	67.0	65.5
Non-current:			
Future income taxes due from customers	155.5	151.3	138.7
Pension and postretirement benefit costs	333.3	375.7	362.2
Purchased gas costs	4.7	12.6	11.5
Energy efficiency	26.0	25.5	23.0
Other	23.9	24.7	28.5
Total Regulatory Assets (non-current)	543.4	589.8	563.9
Total Regulatory Assets	\$ 636.9	\$ 656.8	\$ 629.4
Regulatory Liabilities:			
Current:			
Other	\$ 2.7	\$ 1.3	\$ 1.1
Total Regulatory Liabilities (current)	2.7	1.3	1.1
Non-current:			
Accrued cost of removal	54.8	55.1	58.6
Other	12.5	12.2	22.8
Total Regulatory Liabilities (non-current)	67.3	67.3	81.4
Total Regulatory Liabilities	\$ 70.0	\$ 68.6	\$ 82.5

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	December 31, 2016	September 30, 2016	December 31, 2015
Alagasco			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$ 6.8	\$ 6.8	\$ 6.5
Unamortized purchased gas adjustments	17.1	5.6	—
Other	7.6	8.1	4.3
Total Regulatory Assets (current)	31.5	20.5	10.8
Non-current:			
Pension and postretirement benefit costs	96.8	98.9	79.1
Cost of removal	131.6	130.6	79.4
Other	1.1	1.2	4.0
Total Regulatory Assets (non-current)	229.5	230.7	162.5
Total Regulatory Assets	\$ 261.0	\$ 251.2	\$ 173.3

Regulatory Liabilities:

Current:			
RSE adjustment	\$ 3.8	\$ 5.0	\$ 11.1
Unbilled service margin	22.0	5.9	16.4
Refundable negative salvage	9.0	9.3	10.5
Unamortized purchased gas adjustments	—	—	14.3
Other	2.6	2.5	2.4
Total Regulatory Liabilities (current)	37.4	22.7	54.7
Non-current:			
Postretirement liabilities	28.3	28.9	28.4
Refundable negative salvage	8.9	9.4	15.8
Other	3.4	3.4	3.5
Total Regulatory Liabilities (non-current)	40.6	41.7	47.7
Total Regulatory Liabilities	\$ 78.0	\$ 64.4	\$ 102.4

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		
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2016	December 31, 2015
Future income taxes due from customers	\$ 155.5	\$ 151.3	\$ 138.7	\$ 155.5	\$ 151.3	\$ 138.7
Pension and postretirement benefit costs	231.4	240.6	217.7	231.4	240.6	217.7
Other	12.2	12.9	13.5	12.2	12.9	13.5
Total Regulatory Assets Not Earning a Return	\$ 399.1	\$ 404.8	\$ 369.9	\$ 399.1	\$ 404.8	\$ 369.9

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

Table of Contents**4. FINANCING ARRANGEMENTS**

On December 14, 2016, Spire, Laclede Gas, and Alagasco entered into a new syndicated revolving credit facility pursuant to a loan agreement with 11 banks, expiring December 14, 2021. The largest portion provided by a single bank under the line is 12.3%.

The loan agreement replaces Spire's and Laclede Gas' existing loan agreements dated as of September 3, 2013 and amended September 3, 2014, which were set to expire on September 3, 2019, and Alagasco's existing loan agreement dated September 2, 2014, which was set to expire September 2, 2019. All three agreements were terminated on December 14, 2016.

The loan agreement has an aggregate credit commitment of \$975.0, including sublimits of \$300.0 for Spire, \$475.0 for Laclede Gas, and \$200.0 for Alagasco. These sublimits may be reallocated from time to time among the three borrowers within the \$975.0 aggregate commitment. Spire may use its line to provide for the funding needs of various subsidiaries. Spire, Laclede Gas, and Alagasco expect to use the loan agreement for general corporate purposes, including short-term borrowings and letters of credit.

The agreement also contains financial covenants limiting each borrower's consolidated total debt, including short-term debt, to no more than 70% of its total capitalization. As defined in the line of credit, on December 31, 2016, total debt was 59% of total capitalization for the consolidated Company, 51% for Laclede Gas and 29% for Alagasco.

