

SPIRE INC  
Form 10-Q  
May 01, 2019

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 quarterly period ended March 31, 2019

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

Edgar Filing: SPIRE INC - Form 10-Q

Birmingham, AL 35203

205-326-8100

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	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Spire Missouri Inc.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Spire Alabama Inc.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Indicate by check mark whether each registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Spire Inc.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Spire Missouri Inc.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Spire Alabama Inc.	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

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

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
Spire Inc.	<input checked="" type="checkbox"/>				
Spire Missouri Inc.			<input checked="" type="checkbox"/>		
Spire Alabama Inc.			<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Spire Inc.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Spire Missouri Inc.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Spire Alabama Inc.	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

## Edgar Filing: SPIRE INC - Form 10-Q

The number of shares outstanding of each registrant's common stock as of April 29, 2019, was as follows:

Spire Inc.	Common Stock, par value \$1.00 per share	50,745,880
Spire Missouri Inc.	Common Stock, par value \$1.00 per share (all owned by Spire Inc.)	24,577
Spire Alabama Inc.	Common Stock, par value \$0.01 per share (all owned by Spire Inc.)	1,972,052

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

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

---

TABLE OF CONTENTS

	Page No.
<u>GLOSSARY</u>	2
 <u>PART I. FINANCIAL INFORMATION</u>	
 <u>Financial Statements</u>	
<u>Item 1 (Unaudited)</u>	
Spire Inc.	
<u>Condensed Consolidated Statements of Income</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income</u>	5
<u>Condensed Consolidated Balance Sheets</u>	6
<u>Condensed Consolidated Statements of Shareholders' Equity</u>	8
<u>Condensed Consolidated Statements of Cash Flows</u>	9
Spire Missouri Inc.	
<u>Condensed Statements of Comprehensive Income</u>	10
<u>Condensed Balance Sheets</u>	11
<u>Condensed Statements of Shareholder's Equity</u>	13
<u>Condensed Statements of Cash Flows</u>	14
Spire Alabama Inc.	15

<u>Condensed</u>	
<u>Statements of</u>	
<u>Income</u>	
<u>Condensed</u>	
<u>Balance Sheets</u>	16
<u>Condensed</u>	
<u>Statements of</u>	
<u>Shareholder's</u>	
<u>Equity</u>	18
<u>Condensed</u>	
<u>Statements of</u>	
<u>Cash Flows</u>	19
Notes to Financial	
Statements	
<u>Note 1.</u>	
<u>Summary of</u>	
<u>Significant</u>	
<u>Accounting</u>	
<u>Policies</u>	20
<u>Note 2.</u>	
<u>Revenue</u>	23
<u>Note 3.</u>	
<u>Earnings Per</u>	
<u>Share</u>	25
<u>Note 4.</u>	
<u>Regulatory</u>	
<u>Matters</u>	26
<u>Note 5.</u>	
<u>Financing</u>	
<u>Arrangements</u>	
<u>and Long-term</u>	
<u>Debt</u>	29
<u>Note 6. Fair</u>	
<u>Value of</u>	
<u>Financial</u>	
<u>Instruments</u>	30
<u>Note 7. Fair</u>	
<u>Value</u>	
<u>Measurements</u>	31
<u>Note 8.</u>	
<u>Concentrations</u>	
<u>of Credit Risk</u>	35
<u>Note 9. Pension</u>	
<u>Plans and Other</u>	
<u>Postretirement</u>	
<u>Benefits</u>	35
<u>Note 10.</u>	
<u>Information by</u>	
<u>Operating</u>	
<u>Segment</u>	38
	41

<u>Note 11.</u> <u>Commitments</u> <u>and</u> <u>Contingencies</u> <u>Note 12.</u> <u>Income Taxes</u>	44
<u>Management's</u> <u>Discussion and</u> <u>Analysis of</u> <u>Financial Condition</u> <u>and Results of</u> <u>Item 2 Operations</u>	45
<u>Quantitative and</u> <u>Qualitative</u> <u>Disclosures About</u> <u>Item 3 Market Risk</u>	62
<u>Controls and</u> <u>Item 4 Procedures</u>	62
<u>PART II. OTHER</u> <u>INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	63
<u>Unregistered Sales</u> <u>of Equity Securities</u> <u>Item 2 and Use of Proceeds</u>	63
<u>Item 5 Other Information</u>	63
<u>Item 6 Exhibits</u>	64
<u>SIGNATURES</u>	65

## GLOSSARY OF KEY TERMS AND ABBREVIATIONS

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

PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by three separate registrants — Spire Inc. (“Spire” or the “Company”), Spire Missouri Inc. (“Spire Missouri” or “Missouri Utilities”) and Spire Alabama Inc. (“Spire Alabama”) — without audit, pursuant to the rules and regulations of the United States (“U.S.”) Securities and Exchange Commission (“SEC”). These financial statements should be read in conjunction with the financial statements and the notes thereto included in the registrants’ combined Form 10-K for the fiscal year ended September 30, 2018.

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



## Item 1. Financial Statements

SPIRE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(In millions, except per share amounts)	Three Months Ended		Six Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
<b>Operating Revenues:</b>				
Gas Utility	\$776.7	\$790.6	\$1,350.5	\$1,332.5
Gas Marketing and other	26.8	22.8	55.0	42.7
<b>Total Operating Revenues</b>	<b>803.5</b>	<b>813.4</b>	<b>1,405.5</b>	<b>1,375.2</b>
<b>Operating Expenses:</b>				
<b>Gas Utility</b>				
Natural and propane gas	337.4	383.7	589.1	624.5
Operation and maintenance	109.5	135.3	212.0	234.3
Depreciation and amortization	44.4	41.1	88.1	81.4
Taxes, other than income taxes	57.4	58.0	96.6	94.7
<b>Total Gas Utility Operating Expenses</b>	<b>548.7</b>	<b>618.1</b>	<b>985.8</b>	<b>1,034.9</b>
Gas Marketing and other	45.3	45.2	105.1	86.2
<b>Total Operating Expenses</b>	<b>594.0</b>	<b>663.3</b>	<b>1,090.9</b>	<b>1,121.1</b>
<b>Operating Income</b>	<b>209.5</b>	<b>150.1</b>	<b>314.6</b>	<b>254.1</b>
Other Income (Expense), Net	6.1	(7.6 )	8.9	(4.3 )
<b>Interest Charges:</b>				
Interest on long-term debt	21.5	21.0	41.9	41.7
Other interest charges	6.1	4.4	11.6	8.1
<b>Total Interest Charges</b>	<b>27.6</b>	<b>25.4</b>	<b>53.5</b>	<b>49.8</b>
<b>Income Before Income Taxes</b>	<b>188.0</b>	<b>117.1</b>	<b>270.0</b>	<b>200.0</b>
Income Tax Expense (Benefit)	33.4	18.9	48.1	(14.2 )
<b>Net Income</b>	<b>\$154.6</b>	<b>\$98.2</b>	<b>\$221.9</b>	<b>\$214.2</b>
<b>Weighted Average Number of Shares Outstanding:</b>				
Basic	50.6	48.2	50.6	48.2
Diluted	50.8	48.4	50.8	48.4
<b>Basic Earnings Per Share</b>	<b>\$3.05</b>	<b>\$2.03</b>	<b>\$4.37</b>	<b>\$4.43</b>
<b>Diluted Earnings Per Share</b>	<b>\$3.04</b>	<b>\$2.03</b>	<b>\$4.36</b>	<b>\$4.42</b>

