SPIRE INC
Form 10-K
November 15, 2018

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

FORM 10-K
(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2018
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”):

	Title of each class	Name of each exchange on which registered
Spire Inc.	Common Stock $1.00 par value	New York Stock Exchange
Spire Missouri Inc.	None	Not applicable
Spire Alabama Inc.	None	Not Applicable

Securities registered pursuant to Section 12(g) of the Exchange Act:

Spire Inc.	Yes [ ]	No [X]
Spire Missouri Inc.	Yes [ ]	No [X]
Spire Alabama Inc.	Yes [ ]	No [X]

Indicate by check mark whether each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933, as amended.

Spire Inc.	Yes [X]	No [ ]
Spire Missouri Inc.	Yes [ ]	No [X]
Spire Alabama Inc.	Yes [ ]	No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Spire Inc.	Yes [ ]	No [X]
Spire Missouri Inc.	Yes [ ]	No [X]
Spire Alabama Inc.	Yes [ ]	No [X]

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

Spire Inc.	Yes [X] No [ ]
Spire Missouri Inc.	Yes [X] No [ ]
Spire Alabama Inc.	Yes [X] No [ ]

Indicate by check mark whether each registrant has submitted electronically 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 [X] No [ ]
Spire Missouri Inc.	Yes [X] No [ ]
Spire Alabama Inc.	Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Spire Inc.	[X]
Spire Missouri Inc.	[X]
Spire Alabama Inc.	[X]

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.	X				
Spire Missouri Inc.			X		
Spire Alabama Inc.			X		

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

Spire Inc.	[ ]
Spire Missouri Inc.	[ ]
Spire Alabama Inc.	[ ]

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

Spire Inc.	Yes [ ]	No [X]
Spire Missouri Inc.	Yes [ ]	No [X]
Spire Alabama Inc.	Yes [ ]	No [X]

The aggregate market value of the voting stock held by non-affiliates of Spire Inc. amounted to $3,391,208,752 as of March 31, 2018. All of Spire Missouri Inc.'s and Spire Alabama Inc.'s equity securities are owned by Spire Inc., their parent company and a reporting company under the Exchange Act.

The number of shares outstanding of each registrant's common stock as of November 12, 2018 was as follows:

Spire Inc.	Common Stock, par value $1.00 per share	50,676,192
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

This combined Form 10-K 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 registrant, except that information relating to Spire Missouri Inc. and Spire Alabama Inc. is also attributed to Spire Inc.

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of proxy statement for Spire Inc. to be filed on or about December 14, 2018 — Part III.
Certain exhibits as indicated in Part IV.

TABLE OF CONTENTS

GLOSSARY OF KEY TERMS AND ABBREVIATIONS

AOCI	Accumulated other comprehensive income or loss	NYMEX	New York Mercantile Exchange, Inc.
APSC	Alabama Public Service Commission	NYSE	New York Stock Exchange
ASC	Accounting Standards Codification	O&M	Operation and maintenance expense
ASU	Accounting Standards Update	OCI	Other comprehensive income or loss
CCM	Cost Control Measure	OPC	Missouri Office of the Public Counsel
Degree days	The average of a day’s high and low temperature below 65, subtracted from 65, multiplied by the number of days impacted	PGA	Purchased Gas Adjustment
EPS	Earnings per share	RSE	Rate Stabilization and Equalization
ESR	Enhanced Stability Reserve	SEC	U.S. Securities and Exchange Commission
FASB	Financial Accounting Standards Board	Spire Alabama	Spire Alabama Inc.
FERC	Federal Energy Regulatory Commission	Spire EnergySouth	Spire EnergySouth Inc., parent of Spire Gulf and Spire Mississippi
GAAP	Accounting principles generally accepted in the United States of America	Spire Gulf	Spire Gulf Inc.
Gas Marketing	Segment including Spire Marketing, which is engaged in the non-regulated marketing of natural gas and related activities	Spire Marketing	Spire Marketing Inc.
Gas Utility	Segment including the regulated operations of the Utilities	Spire Mississippi	Spire Mississippi Inc.
GSA	Gas Supply Adjustment	Spire Missouri	Spire Missouri Inc.
ICE	Intercontinental Exchange	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 the Missouri region	Spire Storage	The physical natural gas storage operations of Spire Storage West LLC and Clear Creek Storage Company, L.L.C.
MMBtu	Million British thermal units	TCJA	The Tax Cuts and Jobs Act of 2017
MoPSC	Missouri Public Service Commission	U.S.	United States
MSPSC	Mississippi Public Service Commission	Utilities	Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth

PART I

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, excluding historical information, include forward-looking statements. Certain words, such as “may,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “seek,” and similar words and expression identify forward-looking statements that involve uncertainties and risks. Future developments may not be in accordance with our current expectations or beliefs and the effect of future developments may not be those anticipated. Among the factors that may cause results to differ materially from those contemplated in any forward-looking statement are:

- Weather conditions and catastrophic events, particularly severe weather in the natural gas producing areas of the country;
- Volatility in gas prices, particularly sudden and sustained changes in natural gas prices, including the related impact on margin deposits associated with the use of natural gas derivative instruments, and the impact on our competitive position in relation to suppliers of alternative heating sources, such as electricity;
- Changes in gas supply and pipeline availability, including decisions by natural gas producers to reduce production or shut in producing natural gas wells, expiration of existing supply and transportation arrangements that are not replaced with contracts with similar terms and pricing, as well as other changes that impact supply for and access to the markets in which our subsidiaries transact business;
- Acquisitions may not achieve their intended results;
- The Spire STL Pipeline project may be hindered or halted by regulatory, legal, operational or other obstacles;
- Legislative, regulatory and judicial mandates and decisions, some of which may be retroactive, including those affecting:
  - allowed rates of return,
  - incentive regulation,
  - industry structure,
  - purchased gas adjustment provisions,
  - rate design structure and implementation,
  - regulatory assets,
  - non-regulated and affiliate transactions,
  - franchise renewals,
  - environmental or safety matters, including the potential impact of legislative and regulatory actions related to climate change and pipeline safety,
  - taxes,
  - pension and other postretirement benefit liabilities and funding obligations, or
  - accounting standards;
- The results of litigation;
- The availability of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets;
- Retention of, ability to attract, ability to collect from, and conservation efforts of, customers;
- Our ability to comply with all covenants in our indentures and credit facilities any violations of which, if not cured in a timely manner, could trigger a default of our obligation;
- Capital and energy commodity market conditions, including the ability to obtain funds with reasonable terms for necessary capital expenditures and general operations and the terms and conditions imposed for obtaining sufficient gas supply;
- Discovery of material weakness in internal controls;
- The disruption, failure or malfunction of our information technology systems including due to cyberattacks; and
- Employee workforce issues, including but not limited to labor disputes and future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets.

Readers are urged to consider the risks, uncertainties, and other factors that could affect our business as described in this report. All forward-looking statements made in this report rely upon the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. We do not, by including this statement, assume any obligation to review or revise any particular forward-looking statement in light of future events.

Item 1. Business

OVERVIEW

Spire Inc. ("Spire" or the "Company"), formerly the Laclede Group, Inc. (formed in 2000), is the holding company for Spire Missouri Inc., Spire Alabama Inc., Spire EnergySouth Inc., and other utility and non-utility subsidiaries. Spire Missouri Inc. ("Spire Missouri" or the "Missouri Utilities") was founded in 1857 as The Laclede Gas Light Company and was renamed Laclede Gas Company in 1950 and then Spire Missouri Inc. in 2017. Effective August 31, 2014, the Company purchased Alabama Gas Corporation, which was formed by the merger of two gas companies in 1948 and renamed Spire Alabama Inc. ("Spire Alabama") in 2017. On September 12, 2016, the Company purchased EnergySouth, Inc., along with its wholly owned subsidiaries, Mobile Gas Service Corporation and Willmut Gas & Oil Company, and in 2017, those companies were renamed Spire EnergySouth Inc. ("Spire EnergySouth"), Spire Gulf Inc. ("Spire Gulf"), and Spire Mississippi Inc. ("Spire Mississippi"), respectively.

Spire is committed to transforming its business and pursuing growth through 1) growing organically, 2) investing in infrastructure, 3) acquiring and integrating, and 4) innovation and technology.

The Company has two key business segments: Gas Utility and Gas Marketing.

The Gas Utility segment includes the regulated operations of Spire Missouri, Spire Alabama, Spire Gulf and Spire Mississippi (collectively, the "Utilities"). The business of the Utilities is subject to seasonal fluctuations with the peak period occurring in the winter heating season, typically November through April of each fiscal year. Spire Missouri is a public utility engaged in the purchase, retail distribution and sale of natural gas, with primary offices located in St. Louis, Missouri. Spire Missouri is the largest natural gas distribution utility system in Missouri, serving more than 1.1 million residential, commercial and industrial customers. For utility regulatory purposes Spire Missouri has two regions, one serving St. Louis and eastern Missouri ("Spire Missouri East") and the other serving Kansas City and western Missouri ("Spire Missouri West"). Spire Alabama is a public utility engaged in the purchase, retail distribution and sale of natural gas principally in central and northern Alabama, serving more than 0.4 million residential, commercial and industrial customers with primary offices located in Birmingham, Alabama. Spire Gulf and Spire Mississippi are utilities engaged in the purchase, retail distribution and sale of natural gas to 0.1 million customers in southern Alabama and south-central Mississippi.