On December 21, 2016, Spire established a commercial paper program (Program) pursuant to which Spire may issue short-term, unsecured commercial paper notes (Notes). Amounts available under the Program may be borrowed, repaid, and re-borrowed from time to time, with the aggregate face or principal amount of the Notes outstanding under the Program at any time not to exceed \$975.0. The Notes will have maturities of up to 365 days from date of issue. The net proceeds of the issuances of the Notes are expected to be used for general corporate purposes, including to provide working capital for both utility and non-utility subsidiaries. No Notes were outstanding under the Program as of December 31, 2016.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Spire

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

	Carrying Amount	Fair Value	Classification of Estimated Fair Value Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2016					
Cash and cash equivalents	\$ 10.6	\$ 10.6	\$ 10.6	\$ —	—
Short-term debt	506.4	506.4	—	506.4	—
Long-term debt, including current portion	2,071.3	2,258.1	—	2,258.1	—
As of September 30, 2016					
Cash and cash equivalents	\$ 5.2	\$ 5.2	\$ 5.2	\$ —	—
Short-term debt	398.7	398.7	—	398.7	—

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Long-term debt, including current portion 2,070.7 2,257.1 — 2,257.1 —

As of December 31, 2015

Cash and cash equivalents \$ 4.6 \$ 4.6 \$ 4.6 \$ —\$ —

Short-term debt 377.1 377.1 — 377.1 —

Long-term debt 1,838.9 1,916.5 — 1,916.5 —

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Laclede Gas

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

	Carrying Amount	Fair Value	Classification of Estimated Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2016					
Cash and cash equivalents	\$ 4.0	\$ 4.0	\$ 4.0	\$ —	\$ —
Short-term debt	312.9	312.9	—	312.9	—
Long-term debt	804.3	910.7	—	910.7	—
As of September 30, 2016					
Cash and cash equivalents	\$ 2.1	\$ 2.1	\$ 2.1	\$ —	\$ —
Short-term debt	243.7	243.7	—	243.7	—
Long-term debt	804.1	900.4	—	900.4	—
As of December 31, 2015					
Cash and cash equivalents	\$ 1.3	\$ 1.3	\$ 1.3	\$ —	\$ —
Short-term debt	274.1	274.1	—	274.1	—
Long-term debt	803.6	858.5	—	858.5	—

Alagasco

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

	Carrying Amount	Fair Value	Classification of Estimated Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2016					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term debt	102.5	102.5	—	102.5	—
Long-term debt	247.7	269.3	—	269.3	—
As of September 30, 2016					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —
Short-term debt	82.0	82.0	—	82.0	—
Long-term debt	247.6	275.5	—	275.5	—

As of December 31, 2015

Cash and cash equivalents	\$ 0.1	\$ 0.1	\$ 0.1	\$	—\$	—
Short-term debt	43.0	43.0	—	43.0	—	
Long-term debt	247.6	256.5	—	256.5	—	

6. FAIR VALUE MEASUREMENTS

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

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

Derivative instruments included in Level 1 are valued using quoted market prices on the New York Mercantile Exchange (NYMEX) or the Intercontinental Exchange (ICE). Derivative instruments classified in Level 2 include physical commodity derivatives that are valued using Over-the-Counter Bulletin Board (OTCBB), broker, or dealer quotation services whose prices are derived principally from, or are corroborated by, observable market inputs. Also included in Level 2 are certain derivative instruments that have values that are similar to, and correlate with, quoted

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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 December 31, 2016, September 30, 2016 and December 31, 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 December 31, 2016					
ASSETS					
Gas Utility					
US stock/bond mutual funds	\$ 17.2	\$ 4.0	\$ —	\$ —	\$21.2
NYMEX/ICE natural gas contracts	8.8	—	—	(6.6	) 2.2
Gasoline and heating oil contracts	0.7	—	—	—	0.7
Subtotal	26.7	4.0	—	(6.6	) 24.1
Gas Marketing					
NYMEX/ICE natural gas contracts	0.7	4.5	—	(4.9	) 0.3
Natural gas commodity contracts	—	9.8	—	(0.3	) 9.5
Other					
Interest rate swaps	—	8.2	—	—	8.2
Total	\$ 27.4	\$ 26.5	\$ —	\$ (11.8	) \$42.1
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	\$ 0.2	\$ —	\$ —	\$ (0.2) \$—
Subtotal	0.2	—	—	(0.2) —
Gas Marketing					
NYMEX/ICE natural gas contracts	5.1	4.8	—	(9.9) —
Natural gas commodity contracts	—	3.8	—	(0.3	) 3.5
Total	\$ 5.3	\$ 8.6	\$ —	\$ (10.4	) \$3.5
As of September 30, 2016					
ASSETS					
Gas Utility					
US stock/bond mutual funds	\$ 16.8	\$ 4.1	\$ —	\$ —	\$20.9
NYMEX/ICE natural gas contracts	5.3	—	—	(0.4	) 4.9
Gasoline and heating oil contracts	0.4	—	—	(0.3	) 0.1
Subtotal	22.5	4.1	—	(0.7	) 25.9
Gas Marketing					
NYMEX/ICE natural gas contracts	0.4	3.4	—	(3.4	) 0.4
Natural gas commodity contracts	—	8.7	0.2	(0.9	) 8.0
Total	\$ 22.9	\$ 16.2	\$ 0.2	\$ (5.0	) \$34.3
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	\$ 1.6	\$ —	\$ —	\$ (1.6) \$—
OTCBB natural gas contracts	—	0.2	—	—	0.2
Subtotal	1.6	0.2	—	(1.6	) 0.2
Gas Marketing					
NYMEX/ICE natural gas contracts	3.5	1.6	—	(5.1) —
Natural gas commodity contracts	—	2.6	—	(0.9) 1.7