See the accompanying Notes to Financial Statements.



SPIRE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended		Six Months Ended	
(In millions)	March 31, 2019	2018	March 31, 2019	2018
Net Income	\$154.6	\$98.2	\$221.9	\$214.2
Other Comprehensive (Loss) Income, Before Tax:				
Cash flow hedging derivative instruments:				
Net hedging (loss) gain arising during the period	(7.7 )	1.8	(18.1 )	1.9
Reclassification adjustment for gains included in net income	(0.4 )	(0.4 )	(0.7 )	(0.8 )
Net unrealized (loss) gain on cash flow hedging derivative instruments	(8.1 )	1.4	(18.8 )	1.1
Net gain on defined benefit pension and other postretirement plans	0.1	—	0.1	0.1
Net unrealized gain (loss) on available for sale securities	0.1	—	0.1	(0.1 )
Other Comprehensive (Loss) Income, Before Tax	(7.9 )	1.4	(18.6 )	1.1
Income Tax (Benefit) Expense Related to Items of Other Comprehensive (Loss) Income	(1.9 )	0.3	(4.4 )	0.2
Other Comprehensive (Loss) Income, Net of Tax	(6.0 )	1.1	(14.2 )	0.9
Comprehensive Income	\$148.6	\$99.3	\$207.7	\$215.1

See the accompanying Notes to Financial Statements.

SPIRE INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2019	September 30, 2018	March 31, 2018
(Dollars in millions, except per share amounts)			
<b>ASSETS</b>			
Utility Plant	\$5,856.8	\$ 5,653.3	\$5,403.4
Less: Accumulated depreciation and amortization	1,738.5	1,682.8	1,645.0
Net Utility Plant	4,118.3	3,970.5	3,758.4
Non-utility Property (net of accumulated depreciation and amortization of \$11.9, \$10.4 and \$9.1 at March 31, 2019, September 30, 2018, and March 31, 2018, respectively)	329.1	174.5	116.9
Goodwill	1,171.6	1,171.6	1,171.6
Other Investments	68.4	68.7	66.4
Total Other Property and Investments	1,569.1	1,414.8	1,354.9
<b>Current Assets:</b>			
Cash and cash equivalents	11.1	4.4	17.8
Accounts receivable:			
Utility	318.6	151.9	302.4
Other	196.5	167.3	111.3
Allowance for doubtful accounts	(28.1 )	(22.4 )	(25.7 )
Delayed customer billings	43.8	6.9	45.6
Inventories:			
Natural gas	91.3	175.2	94.3
Propane gas	10.7	12.0	12.0
Materials and supplies	24.3	23.1	22.2
Natural gas receivable	0.3	1.8	3.0
Derivative instrument assets	24.5	13.3	7.3
Regulatory assets	75.3	72.8	97.7
Prepayments	21.0	31.0	18.3
Other	4.3	22.3	12.1
Total Current Assets	793.6	659.6	718.3
<b>Deferred Charges and Other Assets:</b>			
Regulatory assets	659.9	669.8	673.6
Other	132.7	128.9	81.6
Total Deferred Charges and Other Assets	792.6	798.7	755.2
<b>Total Assets</b>	<b>\$7,273.6</b>	<b>\$ 6,843.6</b>	<b>\$6,586.8</b>

SPIRE INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(UNAUDITED)

	March 31, 2019	September 30, 2018	March 31, 2018
<b>CAPITALIZATION AND LIABILITIES</b>			
Capitalization:			
Common stock (par value \$1.00 per share; 70.0 million			
shares authorized; 50.7 million, 50.7 million and			
48.4 million shares issued and outstanding at			
March 31, 2019, September 30, 2018, and			
March 31, 2018, respectively)	\$50.7	\$ 50.7	\$48.4
Paid-in capital	1,485.6	1,482.7	1,327.3
Retained earnings	877.5	715.6	773.7
Accumulated other comprehensive (loss) income	(7.8 )	6.4	4.1
Total Shareholders' Equity	2,406.0	2,255.4	2,153.5
Redeemable noncontrolling interest	—	7.9	6.5
Long-term debt (less current portion)	2,041.9	1,900.1	2,073.9
Total Capitalization	4,447.9	4,163.4	4,233.9
Current Liabilities:			
Current portion of long-term debt	215.0	175.5	105.5
Notes payable	512.0	553.6	391.7
Accounts payable	324.8	290.1	194.8
Advance customer billings	6.5	22.7	8.1
Wages and compensation accrued	32.2	39.7	30.0
Dividends payable	31.1	30.0	28.3
Customer deposits	36.7	35.5	36.1
Interest accrued	18.9	15.2	15.8
Taxes accrued	50.9	65.4	49.1
Regulatory liabilities	35.3	35.7	22.2
Other	73.3	58.3	46.4
Total Current Liabilities	1,336.7	1,321.7	928.0
Deferred Credits and Other Liabilities:			
Deferred income taxes	490.2	435.8	465.6
Pension and postretirement benefit costs	178.3	180.2	233.4
Asset retirement obligations	325.5	321.1	302.8
Regulatory liabilities	431.3	354.6	353.1
Other	63.7	66.8	70.0
Total Deferred Credits and Other Liabilities	1,489.0	1,358.5	1,424.9

Edgar Filing: SPIRE INC - Form 10-Q

Commitments and Contingencies (Note 11)

Total Capitalization and Liabilities	\$7,273.6	\$ 6,843.6	\$6,586.8
--------------------------------------	-----------	------------	-----------

See the accompanying Notes to Financial Statements.