The Gas Marketing segment includes Spire Marketing Inc. ("Spire Marketing"), a wholly owned subsidiary engaged in the marketing of natural gas and related activities on a non-regulated basis.

As of September 30, 2018, Spire had 3,366 employees, including 2,321 for Spire Missouri and 861 for Spire Alabama.

Spire's common stock is listed on the New York Stock Exchange ("NYSE") and trades under the ticker symbol "SR." The following table reflects Spire shares issued during the two most recent fiscal years:

	2018	2017
Common Stock Issuance	2,300,000	2,504,684
Dividend Reinvestment and Stock Purchase Plan ("DRIP")	23,023	23,731
Equity Incentive Plan	85,637	84,186
Total Shares Issued	2,408,660	2,612,601

Shares were issued during 2018 to provide funds for repayment of short-term debt, to fund capital expenditures, and other general corporate uses. Shares were issued during 2017 in conjunction with the conversion of equity units that were issued in 2014 to help fund the Spire Alabama acquisition. During fiscal 2018 and 2017, shares were issued at historically consistent levels for Spire's DRIP and Equity Incentive Plan.

During fiscal 2018 and 2017, neither Spire Missouri nor Spire Alabama issued shares to Spire. For more detailed common stock information of Spire, Spire Missouri and Spire Alabama, see Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Spire uses its website, SpireEnergy.com, as a routine channel for distribution of important information including news releases, analyst presentations and financial information. The information Spire, Spire Missouri and Spire Alabama file or furnish to the U.S. Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and their amendments, and proxy statements are available free of charge under "Filings and Annual Reports" in the Investors section of Spire's website, SpireEnergy.com, as soon as reasonably practical after the information is filed with or furnished to the SEC.

4

Information contained on Spire's website is not incorporated by reference in this report. The SEC also maintains a website that contains our SEC filings (sec.gov).

GAS UTILITY

Natural Gas Supply

The Utilities' fundamental gas supply strategy is to meet the two-fold objective of 1) ensuring a dependable gas supply is available for delivery when needed and 2) insofar as is compatible with that dependability, purchasing gas that is economically priced. In structuring their natural gas supply portfolio, the Utilities focus on natural gas assets that are strategically positioned to meet the Utilities' primary objectives.

Spire Missouri focuses its gas supply portfolio around a number of large natural gas suppliers with equity ownership or control of assets strategically situated to complement its regionally diverse firm transportation arrangements. Spire Missouri East utilizes both Mid-Continent and Gulf Coast gas sources to provide a level of supply diversity that facilitates the optimization of pricing differentials as well as protecting against the potential of regional supply disruptions. Spire Missouri West utilizes both Mid-Continent and Rocky Mountain gas sources to provide a level of supply diversity that accesses low cost supplies.

In fiscal year 2018, Spire Missouri purchased natural gas from 34 different suppliers to meet its total service area current gas sales and storage injection requirements. Spire Missouri entered into firm agreements with suppliers including major producers and marketers providing flexibility to meet the temperature sensitive needs of its customers. Natural gas purchased by Spire Missouri for delivery to its service area through the Enable Mississippi River Transmission LLC ("MRT") system totaled 57.1 billion cubic feet ("Bcf"). Spire Missouri also holds firm transportation arrangements on several other interstate pipeline systems that provide access to gas supplies upstream of MRT. In addition to natural gas deliveries from MRT, 58.2 Bcf was purchased on the Southern Star Central Gas Pipeline, Inc. ("Southern Star"), 4.4 Bcf was purchased on the Tallgrass Interstate Gas Transmission, LLC ("TGIT") system, 11.1 Bcf was purchased on the Panhandle Eastern Pipe Line Company, LP ("PEPL") system, and 0.7 Bcf was purchased on the Rockies Express Pipeline, LLC ("REX") system. Some of Spire Missouri's commercial and industrial customers purchased their own gas with Spire Missouri transporting 41.5 Bcf to them through its distribution system.

The fiscal year 2018 peak day send out of natural gas to Spire Missouri customers, including transportation customers, occurred on January 16, 2018. The average temperature was 7 degrees Fahrenheit in St. Louis and 2 degrees Fahrenheit in Kansas City. On that day, the Missouri Utilities' customers consumed 1.80 Bcf of natural gas. For eastern Missouri, this peak day demand was met with natural gas transported to St. Louis through the MRT, MoGas Pipeline LLC, and Southern Star transportation systems, and from Spire Missouri's on-system storage and peak shaving resources. For western Missouri, this peak day demand was met with natural gas transported to Kansas City through the Southern Star, PEPL, TGIT, and REX transportation systems.

Spire Alabama's distribution system is connected to two major interstate natural gas pipeline systems, Southern Natural Gas Company, L.L.C. ("Southern Natural Gas") and Transcontinental Gas Pipe Line Company, LLC ("Transco"). It is also connected to two intrastate natural gas pipeline systems.