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Other					
Interest rate swaps	—	3.0	—	—	3.0
Total	\$ 5.1	\$ 7.4	\$ —	\$ (7.6)	\$ 4.9

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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 December 31, 2015					
ASSETS					
Gas Utility					
US stock/bond mutual funds	\$ 15.9	\$ 4.0	\$ —	\$ —	\$19.9
NYMEX/ICE natural gas contracts	0.1	—	—	(0.1)	—
Subtotal	16.0	4.0	—	(0.1)	19.9
Gas Marketing					
NYMEX/ICE natural gas contracts	4.1	5.8	—	(6.9)	3.0
Natural gas commodity contracts	—	1.9	0.2	(0.3)	1.8
Total	\$ 20.1	\$ 11.7	\$ 0.2	\$ (7.3)	\$24.7
LIABILITIES					
Gas Utility					
NYMEX/ICE natural gas contracts	\$ 17.3	\$ —	\$ —	\$ (17.3)	\$—
OTCBB natural gas contracts	—	4.6	—	—	4.6
NYMEX gasoline and heating oil contracts	0.1	—	—	(0.1)	—
Subtotal	17.4	4.6	—	(17.4)	4.6
Gas Marketing					
NYMEX/ICE natural gas contracts	1.5	3.5	—	(5.0)	—
Natural gas commodity contracts	—	1.4	—	(0.3)	1.1
Total	\$ 18.9	\$ 9.5	\$ —	\$ (22.7)	\$5.7
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 December 31, 2016					
ASSETS					
US stock/bond mutual funds	\$ 17.2	\$ 4.0	\$ —	\$ —	\$21.2
NYMEX/ICE natural gas contracts	8.8	—	—	(6.6)	2.2
Gasoline and heating oil contracts	0.5	—	—	—	0.5
Total	\$ 26.5	\$ 4.0	\$ —	\$ (6.6)	\$23.9
LIABILITIES					
NYMEX/ICE natural gas contracts	\$ 0.2	\$ —	\$ —	\$ (0.2)	\$—
Total	\$ 0.2	\$ —	\$ —	\$ (0.2)	\$—
As of September 30, 2016					
ASSETS					
US stock/bond mutual funds	\$ 16.8	\$ 4.1	\$ —	\$ —	\$20.9
NYMEX/ICE natural gas contracts	5.3	—	—	(0.4)	4.9
Gasoline and heating oil contracts	0.3	—	—	(0.3)	—

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Total	\$22.4	\$4.1	\$-(0.7)	\$25.8
LIABILITIES				
NYMEX/ICE natural gas contracts	\$1.6	\$—	\$-(1.6)	\$—
OTCBB natural gas contracts	—	0.2	—	0.2
Total	\$1.6	\$0.2	\$-(1.6)	\$0.2

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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 December 31, 2015					
ASSETS					
US stock/bond mutual funds	\$ 15.9	\$ 4.0	\$	—\$ —	\$19.9
NYMEX/ICE natural gas contracts	0.1	—	—	(0.1)	—
Total	\$ 16.0	\$ 4.0	\$	—\$ (0.1)	\$19.9
LIABILITIES					
NYMEX/ICE natural gas contracts	\$ 17.3	\$ —	\$	—\$ (17.3)	\$—
OTCBB natural gas contracts	—	4.6	—	—	4.6
NYMEX gasoline and heating oil contracts	0.1	—	—	(0.1)	—
Total	\$ 17.4	\$ 4.6	\$	—\$ (17.4)	\$4.6

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 December 31, 2016, the fair value of related gasoline contracts was not significant.