7

---

SPIRE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

(Dollars in millions)	Common Stock					
	Outstanding Shares	Par	Paid-in Capital	Retained Earnings	AOCI*	Total
Balance at September 30, 2017	48,263,243	\$48.3	\$1,325.6	\$ 614.2	\$ 3.2	\$1,991.3
Net income	—	—	—	116.0	—	116.0
Dividend reinvestment plan	4,618	—	0.3	—	—	0.3
Stock-based compensation costs	—	—	1.9	—	—	1.9
Stock issued under stock-based compensation plans	105,434	0.1	(0.1 )	—	—	—
Employees' tax withholding for stock-based compensation	(33,581 )	(0.1 )	(2.8 )	—	—	(2.9 )
Dividends declared (\$0.5625 per share)	—	—	—	(27.2 )	—	(27.2 )
Other comprehensive loss, net of tax	—	—	—	—	(0.2 )	(0.2 )
Balance at December 31, 2017	48,339,714	\$48.3	\$1,324.9	\$ 703.0	\$ 3.0	\$2,079.2
Net income	—	—	—	98.2	—	98.2
Dividend reinvestment plan	6,385	—	0.5	—	—	0.5
Stock-based compensation costs	—	—	1.9	—	—	1.9
Stock issued under stock-based compensation plans	8,680	—	—	—	—	—
Employees' tax withholding for stock-based compensation	—	0.1	—	—	—	0.1
Dividends declared (\$0.5625 per share)	—	—	—	(27.5 )	—	(27.5 )
Other comprehensive income, net of tax	—	—	—	—	1.1	1.1
Balance at March 31, 2018	48,354,779	\$48.4	\$1,327.3	\$ 773.7	\$ 4.1	\$2,153.5
Balance at September 30, 2018	50,671,903	\$50.7	\$1,482.7	\$ 715.6	\$ 6.4	\$2,255.4
Net income	—	—	—	67.3	—	67.3
Dividend reinvestment plan	5,063	—	0.4	—	—	0.4
Stock-based compensation costs	—	—	2.0	—	—	2.0
Stock issued under stock-based compensation plans	74,835	0.1	(0.1 )	—	—	—
Employees' tax withholding for stock-based compensation	(27,633 )	(0.1 )	(2.2 )	—	—	(2.3 )
Dividends declared (\$0.5925 per share)	—	—	—	(30.0 )	—	(30.0 )

Edgar Filing: SPIRE INC - Form 10-Q

Other comprehensive loss, net of tax	—	—	—	—	(8.2 )	(8.2 )
Balance at December 31, 2018	50,724,168	\$50.7	\$1,482.8	\$ 752.9	\$ (1.8 )	\$2,284.6
Net income	—	—	—	154.6	—	154.6
Dividend reinvestment plan	6,204	—	0.4	—	—	0.4
Stock-based compensation costs	—	—	2.4	—	—	2.4
Stock issued under stock-based compensation plans	12,633	—	—	—	—	—
Employees' tax withholding for stock-based compensation	(368 )	—	—	—	—	—
Dividends declared (\$0.5925 per share)	—	—	—	(30.0 )	—	(30.0 )
Other comprehensive loss, net of tax	—	—	—	—	(6.0 )	(6.0 )
Balance at March 31, 2019	50,742,637	\$50.7	\$1,485.6	\$ 877.5	\$ (7.8 )	\$2,406.0

\* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

8

---



SPIRE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In millions)	Six Months Ended	
	March 31, 2019	2018
Operating Activities:		
Net Income	\$221.9	\$214.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	89.1	81.9
Deferred income taxes and investment tax credits	45.5	(15.2 )
Changes in assets and liabilities:		
Accounts receivable	(194.3)	(122.8)
Inventories	83.9	97.3
Regulatory assets and liabilities	105.9	149.5
Accounts payable	33.6	(50.0 )
Delayed/advance customer billings, net	(53.2 )	(66.0 )
Taxes accrued	(12.9 )	(11.9 )
Other assets and liabilities	(20.6 )	(8.9 )
Other	(1.4 )	41.5
Net cash provided by operating activities	297.5	309.6
Investing Activities:		
Capital expenditures	(376.8)	(215.8)
Business acquisitions	(7.9 )	(17.1 )
Other	(1.9 )	(0.4 )
Net cash used in investing activities	(386.6)	(233.3)
Financing Activities:		
Issuance of long-term debt	190.0	75.0
Repayment of long-term debt	(9.1 )	—
Repayment of short-term debt, net	(41.6 )	(85.6 )
Issuance of common stock	1.0	0.8
Dividends paid	(58.8 )	(53.0 )
Other	(2.7 )	(3.1 )
Net cash provided by (used in) financing activities	78.8	(65.9 )
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(10.3 )	10.4
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	21.4	7.4
Cash and Cash Equivalents at End of Period	\$11.1	\$17.8
Supplemental disclosure of cash paid for:		
Interest, net of amounts capitalized	\$(49.0 )	\$(47.2 )
Income taxes	(2.0 )	(0.6 )

See the accompanying Notes to Financial Statements.

9

---

## SPIRE MISSOURI INC.

## CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended		Six Months Ended	
(In millions)	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Operating Revenues:				
Utility	\$556.6	\$533.2	\$969.8	\$925.5
Total Operating Revenues	556.6	533.2	969.8	925.5
Operating Expenses:				
Utility				
Natural and propane gas	313.8	311.2	537.2	517.4
Operation and maintenance	70.7	94.0	133.8	154.1
Depreciation and amortization	27.8	25.2	55.0	50.0
Taxes, other than income taxes	41.9	41.2	70.0	67.4
Total Operating Expenses	454.2	471.6	796.0	788.9
Operating Income	102.4	61.6	173.8	136.6
Other Income (Expense), Net	2.5	(9.9 )	1.8	(8.9 )
Interest Charges:				
Interest on long-term debt	10.0	9.8	19.4	19.7
Other interest charges	3.2	2.1	5.9	3.8
Total Interest Charges	13.2	11.9	25.3	23.5
Income Before Income Taxes	91.7	39.8	150.3	104.2
Income Tax Expense (Benefit)	11.7	1.4	19.1	(23.6 )
Net Income	80.0	38.4	131.2	127.8
Other Comprehensive Loss, Net of Tax	-	(0.1 )	-	(0.1 )
Comprehensive Income	\$80.0	\$38.3	\$131.2	\$127.7

See the accompanying Notes to Financial Statements.