Spire Alabama purchases natural gas from various natural gas producers and marketers. Certain volumes are purchased under firm contractual commitments with other volumes purchased on a spot market basis. The purchased volumes are delivered to Spire Alabama's system using a variety of firm transportation, interruptible transportation and storage capacity arrangements designed to meet the system's varying levels of demand.

In fiscal 2018, Spire Alabama purchased natural gas from 15 different suppliers to meet current gas sales, storage injection, and liquefied natural gas ("LNG") liquefaction requirements, of which six are under long-term supply agreements. Approximately 67.0 Bcf was transported by Southern Natural Gas, 6.0 Bcf by Transco, and 6.0 Bcf through intrastate pipelines to the Spire Alabama delivery points for its residential, commercial, and industrial customers.

The fiscal 2018 peak day send out for Spire Alabama was 0.7 Bcf on January 17, 2018, when the average temperature was 21 degrees Fahrenheit in Birmingham, of which 100% was met with supplies transported through Southern Natural Gas, Transco, intrastate facilities, and one of the four LNG peak shaving facilities.

Spire Gulf's distribution system is directly connected to interstate pipelines, natural gas processing plants and gas storage facilities. Spire Gulf buys from a variety of producers and marketers, with BP Energy Company being the primary supplier.

5

Natural Gas Storage

Spire Missouri believes that it has ample storage capacity to meet the demands of its distribution system, particularly to augment its supply during peak demand periods. Spire Missouri has a contractual right to store 21.6 Bcf of gas in MRT’s storage facility located in Unionville, Louisiana, 16.3 Bcf of gas storage in Southern Star’s system storage facilities located in Kansas and Oklahoma, and 1.4 Bcf of firm storage on PEPL’s system storage. MRT’s tariffs allow injections into storage from May 16 through November 15 and require the withdrawal from storage of all but 2.1 Bcf from November 16 through May 15. Southern Star tariffs allow both injections and withdrawals into storage year round with ratchets that restrict the associated flows dependent upon the underlying inventory level per the contracts. In addition, Spire Missouri East supplements pipeline gas with natural gas withdrawn from its own underground storage field located in St. Louis and St. Charles Counties in Missouri. The field is designed to provide approximately 0.3 Bcf of natural gas withdrawals on a peak day and maximum annual net withdrawals of approximately 4.0 Bcf of natural gas based on the inventory level that Spire Missouri plans to maintain.

Spire Alabama has a contractual right to store 12.5 Bcf of gas with Southern Natural Gas, 0.2 Bcf of gas with Transco and 0.2 Bcf of gas with Tennessee Gas Pipeline. In addition, Spire Alabama has 1.8 Bcf of LNG storage that can provide the system with up to an additional 0.2 Bcf of natural gas daily to meet peak day demand.

Spire Gulf obtains adequate storage capacity through Gulf South Pipeline Company, LP, and Sempra’s Bay Gas Storage.

Regulatory Matters

For details on regulatory matters, see Note 14, Regulatory Matters, of the Notes to Financial Statements in Item 8.

Other Pertinent Matters

Spire Missouri is the only distributor of natural gas within its franchised service areas, while Spire Alabama is the main distributor of natural gas in its service areas. The principal competition for the Utilities comes from the local electric companies. Other competitors in the service areas include suppliers of fuel oil, coal, and propane, as well as natural gas pipelines that can directly connect to large volume customers. For the Missouri Utilities, competition also comes from district steam systems in the downtown areas of both St. Louis and Kansas City, and for Spire Alabama, from municipally or publicly owned gas distributors located adjacent to its service territory. Coal is price competitive as a fuel source for very large boiler plant loads, but environmental requirements for coal have shifted the economic advantage to natural gas. Oil and propane can be used to fuel boiler loads and certain direct-fired process applications, but these fuels require on-site storage, thus limiting their competitiveness. In certain cases, district steam has been competitive with gas for downtown St. Louis and Kansas City area heating users.

Residential, commercial, and industrial markets represented approximately 93% and 84% of fiscal 2018 operating revenues for Spire Missouri and Spire Alabama, respectively. Given the current level of natural gas supply and market conditions, the Utilities believe that the relative comparison of natural gas equipment and operating costs with those of competitive fuels will not change significantly in the foreseeable future, and that these markets will continue to be supplied by natural gas. In new multi-family and commercial rental markets, the Utilities’ competitive exposures are presently limited to space and water heating applications.