7. CONCENTRATIONS OF CREDIT RISK

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

A significant portion of Spire Marketing's transactions are with (or are associated with) energy producers, utility companies, and pipelines. The concentration of transactions with these counterparties has the potential to affect the Company's overall exposure to credit risk, either positively or negatively, in that each of these three groups may be affected similarly by changes in economic, industry, or other conditions. To manage this risk, as well as credit risk from significant counterparties in these and other industries, Spire Marketing has established procedures to determine the creditworthiness of its counterparties. These procedures include obtaining credit ratings and credit reports, analyzing counterparty financial statements to assess financial condition, and considering the industry environment in which the counterparty operates. This information is monitored on an ongoing basis. In some instances, Spire Marketing may require credit assurances such as prepayments, letters of credit, or parental guarantees. In addition, they may enter into netting arrangements to mitigate credit risk with counterparties in the energy industry from which Spire Marketing 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. Spire Marketing records accounts receivable, accounts payable, and prepayments for physical sales and purchases of natural gas on a gross basis. The amount included in its accounts receivable attributable to energy producers and their marketing affiliates totaled \$21.1 at December 31, 2016 (\$13.5 reflecting netting arrangements). Spire Marketing's accounts receivable attributable to utility companies and their marketing affiliates were \$53.8 at December 31, 2016 (\$48.5 reflecting netting arrangements).

Spire Marketing also has concentrations of credit risk with certain individually significant counterparties and with pipeline companies associated with its natural gas receivable amounts. At December 31, 2016, the amounts included in accounts receivable from its five largest counterparties (in terms of net accounts receivable exposure) totaled \$30.5 (\$27.7 reflecting netting arrangements). Four of these five counterparties are investment-grade rated companies. The fifth is not rated.

8. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Plans

The pension plans of Spire consist of plans for employees at the Missouri Utilities, plans covering employees of Alagasco, and plans for employees of EnergySouth since September 12, 2016. The Missouri Utilities have non-contributory, defined benefit, trustee forms of pension plans covering the majority of their employees. Plan assets consist primarily of corporate and United States (US) government obligations and a growth segment consisting of exposure to equity markets, commodities, real estate and inflation-indexed securities, achieved through derivative instruments.

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

The net periodic pension cost included the following components:

	Three Months Ended December 31, 2016 2015	
Spire		
Service cost – benefits earned during the period	\$5.3	\$3.9
Interest cost on projected benefit obligation	6.9	7.1
Expected return on plan assets	(9.9)	(8.9)
Amortization of prior service cost	0.2	0.1
Amortization of actuarial loss	3.4	2.0
Special termination benefits	—	1.6
Subtotal	5.9	5.8
Regulatory adjustment	4.6	5.0
Net pension cost	\$10.5	\$10.8
Laclede Gas		
Service cost – benefits earned during the period	\$3.3	\$2.5
Interest cost on projected benefit obligation	4.8	5.4
Expected return on plan assets	(7.3)	(6.7)
Amortization of prior service cost	0.2	0.1
Amortization of actuarial loss	2.9	2.0
Special termination benefits	—	1.6
Subtotal	3.9	4.9
Regulatory adjustment	2.8	3.5
Net pension cost	\$6.7	\$8.4
Alagasco		
Service cost – benefits earned during the period	\$1.6	\$1.4
Interest cost on projected benefit obligation	1.5	1.7
Expected return on plan assets	(1.8)	(2.2)
Amortization of actuarial loss	0.5	—
Subtotal	1.8	0.9
Regulatory adjustment	1.6	1.5
Net pension cost	\$3.4	\$2.4

Pursuant to the provisions of the Missouri Utilities' and Alagasco's pension plans, pension obligations may be satisfied by monthly annuities, lump-sum cash payments, or special termination benefits. Lump-sum payments are recognized as settlements (which can result in gains or losses) only if the total of such payments exceeds 100% of the sum of service and interest costs in a specific year. Special termination benefits, when offered, are also recognized as settlements which can result in gains or losses. In the quarter ended 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 2017 contributions to Laclede Gas' pension plans through December 31, 2016 were \$12.3 to the qualified trusts and \$0.1 to non-qualified plans. There were no fiscal 2017 contributions to the Alagasco pension plans through December 31, 2016.

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Contributions to the Missouri Utilities' pension plans for the remainder of fiscal 2017 are anticipated to be \$16.7 to the qualified trusts and \$0.5 to the non-qualified plans. No contributions to Alagasco's pension plans are expected to be required for the remainder of fiscal 2017.

Postretirement Benefits

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

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

	Three Months Ended December 31, 2016 2015	
Spire		
Service cost – benefits earned during the period	\$ 2.8	\$ 2.8
Interest cost on accumulated postretirement benefit obligation	2.1	2.5
Expected return on plan assets	(3.4)	(3.4)
Amortization of prior service credit	—	0.1
Amortization of actuarial loss	0.6	0.9
Special termination benefit	—	2.6
Subtotal	2.1	5.5
Regulatory adjustment	(0.8)	(4.2)
Net postretirement benefit cost	\$ 1.3	\$ 1.3
Laclede Gas		
Service cost – benefits earned during the period	\$2.6	\$2.7
Interest cost on accumulated postretirement benefit obligation	1.7	2.0
Expected return on plan assets	(2.3)	(2.1)
Amortization of prior service credit	0.1	0.1
Amortization of actuarial loss		