## SPIRE MISSOURI INC.

## CONDENSED BALANCE SHEETS

(UNAUDITED)

	March 31, 2019	September 30, 2018	March 31, 2018
(Dollars in millions, except per share amounts)			
<b>ASSETS</b>			
Utility Plant	\$3,460.1	\$ 3,331.0	\$3,163.8
Less: Accumulated depreciation and amortization	736.7	705.8	687.2
Net Utility Plant	2,723.4	2,625.2	2,476.6
Goodwill	210.2	210.2	210.2
Other Property and Investments	52.8	55.0	59.0
Total Other Property and Investments	263.0	265.2	269.2
<b>Current Assets:</b>			
Cash and cash equivalents	6.9	2.0	10.2
<b>Accounts receivable:</b>			
Utility	231.8	103.9	222.4
Associated companies	2.4	2.7	1.3
Other	18.5	16.6	26.0
Allowance for doubtful accounts	(21.9 )	(16.0 )	(20.7 )
Delayed customer billings	43.8	6.9	45.6
<b>Inventories:</b>			
Natural gas	53.1	127.9	60.0
Propane gas	10.7	12.0	12.0
Materials and supplies	14.4	13.2	13.1
Regulatory assets	30.0	30.7	51.7
Prepayments	11.1	19.1	10.7
Total Current Assets	400.8	319.0	432.3
<b>Deferred Charges and Other Assets:</b>			
Regulatory assets	433.6	441.1	446.6
Other	53.0	50.8	9.0
Total Deferred Charges and Other Assets	486.6	491.9	455.6
Total Assets	\$3,873.8	\$ 3,701.3	\$3,633.7

## SPIRE MISSOURI INC.

## CONDENSED BALANCE SHEETS (Continued)

(UNAUDITED)

	March 31, 2019	September 30, 2018	March 31, 2018
<b>CAPITALIZATION AND LIABILITIES</b>			
Capitalization:			
Paid-in capital and common stock (par value \$1.00 per share;			
50.0 million shares authorized; 24,577 shares issued and			
outstanding)	\$762.8	\$ 760.4	\$758.4
Retained earnings	612.8	501.1	517.3
Accumulated other comprehensive loss	(1.6 )	(1.6 )	(1.8 )
<b>Total Shareholder's Equity</b>	<b>1,374.0</b>	<b>1,259.9</b>	<b>1,273.9</b>
Long-term debt (less current portion)	924.7	824.4	874.0
<b>Total Capitalization</b>	<b>2,298.7</b>	<b>2,084.3</b>	<b>2,147.9</b>
Current Liabilities:			
Current portion of long-term debt	50.0	50.0	100.0
Notes payable – associated companies	232.9	345.3	175.8
Accounts payable	72.6	81.7	69.2
Accounts payable – associated companies	8.1	5.8	3.6
Advance customer billings	—	9.5	—
Wages and compensation accrued	24.5	31.3	23.4
Dividends payable	—	9.0	13.5
Customer deposits	13.0	13.1	13.2
Interest accrued	8.6	7.8	8.2
Taxes accrued	27.2	32.0	25.2
Regulatory liabilities	24.2	16.7	2.7
Other	22.4	20.1	19.4
<b>Total Current Liabilities</b>	<b>483.5</b>	<b>622.3</b>	<b>454.2</b>
Deferred Credits and Other Liabilities:			
Deferred income taxes	390.5	361.0	388.6
Pension and postretirement benefit costs	132.7	136.9	161.9
Asset retirement obligations	177.8	174.1	161.9
Regulatory liabilities	345.1	274.9	272.5
Other	45.5	47.8	46.7
<b>Total Deferred Credits and Other Liabilities</b>	<b>1,091.6</b>	<b>994.7</b>	<b>1,031.6</b>
<b>Commitments and Contingencies (Note 11)</b>			
<b>Total Capitalization and Liabilities</b>	<b>\$3,873.8</b>	<b>\$ 3,701.3</b>	<b>\$3,633.7</b>

See the accompanying Notes to Financial Statements.



## SPIRE MISSOURI INC.

## CONDENSED STATEMENTS OF SHAREHOLDER'S EQUITY

(UNAUDITED)

(Dollars in millions)	Common Stock					
	Outstanding Shares	Par	Paid-in Capital	Retained Earnings	AOCI*	Total
Balance at September 30, 2017	24,577	\$0.1	\$756.1	\$ 416.5	\$ (1.7 )	\$1,171.0
Net income	—	—	—	89.4	—	89.4
Stock-based compensation costs	—	—	1.1	—	—	1.1
Dividends declared	—	—	—	(13.5 )	—	(13.5 )
Balance at December 31, 2017	24,577	\$0.1	\$757.2	\$ 492.4	\$ (1.7 )	\$1,248.0
Net income	—	—	—	38.4	—	38.4
Stock-based compensation costs	—	—	1.1	—	—	1.1
Dividends declared	—	—	—	(13.5 )	—	(13.5 )
Other comprehensive loss, net of tax	—	—	—	—	(0.1 )	(0.1 )
Balance at March 31, 2018	24,577	\$0.1	\$758.3	\$ 517.3	\$ (1.8 )	\$1,273.9
Balance at September 30, 2018	24,577	\$0.1	\$760.3	\$ 501.1	\$ (1.6 )	\$1,259.9
Net income	—	—	—	51.2	—	51.2
Stock-based compensation costs	—	—	1.2	—	—	1.2
Dividends declared	—	—	—	(9.8 )	—	(9.8 )
Balance at December 31, 2018	24,577	\$0.1	\$761.5	\$ 542.5	\$ (1.6 )	\$1,302.5
Net income	—	—	—	80.0	—	80.0
Stock-based compensation costs	—	—	1.2	—	—	1.2
Dividends declared	—	—	—	(9.7 )	—	(9.7 )
Balance at March 31, 2019	24,577	\$0.1	\$762.7	\$ 612.8	\$ (1.6 )	\$1,374.0

\* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

## SPIRE MISSOURI INC.

## CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In millions)	Six Months Ended	
	March 31, 2019	2018
Operating Activities:		
Net Income	\$131.2	\$127.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55.0	50.0
Deferred income taxes and investment tax credits	19.1	(23.6 )
Changes in assets and liabilities:		
Accounts receivable	(123.5)	(123.2)
Inventories	74.9	76.4
Regulatory assets and liabilities	107.3	111.7
Accounts payable	11.1	(10.8 )
Delayed/advance customer billings, net	(46.4 )	(55.5 )
Taxes accrued	(4.8 )	(8.9 )
Other assets and liabilities	(14.4 )	(6.7 )
Other	2.6	40.9
Net cash provided by operating activities	212.1	178.1
Investing Activities:		
Capital expenditures	(167.1)	(129.6)
Other	0.8	(0.1 )
Net cash used in investing activities	(166.3)	(129.7)
Financing Activities:		
Issuance of long-term debt	100.0	—
Repayments to Spire, net	(112.4)	(27.2 )
Dividends paid	(28.5 )	(13.5 )
Net cash used in financing activities	(40.9 )	(40.7 )
Net Increase in Cash and Cash Equivalents	4.9	7.7
Cash and Cash Equivalents at Beginning of Period	2.0	2.5
Cash and Cash Equivalents at End of Period	\$6.9	\$10.2
Supplemental disclosure of cash paid for:		
Interest, net of amounts capitalized	\$(23.8 )	\$(22.8 )
Income taxes	—	—

See the accompanying Notes to Financial Statements.





SPIRE ALABAMA INC.

## CONDENSED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months Ended		Six Months Ended	
(In millions)	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Operating Revenues:				
Utility	\$180.4	\$218.3	\$313.9	\$339.1
Total Operating Revenues	180.4	218.3	313.9	339.1
Operating Expenses:				
Utility				
Natural gas	41.1	78.5	100.6	127.5
Operation and maintenance	33.4	35.2	67.8	68.0
Depreciation and amortization	13.7	13.1	27.3	25.9
Taxes, other than income taxes	12.6	14.4	21.5	22.6
Total Operating Expenses	100.8	141.2	217.2	244.0
Operating Income	79.6	77.1	96.7	95.1
Other Income, Net	1.5	1.6	3.3	3.0
Interest Charges:				
Interest on long-term debt	4.4	3.5	8.0	6.4
Other interest charges	1.0	0.9	2.5	2.0
Total Interest Charges	5.4	4.4	10.5	8.4
Income Before Income Taxes	75.7	74.3	89.5	89.7
Income Tax Expense	19.0	18.7	22.5	83.7
Net Income	\$56.7	\$55.6	\$67.0	\$6.0

See the accompanying Notes to Financial Statements.

## SPIRE ALABAMA INC.

## CONDENSED BALANCE SHEETS

(UNAUDITED)

	March 31, 2019	September 30, 2018	March 31, 2018
(Dollars in millions, except per share amounts)			
<b>ASSETS</b>			
Utility Plant	\$2,032.5	\$ 1,964.3	\$ 1,885.4
Less: Accumulated depreciation and amortization	852.8	830.2	803.9
Net Utility Plant	1,179.7	1,134.1	1,081.5
<b>Current Assets:</b>			
Cash and cash equivalents	0.1	—	—
<b>Accounts receivable:</b>			
Utility	69.8	39.6	64.1
Associated companies	0.1	0.5	0.1
Other	8.4	8.5	6.4
Allowance for doubtful accounts	(3.8 )	(3.9 )	(2.7 )
<b>Inventories:</b>			
Natural gas	30.1	33.9	26.2
Materials and supplies	7.8	7.8	7.8
Regulatory assets	30.4	26.2	32.1
Prepayments	3.9	6.0	3.6
Other	0.2	2.4	2.0
Total Current Assets	147.0	121.0	139.6
<b>Deferred Charges and Other Assets:</b>			
Regulatory assets	198.9	201.5	198.9
Deferred income taxes	79.3	101.8	100.3
Other	58.9	57.8	57.9
Total Deferred Charges and Other Assets	337.1	361.1	357.1
Total Assets	\$ 1,663.8	\$ 1,616.2	\$ 1,578.2

SPIRE ALABAMA INC.

CONDENSED BALANCE SHEETS (Continued)

(UNAUDITED)

	March 31, 2019	September 30, 2018	March 31, 2018
<b>CAPITALIZATION AND LIABILITIES</b>			
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)			
	\$370.9	\$ 390.9	\$390.9
Retained earnings	467.8	417.8	437.5
Total Shareholder's Equity	838.7	808.7	828.4
Long-term debt (less current portion)	372.1	322.6	322.5
Total Capitalization	1,210.8	1,131.3	1,150.9
Current Liabilities:			
Current portion of long-term debt	40.0	—	—
Notes payable – associated companies	73.7	142.5	82.3
Accounts payable	54.6	48.4	42.9
Accounts payable – associated companies	3.1	2.1	1.5
Advance customer billings	5.3	13.1	7.9
Wages and compensation accrued	5.3	6.7	5.3
Customer deposits	20.5	18.6	19.0
Interest accrued	5.4	3.9	4.1
Taxes accrued	21.2	28.3	21.9
Regulatory liabilities	6.1	7.6	10.8
Other	4.6	3.2	2.4
Total Current Liabilities	239.8	274.4	198.1
Deferred Credits and Other Liabilities:			
Pension and postretirement benefit costs	37.4	35.0	55.3
Asset retirement obligations	138.6	135.7	131.1
Regulatory liabilities	30.5	31.3	35.0
Other	6.7	8.5	7.8
Total Deferred Credits and Other Liabilities	213.2	210.5	229.2
Commitments and Contingencies (Note 11)			
Total Capitalization and Liabilities	\$1,663.8	\$ 1,616.2	\$1,578.2

See the accompanying Notes to Financial Statements.

SPIRE ALABAMA INC.

## CONDENSED STATEMENTS OF SHAREHOLDER'S EQUITY

(UNAUDITED)

	Common Stock				
(Dollars in millions)	Outstanding Shares	Par	Paid-in Capital	Retained Earnings	Total
Balance at September 30, 2017	1,972,052	\$ —	\$420.9	\$ 446.5	\$867.4
Net loss	—	—	—	(49.6 )	(49.6 )
Dividends declared	—	—	—	(7.5 )	(7.5 )
Balance at December 31, 2017	1,972,052	\$ —	\$420.9	\$ 389.4	\$810.3
Net income	—	—	—	55.6	55.6
Return of capital to Spire	—	—	(30.0 )	—	(30.0 )
Dividends declared	—	—	—	(7.5 )	(7.5 )
Balance at March 31, 2018	1,972,052	\$ —	\$390.9	\$ 437.5	\$828.4
Balance at September 30, 2018	1,972,052	\$ —	\$390.9	\$ 417.8	\$808.7
Net income	—	—	—	10.3	10.3
Dividends declared	—	—	—	(8.5 )	(8.5 )
Balance at December 31, 2018	1,972,052	\$ —	\$390.9	\$ 419.6	\$810.5
Net income	—	—	—	56.7	56.7
Return of capital to Spire	—	—	(20.0 )	—	(20.0 )
Dividends declared	—	—	—	(8.5 )	(8.5 )
Balance at March 31, 2019	1,972,052	\$ —	\$370.9	\$ 467.8	\$838.7

See the accompanying Notes to Financial Statements.