Spire Missouri offers gas transportation service to its large-user industrial and commercial customers. The tariff approved for that type of service produces a margin similar to that which the Missouri Utilities would have received under their regular sales rates. Spire Alabama’s transportation tariff allows it to transport gas for large commercial and industrial customers rather than buying and reselling it to them and is based on Spire Alabama’s sales profit margin so that operating margins are unaffected. During fiscal 2018, substantially all of Spire Alabama’s large commercial and industrial customer deliveries involved the transportation of customer-owned gas.

The Utilities are subject to various environmental laws and regulations that, to date, have not materially affected the Utilities’ or the Company’s financial position and results of operations. For a detailed discussion of environmental matters, see Note 15, Commitment and Contingencies, of the Notes to Financial Statements in Item 8.

Union Agreements

The Company believes labor relations with its employees are good. Should that condition change, the Company could experience labor disputes, work stoppages or other disruptions in production that could negatively impact the Company's results of operations and cash flows.

The following table presents the Company's various labor agreements as of September 30, 2018:

Union	Local	Employees Covered	Contract Start Date	Contract End Date
Spire Missouri				
United Steel, Paper and Forestry, Rubber Manufacturing, Allied-Industrial and Service Workers International Union ("USW")	884	63	August 1, 2018	July 31, 2021
USW	11-6	944	August 1, 2018	July 31, 2021
USW	11-194	75	August 1, 2018	July 31, 2021
USW	12561	131	August 16, 2016	July 31, 2019
USW	14228	41	August 16, 2016	July 31, 2019
USW	11-267	28	August 16, 2016	July 31, 2019
Gas Workers Metal Trades locals of the United Association of Journeyman and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada	781-Kansas City	192	August 16, 2016	July 31, 2019
Gas Workers Metal Trades locals of the United Association of Journeyman and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada	781-Monett	56	August 16, 2016	July 31, 2019
Total Spire Missouri		1,530		
Spire Alabama				
USW	12030	223	May 1, 2017	April 30, 2020
USW	12030-A	57	May 1, 2017	April 30, 2020
United Association of Gas Fitters	548	127	July 1, 2016	April 30, 2019
Total Spire Alabama		407		
Spire Gulf				
USW	3-541	65	October 1, 2017	July 31, 2020
Total Spire		2,002		

Operating Revenues and Customer Information

The following information about revenues and therms sold and transported (before intersegment eliminations), and annual average numbers of customers, includes data of acquired utilities for only the period of Spire's ownership (beginning September 12, 2016 for the utilities of Spire EnergySouth).

Gas Utility Operating Revenues (In millions)	2018	2017	2016
Residential	$ 1,253.3	$ 1,084.5	$ 979.0
Commercial & Industrial	453.0	389.2	331.3
Interruptible	7.4	5.1	2.0
Transportation	106.9	99.8	93.1
Off-System and Other Incentive	40.3	67.9	50.7
Provisions for Refunds and Other	27.5	21.4	3.3
Total Gas Utility Operating Revenues	$ 1,888.4	$ 1,667.9	$ 1,459.4

Gas Utility Therms Sold and Transported (In millions)	2018	2017	2016
Residential	1,095.8	866.2	867.5
Commercial & Industrial	536.4	446.7	420.4
Interruptible	14.5	12.6	4.6
Transportation	1,615.1	1,467.5	1,089.8
System Therms Sold and Transported	3,261.8	2,793.0	2,382.3

Off-System	68.5	175.6	183.3
Total Gas Utility Therms Sold and Transported	3,330.4	2,968.6	2,565.6

Gas Utility Customers	2018	2017	2016
Residential	1,567,939	1,550,777	1,540,366
Commercial & Industrial	123,982	133,864	137,450
Interruptible	70	64	42
Transportation	835	827	824
Total Gas Utility Customers	1,692,826	1,685,532	1,678,682

Total annual average number of customers for Spire Missouri and Spire Alabama for fiscal 2018 was 1,169,888 and 420,572, respectively.

Spire Missouri has franchises in nearly all the communities where it provides service with terms varying from five years to an indefinite duration. Generally, a franchise is essentially a municipal permit to install pipes and construct other facilities in the community. All of the franchises are free from unduly burdensome restrictions and are adequate for the conduct of Spire Missouri’s current public utility businesses in the state of Missouri. In recent years, although certain franchise agreements have expired, Spire Missouri has continued to provide service in those communities without formal franchises.

Spire Alabama has franchises in nearly all the communities where it provides service with terms varying from five years to an indefinite duration. Generally, a franchise is essentially a municipal permit to install pipes and construct other facilities in the community. All of the franchises are free from unduly burdensome restrictions and are adequate for the conduct of Spire Alabama’s public utility business in the state of Alabama.