## SPIRE ALABAMA INC.

## CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended	
(In millions)	March 31, 2019	2018
Operating Activities:		
Net Income	\$67.0	\$6.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27.3	25.9
Deferred income taxes and investment tax credits	22.5	83.7
Changes in assets and liabilities:		
Accounts receivable	(33.5)	(38.6)
Inventories	3.7	6.4
Regulatory assets and liabilities	0.6	34.6
Accounts payable	4.0	0.3
Advance customer billings	(7.8 )	(10.6 )
Taxes accrued	(7.1 )	(1.5 )
Other assets and liabilities	8.9	4.3
Other	(2.4 )	(0.5 )
Net cash provided by operating activities	83.2	110.0
Investing Activities:		
Capital expenditures	(65.7)	(51.8)
Other	(1.1 )	(0.4 )
Net cash used in investing activities	(66.8)	(52.2)
Financing Activities:		
Issuance of long-term debt	90.0	75.0
Repayments to Spire, net	(68.8)	(87.6)
Return of capital to Spire	(20.0)	(30.0)
Dividends paid	(17.0)	(15.0)
Other	(0.5 )	(0.3 )
Net cash used in financing activities	(16.3)	(57.9)
Net Increase (Decrease) in Cash and Cash Equivalents	0.1	(0.1 )
Cash and Cash Equivalents at Beginning of Period	—	0.1
Cash and Cash Equivalents at End of Period	\$0.1	\$—
Supplemental disclosure of cash paid for:		
Interest, net of amounts capitalized	\$(8.7 )	\$(7.0 )
Income taxes	—	—

See the accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

(Dollars in millions, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION** – These notes are an integral part of the accompanying unaudited financial statements of Spire Inc. (“Spire” or the “Company”) presented on a consolidated basis, Spire Missouri Inc. (“Spire Missouri” or the “Missouri Utilities”) and Spire Alabama Inc. (“Spire Alabama”). Spire Missouri and Spire Alabama are wholly owned subsidiaries of Spire. Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth Inc. (“Spire EnergySouth”) are collectively referred to as the “Utilities.” The subsidiaries of Spire EnergySouth are Spire Gulf Inc. and Spire Mississippi Inc.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information with the instructions to Form 10-Q and Rule 10-01 of Regulation S X. Accordingly, they do not include all the disclosures required for complete financial statements. In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of only normal recurring adjustments) necessary for the fair presentation of the results of operations for the periods presented. This Form 10-Q should be read in conjunction with the Notes to Financial Statements contained in Spire’s, Spire Missouri’s and Spire Alabama’s combined Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

The consolidated financial position, results of operations, and cash flows of Spire include the accounts of the Company and all its subsidiaries. Transactions and balances between consolidated entities have been eliminated from the consolidated financial statements of Spire. In compliance with GAAP, transactions between Spire Missouri and Spire Alabama and their affiliates, as well as intercompany balances on their balance sheets, have not been eliminated from their separate financial statements.

**NATURE OF OPERATIONS** – Spire 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. The Gas Utility segment is comprised of the operations of: the Missouri Utilities, serving St. Louis and eastern Missouri (“Spire Missouri East”) and Kansas City and western Missouri (“Spire Missouri West”); Spire Alabama, serving central and northern Alabama; and the subsidiaries of Spire EnergySouth, serving southern Alabama and south-central Mississippi. The Gas Marketing segment includes Spire’s primary gas-related business, Spire Marketing Inc. (“Spire Marketing”), which provides non-regulated natural gas services. The activities of other subsidiaries are reported as Other and are described in Note 10, Information by Operating Segment. Spire Missouri and Spire Alabama each have a single reportable segment.

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





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

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

As authorized by the Missouri Public Service Commission (“MoPSC”), the Mississippi Public Service Commission (“MSPSC”) and the Alabama Public Service Commission (“APSC”), the Purchased Gas Adjustment (“PGA”) clauses and Gas Supply Adjustment (“GSA”) riders allow the Utilities to pass through to customers the cost of purchased gas supplies. Regulatory assets and liabilities related to the PGA clauses and the GSA riders are both labeled Unamortized Purchased Gas Adjustments herein. See additional information about regulatory assets and liabilities in [Note 4, Regulatory Matters](#).

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

	Three Months Ended		Six Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Purchases of natural gas from Spire Marketing	\$29.2	\$19.3	\$69.0	\$41.6
Sales of natural gas to Spire Marketing	—	0.2	1.4	0.3
Transportation services received from Spire NGL Inc.	0.2	0.2	0.5	0.5

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

	March 31, 2019	September 30, 2018	March 31, 2018
Spire	\$63.6	\$ 62.1	\$29.1
Spire Missouri	19.0	36.7	17.9
Spire Alabama	12.1	8.9	7.0

NEW ACCOUNTING PRONOUNCEMENTS – Spire, Spire Missouri and Spire Alabama adopted the guidance in Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, and related

amendments (collectively, “ASC 606”), in the first quarter of fiscal year 2019 using the modified retrospective method applied to all contracts at October 1, 2018. The core principle of ASC 606 is that revenue should be recognized to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the new standard, an entity must identify the performance obligations in a contract, determine the transaction price and allocate the price to specific performance obligations to recognize revenue when the obligation is completed. In addition, ASC 606 requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASC 606 did not result in significant changes to how Spire, Spire Missouri and Spire Alabama recognize revenue, and therefore, no cumulative effect adjustment to the opening balance of retained earnings was required, and there was no significant impact to financial results after adoption. The adoption did result in changes to the disclosures about revenue, which are included in Note 2, Revenue. Some revenue arrangements, such as alternative revenue programs and certain derivative contracts, are excluded from the scope of ASC 606 and, therefore, are presented separately in disclosures.