GAS MARKETING

Spire Marketing is engaged in the marketing of natural gas and providing energy services to both on-system utility transportation customers and customers outside of the Utilities' traditional service areas. The majority of Spire Marketing's business is derived from the procurement and physical delivery of natural gas to a diverse customer base. During fiscal 2018, Spire Marketing utilized over 43 interstate and intrastate pipelines and over 125 suppliers to market natural gas to more than 250 retail customers and 120 wholesale customers, primarily in the central United States ("U.S."). Through its retail operations, Spire Marketing offers natural gas marketing services to large commercial and industrial customers, while its wholesale business consists of producers, pipelines, power generators, municipalities, storage operators, and utility companies. Wholesale activities currently represent a majority of the total Gas Marketing business.

In the course of its business, Spire Marketing enters into agreements to purchase natural gas at a future date in order to lock up supply to cover future sales commitments to its customers. To secure access to the markets it serves, Spire Marketing contracts for transportation capacity on various pipelines from both pipeline companies and through the secondary capacity market from third parties. Throughout fiscal 2018, Spire Marketing held approximately 0.50 Bcf per day of firm transportation capacity. In addition, to ensure reliability of service and to provide operational flexibility, Spire Marketing enters into firm storage contracts and interruptible park and loan transactions with various companies, where it is able to buy and retain gas to be delivered at a future date, at which time it sells the natural gas to third parties. As of September 30, 2018, Spire Marketing has contracted for approximately 7.3 Bcf of such storage and park and loan capacity for the 2018-2019 winter season.

The Gas Marketing strategy is to leverage its market expertise and risk management skills to manage and optimize the value of its portfolio of commodity, transportation, park and loan, and storage contracts while controlling costs and acting on new marketplace opportunities. Overall, Gas Marketing saw significant growth in fiscal 2018 primarily as a result of increased business with producers and integrated utilities, retail and wholesale customer growth, increased optimization opportunities resulting from its overall portfolio of assets, and more favorable market conditions.

OTHER

Other includes unallocated corporate items, including certain debt and associated interest costs largely attributable to acquisitions, Spire STL Pipeline LLC and Spire's subsidiaries engaged in the operation of a physical natural gas storage business, a propane pipeline, compression of natural gas, and risk management, among other activities.

Spire STL Pipeline LLC is a wholly owned subsidiary of Spire planning to construct and operate a 65-mile pipeline to connect to the Rockies Express Pipeline in Scott County, Illinois, to delivery points in St. Louis County, Missouri, including Spire Missouri's storage facility (the "STL Pipeline") Federal Energy Regulatory Commission ("FERC") in August 2018 and received a Notice to Proceed from FERC in November 2018, allowing construction to begin. The pipeline will operate under FERC jurisdiction and will be capable of delivering up to 4 million therms per day of natural gas into eastern Missouri. Spire Missouri will be the foundational shipper with a contractual commitment of 3.5 million therms per day.

In fiscal 2018, the Company acquired and began integrating two neighboring natural gas storage facilities in southwest Wyoming, referred to herein as "Spire Storage." Both storage facilities fall under FERC jurisdiction.

Item 1A. Risk Factors

Spire’s and the Utilities’ business and financial results are subject to a number of risks and uncertainties, including those set forth below. The risks described below are those the Company and the Utilities consider to be material. When considering any investment in Spire or the Utilities’ securities, investors should carefully consider the following information, as well as information contained in the caption “Forward-Looking Statements,” Item 7A, and other documents Spire, Spire Missouri, and Spire Alabama file with the SEC. This list is not exhaustive, and Spire’s and the Utilities’ respective management places no priority or likelihood based on the risk descriptions, order of presentation or grouping by subsidiary. All references to dollar amounts are in millions.

RISKS AND UNCERTAINTIES THAT RELATE TO THE BUSINESS AND FINANCIAL RESULTS OF SPIRE AND ITS SUBSIDIARIES

As a holding company, Spire depends on its operating subsidiaries to meet its financial obligations.

Spire is a holding company with no significant assets other than the stock of its operating subsidiaries and cash investments. Spire, and Spire Missouri prior to the holding company’s formation in 2000, has paid dividends continuously since 1946. Spire’s ability to pay dividends to its shareholders is dependent on the ability of its subsidiaries to generate sufficient net income and cash flows to pay upstream dividends and make loans or loan repayments. In addition, because it is a holding company and the substantial portion of its assets are represented by its holdings in the Utilities, the risks faced by the Utilities as described below under RISKS THAT RELATE TO THE GAS UTILITY SEGMENT may also adversely affect Spire’s cash flows, liquidity, financial condition and results of operations.

A downgrade in Spire’s and/or its subsidiaries’ credit ratings may negatively affect its ability to access capital.

Currently, Spire, Spire Missouri, and Spire Alabama have investment grade credit ratings. There is no assurance that such credit ratings for any of the Spire companies will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency’s judgment, circumstances so warrant. Spire has a working capital line of credit to meet its short-term liquidity needs. Spire’s line of credit may be used to meet the liquidity needs of any of its subsidiaries, subject to sublimits. If the rating agencies lowered the credit rating at any of these entities, particularly below investment grade, it might significantly limit that entity’s ability to secure new or additional credit facilities and would increase its costs of borrowing. Spire’s or the Utilities’ ability to borrow under current or new credit facilities and costs of that borrowing have a direct impact on their ability to execute their operating strategies.

Unexpected losses may adversely affect Spire’s or its subsidiaries’ financial condition and results of operations.

As with most businesses, there are operations and business risks inherent in the activities of Spire’s subsidiaries. If, in the normal course of business, Spire or any of its subsidiaries becomes a party to litigation, such litigation could result in substantial monetary judgments, fines, or penalties or be resolved on unfavorable terms. In accordance with customary practice, Spire and its subsidiaries maintain insurance against a significant portion of, but not all, risks and losses. In addition, in the normal course of its operations, Spire and its subsidiaries may be exposed to loss from other sources, such as bad debt expense or the failure of a counterparty to meet its financial obligations. Spire and its operating companies employ many strategies to gain assurance that such risks are appropriately managed, mitigated, or insured, as appropriate. To the extent a loss is not fully covered by insurance or other risk mitigation strategies, that loss could adversely affect the Company’s and/or its subsidiaries’ financial condition and results of operations.

Increased dependence on technology may hinder Spire’s and its subsidiaries’ business operations and adversely affect their financial condition and results of operations if such technologies fail.

Over the last several years, Spire and its subsidiaries have implemented or acquired a variety of technological tools including both Company-owned information technology and technological services provided by outside parties. These tools and systems support critical functions including Spire and its subsidiaries’ integrated planning, scheduling and dispatching of field resources, its automated meter reading system, customer care and billing, procurement and accounts payable, operational plant logistics, management reporting, and external financial reporting. The failure of these or other similarly important technologies, or the Company’s or its subsidiaries’ inability to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder their business operations and adversely impact their financial condition and results of operations.

Although the Company and its subsidiaries have, when possible, developed alternative sources of technology and built redundancy into their computer networks and tools, there can be no assurance that these efforts to date would protect against all potential issues related to the loss of any such technologies or the Utilities’ use of such technologies.

A cyberattack may disrupt Spire’s operations or lead to a loss or misuse of confidential and proprietary information or potential liability.

The Company and its subsidiaries are subject to cybersecurity risks primarily related to breaches of security pertaining to sensitive customer, employee, and vendor information maintained by the Company, its subsidiaries, or its third-party vendors in the normal course of business, as well as breaches in the technology that manages natural gas distribution operations and other business processes. A loss of confidential or proprietary data or security breaches of other technology business tools could adversely affect the Company’s and its subsidiaries’ reputation, diminish customer confidence, disrupt operations, and subject the Company and its subsidiaries to possible financial liability, any of which could have a material effect on the Company’s and its subsidiaries’ financial condition and results of operations. The Company and its subsidiaries closely monitor both preventive and detective measures to manage these risks and maintain cyber risk insurance to mitigate a significant portion, but not all, of these risks and losses. To the extent that the occurrence of any of these cyber events is not fully covered by insurance, it could adversely affect the Company’s and its subsidiaries’ financial condition and results of operations.

Resources expended to pursue or integrate business acquisitions, investments or other business arrangements may adversely affect Spire’s financial position and results of operations and return on investments made may not meet expectations.

From time to time, Spire may seek to grow through strategic acquisitions, investments or other business arrangements. Attractive acquisition and investment opportunities may be difficult to complete on economically acceptable terms. It is possible for Spire to expend considerable resources pursuing acquisitions and investments but, for a variety of reasons, decide not to move forward. Similarly, investment opportunities may be hindered or halted by regulatory or legal actions. To the extent that acquisitions or investments are made, such transactions involve a number of risks, including but not limited to, the assumption of material liabilities, the diversion of management’s attention from daily operations, difficulties in assimilation and retention of employees, securing adequate capital to support the transaction, and regulatory approval. Uncertainties exist in assessing the value, risks, profitability, and liabilities associated with certain businesses or assets and there is a possibility that anticipated operating and financial efficiencies expected to result from an acquisition or investment do not develop. Additionally, there are no assurances that resources expended will achieve their intended result.

The failure to complete an acquisition successfully or to integrate acquisitions or investments it may undertake could have an adverse effect on the Company’s financial condition and results of operations and the market’s perception of the Company’s execution of its strategy. To the extent Spire engages in any of the above activities together with or through one or more of its subsidiaries, including the Utilities, such subsidiaries may face the same risks.

Failure to obtain required approvals and land rights or significant issues during the construction of the STL Pipeline could adversely impact Spire’s investment in the project.