Also effective October 1, 2018, Spire, Spire Missouri and Spire Alabama adopted ASU No. 2017-07, Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, with no material impact on interim or annual financial statements. The amended guidance requires that the service cost component of net periodic pension and postretirement benefit costs be presented within the same line item in the income statement as other compensation costs (except for the amount being capitalized), while other components are to be presented outside the subtotal of operating income and are no longer eligible for capitalization (e.g., as part of utility plant). The amended guidance is applied retrospectively for income statement presentation and prospectively for capitalization. The Company, Spire Missouri and Spire Alabama elected the practical expedient permitting the use of the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. Accordingly, for the three months ended March 31, 2018, the Company, Spire Missouri and Spire Alabama reclassified net benefit (income) costs of \$8.3, \$9.5 and \$(1.1), respectively, from “operation and maintenance” to “other income, net” or “other income (expense), net.” The corresponding amounts for the six months ended March 31, 2018 were \$7.2, \$9.7 and \$(2.1), respectively. The corresponding annual amounts to be reclassified for the years ended September 30, 2018, 2017 and 2016 are \$14.4, \$19.2 and \$9.6 for the Company, respectively, \$17.2, \$17.2 and \$11.2 for Spire Missouri, respectively, and \$(2.0), \$2.2 and \$(1.6) for Spire Alabama, respectively. For Spire Missouri, Spire Alabama, and the Company’s other rate-regulated entities, all components of net benefit cost have historically been recovered from customers as a component of utility plant and will continue to be recovered in the same manner over the depreciable lives of the related plant assets; therefore, for those entities, the components that are no longer eligible to be capitalized as a component of plant under GAAP will be reported as regulatory assets.

Effective January 1, 2019, the Company, Spire Missouri and Spire Alabama adopted ASU No. 2018-15, Intangibles – Goodwill and Other – Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. Previous GAAP did not specifically address the accounting for implementation costs of a hosting arrangement that is a service contract. The amendments in this update clarify that accounting and align the accounting for implementation costs for hosting arrangements, regardless of whether they convey a license to the hosted software. As a result, certain categories of implementation costs that previously would have been charged to expense as incurred are now capitalized and amortized over the term of the arrangement. The new guidance is being applied prospectively to implementation costs incurred after adoption. Related amounts capitalized were not material.

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. ASU Nos. 2018-01, 2018-10, 2018-11, 2018-20 and 2019-01 subsequently amended several aspects of the new lease guidance, including providing an additional practical expedient, an additional transition method, and clarification of the related transition and accounting for land easements. The updates (collectively, “ASC 842”), may be applied using a modified retrospective transition method for leases existing at, or entered into after, the beginning of (1) the earliest comparative period presented in the financial statements or (2) the period of adoption. ASC 842 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company, Spire Missouri and Spire Alabama are currently assessing the impacts of adopting ASC 842 in the first quarter of fiscal 2020. They expect to elect all available practical expedients and apply the second transition method.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments, which was subsequently amended by ASU No. 2018-19 in November 2018. The standard introduces new guidance for the accounting for credit losses on instruments within its scope, including trade receivables. It is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and may be adopted a year earlier. The new guidance will be initially applied through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company, Spire Missouri and Spire Alabama are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of fiscal 2021.

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

## 2. REVENUE

The following tables show revenue disaggregated by source and customer type.

	Three Months Ended March 31, 2019	Six Months Ended March 31, 2019
Spire		
Gas Utility:		
Residential	\$ 551.3	\$944.9
Commercial & industrial	185.9	316.2
Transportation	31.3	60.8
Off-system & other incentive	11.5	26.4
Other customer revenue	10.9	23.6
Total revenue from contracts with customers	790.9	1,371.9
Changes in accrued revenue under alternative revenue programs	(14.1 )	(19.9 )

Edgar Filing: SPIRE INC - Form 10-Q

Total Gas Utility operating revenues	776.8	1,352.0
Gas Marketing:		
Revenue from contracts with retail customers	25.5	51.3
Revenue from wholesale derivative contracts	—	—
Total Gas Marketing operating revenues	25.5	51.3
Other	4.3	9.7
Total before eliminations	806.6	1,413.0
Intersegment eliminations (see Note 10, Information by Operating Segment)	(3.1 )	(7.5 )
Total Operating Revenues	\$ 803.5	\$ 1,405.5

23

	Three Months Ended March 31, 2019	Six Months Ended March 31, 2019
Spire Missouri		
Residential	\$ 410.9	\$ 713.0
Commercial & industrial	129.2	218.3
Transportation	9.9	18.9
Off-system & other incentive	11.5	26.4
Other customer revenue	4.2	6.8
Total revenue from contracts with customers	565.7	983.4
Changes in accrued revenue under alternative revenue programs	(9.1 )	(13.6 )
Total Operating Revenues	\$ 556.6	\$ 969.8
Spire Alabama		
Residential	\$ 116.9	\$ 192.3
Commercial & industrial	44.1	75.5
Transportation	18.8	37.0
Other customer revenue	5.3	14.9
Total revenue from contracts with customers	185.1	319.7
Changes in accrued revenue under alternative revenue programs	(4.7 )	(5.8 )
Total Operating Revenues	\$ 180.4	\$ 313.9

The Utilities sell natural gas to residential and other customers. The sale of natural gas is governed by the various state utility commissions, which set rates, charges, and terms and conditions of service, collectively included in a “tariff.” The performance obligation, which relates to the promise to provide natural gas, is satisfied over time as the customer simultaneously receives and consumes the natural gas, and revenue is recognized accordingly.

The Utilities’ transportation revenue relates to the promise to transport the specified quantities of natural gas at tariff rates. This performance obligation is satisfied over time as the gas is transported, and revenue is recognized as invoiced monthly.

The Utilities have alternative revenue programs (“ARPs”), which represent an agreement between the utility and its regulator, currently consisting of decoupling mechanisms (also known as weather normalization adjustments) and incentive programs (primarily Alabama’s Cost Control Measure). When the criteria to recognize additional (or reduced) revenue from ARPs have been met, the Utilities establish a regulatory asset (or liability). When amounts previously recognized for ARPs are billed, the Utilities reduce the regulatory asset (or liability) and increase (or decrease) accounts receivable. Billed amounts, which are part of the overall tariff paid by customers, are included in revenue from contracts with customers, while the change in the related regulatory asset or liability is presented as revenue from ARPs. Depending on whether the beginning accrued ARP balance was a regulatory asset or liability and depending on the size and direction of the current period accrual, the amount presented as revenue from ARPs could be negative.

The Utilities read meters and bill customers on monthly cycles. The Missouri Utilities, Spire Gulf and Spire Mississippi record their gas utility revenues from gas sales and transportation services on an accrual basis that

includes estimated amounts for gas delivered but not yet billed. The accruals for unbilled revenues are reversed in the subsequent accounting period when meters are actually read and customers are billed. Spire Alabama records natural gas distribution revenues in accordance with the tariff established by the APSC. Unbilled revenue is accrued in an amount equal to the related gas cost, as profit margin is not considered earned until billed. Spire's other subsidiaries, including Spire Marketing, record revenues when earned, as the product is delivered or as services are performed.

Gas Marketing's contracts are derivatives. The wholesale contracts (with producers, municipalities, and utility companies) are subject to derivative accounting. The retail contracts (with large commercial and industrial customers) are designated as "normal purchase, normal sale" arrangements and are therefore accounted for as revenue from contracts with customers. The performance obligation is satisfied over time by the transfer of control of natural gas to the customer, and revenue is recognized as invoiced monthly.



Payments are generally required within 30 days of billing, and contracts generally do not have a significant financing component. Spire’s revenues are not subject to significant returns, refunds, or warranty obligations.

Spire, Spire Missouri, and Spire Alabama have elected to apply a “right to invoice” practical expedient, recognizing revenue for volumes delivered for which they have a right to invoice, as long as that amount corresponds with the value to the customer. Disclosures about remaining performance obligations are not required because either contracts have an original expected duration of one year or less, or revenue is recognized under the right to invoice practical expedient, or both.

Sales taxes imposed on applicable Spire Alabama and Spire Missouri sales are billed to customers. These amounts are not recorded in the statements of income but are recorded as tax collections payable and included in the “Other” line of the Current Liabilities section of the balance sheets.

Gross receipts taxes associated with the Company’s natural gas utility services are imposed on the Company, Spire Missouri, and Spire Alabama and billed to its 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		Six Months Ended	
	March 31, 2019 2018		March 31, 2019 2018	
Spire	\$43.5	\$43.6	\$69.4	\$66.7
Spire Missouri	32.1	30.6	50.6	46.8
Spire Alabama	9.6	11.6	15.9	17.2

### 3. EARNINGS PER SHARE

	Three Months Ended		Six Months Ended	
	March 31, 2019 2018		March 31, 2019 2018	
<b>Basic Earnings Per Share:</b>				
Net Income	\$ 154.6	\$ 98.2	\$ 221.9	\$ 214.2
Less: Income allocated to participating securities	0.3	0.2	0.5	0.5
Income Available to Common Shareholders	\$ 154.3	\$ 98.0	\$ 221.4	\$ 213.7
Weighted Average Shares Outstanding (in millions)	50.6	48.2	50.6	48.2
Basic Earnings Per Share	\$3.05	\$2.03	\$4.37	\$4.43
<b>Diluted Earnings Per Share:</b>				
Net Income	\$ 154.6	\$ 98.2	\$ 221.9	\$ 214.2
Less: Income allocated to participating securities	0.3	0.2	0.5	0.5
Income Available to Common Shareholders	\$ 154.3	\$ 98.0	\$ 221.4	\$ 213.7
Weighted Average Shares Outstanding (in millions)	50.6	48.2	50.6	48.2
Dilutive Effect of Restricted Stock and Restricted Stock Units (in millions)*	0.2	0.2	0.2	0.2

Edgar Filing: SPIRE INC - Form 10-Q

Weighted Average Diluted Shares (in millions)	50.8	48.4	50.8	48.4
Diluted Earnings Per Share	\$3.04	\$2.03	\$4.36	\$4.42

\* Calculation excludes certain outstanding shares (shown in millions by period

at the right) attributable to stock units subject to performance or market

conditions and restricted stock, which could have a dilutive effect in the future	0.3	0.4	0.3	0.4
---	-----	-----	-----	-----

25

---

## 4. REGULATORY MATTERS

As explained in Note 1, Summary of Significant Accounting Policies, the Utilities account for regulated operations in accordance with FASB ASC Topic 980, Regulated Operations. The following regulatory assets and regulatory liabilities were reflected in the balance sheets of the Company, Spire Missouri and Spire Alabama as of March 31, 2019, September 30, 2018, and March 31, 2018.

	March 31, 2019	September 30, 2018	March 31, 2018
Spire			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$30.2	\$ 30.2	\$43.0
Unamortized purchased gas adjustments	19.3	8.2	32.6
Other	25.8	34.4	22.1
Total Current Regulatory Assets	75.3	72.8	97.7
Noncurrent:			
Pension and postretirement benefit costs	345.8	364.9	358.2
Cost of removal	134.6	133.4	125.0
Future income taxes due from customers	102.2	96.3	113.0
Energy efficiency	32.0	32.8	31.3
Other	45.3	42.4	46.1
Total Noncurrent Regulatory Assets	659.9	669.8	673.6
Total Regulatory Assets	\$735.2	\$ 742.6	\$771.3
Regulatory Liabilities:			
Current:			
Pension and postretirement benefit costs	\$5.8	\$ 2.2	\$2.2
Unamortized purchased gas adjustments	3.4	2.9	1.5
Other	26.1	30.6	18.5
Total Current Regulatory Liabilities	35.3	35.7	22.2
Noncurrent:			
Deferred taxes due to customers	155.7	178.3	170.7
Pension and postretirement benefit costs	115.3	27.8	30.8
Accrued cost of removal	53.7	63.6	71.0
Unamortized purchased gas adjustments	75.7	4.7	50.3
Other	30.9	80.2	30.3
Total Noncurrent Regulatory Liabilities	431.3	354.6	353.1
Total Regulatory Liabilities	\$466.6	\$ 390.3	\$375.3

Edgar Filing: SPIRE INC - Form 10-Q

	March 31, 2019	September 30, 2018	March 31, 2018
Spire Missouri			
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	\$21.9	\$ 21.9	\$34.9
Unamortized purchased gas adjustments	0.6	1.0	13.5
Other	7.5	7.8	3.3
Total Current Regulatory Assets	30.0	30.7	51.7
Noncurrent:			
Future income taxes due from customers	99.0	94.4	111.4
Pension and postretirement benefit costs	277.9	292.5	279.0
Energy efficiency	32.0	32.8	31.3
Other	24.7	21.4	24.9
Total Noncurrent Regulatory Assets	433.6	441.1	446.6
Total Regulatory Assets	\$463.6	\$ 471.8	\$498.3
Regulatory Liabilities:			
Current:			
Pension and postretirement benefit costs	\$3.6	\$ —	\$—
Unamortized purchased gas adjustments	2.7	1.9	—
Other	17.9	14.8	2.7
Total Current Regulatory Liabilities	24.2	16.7	2.7
Noncurrent:			