The design, construction and operation of natural gas pipelines and the transportation of natural gas are all highly regulated activities. The STL Pipeline is subject to FERC jurisdiction under Section 7 of the Natural Gas Act, as well as several other material governmental and regulatory approvals and permits, including several under the Clean Air Act and the Clean Water Act from the U.S. Army Corps of Engineers and state environmental agencies. Even after obtaining approval from the FERC, such projects are often subject to legal and political uncertainties which can be difficult to predict or control. The Company has no control over the outcome of the review and approval process by these regulatory authorities. The Company also does not know whether or when such approvals or permits can be obtained, or whether any existing or potential interventions or other actions by third parties will interfere with the STL Pipeline obtaining the necessary remaining authorizations or approvals.

The STL Pipeline project also requires the acquisition of land rights, mostly from private landowners. Although FERC approval confers federal eminent domain authority, there is some risk and uncertainty associated with the cost and timing of acquiring land rights, including potential condemnation costs. Spire may experience significant delays in acquiring necessary land rights or may experience higher costs in doing so. If the Company were to fail to obtain these rights on a timely basis or be required to relocate the STL Pipeline, its business could be materially and adversely affected.

Construction of such assets are subject to various risks and uncertainties, including supply chain and labor disruptions, weather conditions during construction, potential interconnection issues with other pipelines, equipment failures and construction quality issues. Any of these adverse events regarding regulatory approvals, land rights or construction risks could result in an impairment of Spire’s investment in the project, and such impairment could have a material adverse effect on Spire’s financial condition and results of operations.

Pipeline safety integrity programs and repairs may impose significant costs and liabilities on the Company.

The U.S. Pipeline and Hazardous Materials Safety Administration (“PHMSA”) requires pipeline operators to develop integrity management programs to comprehensively evaluate certain areas along their pipelines and to take additional measures to protect pipeline segments located in “high consequence areas” where a leak or rupture could potentially do the most harm. As an operator of the STL Pipeline, the Company will be required to:

- perform ongoing assessments of pipeline integrity;
- identify and characterize applicable threats to pipeline segments that could impact a “high consequence area”;
- improve data collection, integration and analysis;
- repair and remediate the pipeline as necessary; and
- implement preventative and mitigating actions.

The Company is required to maintain pipeline integrity testing programs that are intended to assess pipeline integrity. Any repair, remediation, preventative or mitigating actions may require significant capital and operating expenditures. Should the Company fail to comply with applicable statutes and the PHMSA Office of Pipeline Safety’s rules and related regulations and orders, it could be subject to significant penalties and fines.

Reductions in capacity of interconnecting, third-party pipelines could cause a reduction in volumes transported on the STL Pipeline, which would adversely affect the Company’s revenues and cash flows for the STL Pipeline business.

The STL Pipeline will be dependent upon third-party pipelines and other facilities to provide delivery options to and from the STL Pipeline project. If any pipeline connection were to become unavailable for volumes of natural gas due to repairs, damage to the facility, lack of capacity or any other reason, the STL Pipeline’s ability to continue shipping natural gas to end markets could be restricted, thereby reducing the STL Pipeline’s revenues. Any permanent interruption at any key pipeline interconnect that causes a material reduction in volumes transported on the STL Pipeline could have a material adverse effect on the STL Pipeline’s business, financial condition, operating results, cash flows, liquidity and prospects.

The Company's natural gas storage business includes inherent geologic and operational risks, as well as risks from competition and changes in market fundamentals.

In 2018, the Company acquired two neighboring storage facilities, one of which had been operating in bankruptcy for an extended period. As the Company restructures and integrates these facilities into one, now known as Spire Storage, to increase capacity and improve operating performance, it strives to improve the integrity of its storage fields and associated above-ground facilities. Any damage to the storage facility or pipelines, or lack of integrity to its storage fields, could have a material adverse effect on the Company's financial condition, operating results and cash flows.

The Company's storage assets are connected to third-party-owned pipelines. The continuing operation of such third-party pipelines is not within its control. If any of these pipelines become unable to transport, treat or process natural gas or natural gas liquids, or if the volumes it gathers or transports do not meet the quality requirements of such pipelines, the Company's revenues and cash flows could be adversely affected.

The Company does not own all the land on which our storage facilities were constructed, and it is, therefore, subject to the possibility of more onerous terms or increased costs to retain necessary land use, if and when applicable property rights expire or are renewed. Changes in the terms of such land use could have an adverse impact on the financial condition, results of operations and cash flows for the Company's storage business.

Spire Storage is subject to competition from similar services provided by pipelines and from competing independent storage providers capable of serving our customers. Natural gas storage is a competitive business, with competitors having the ability to expand or build new storage capacity. Increased competition in the natural gas storage business could reduce the demand for the Company's natural gas storage services and drive rates down for its storage business.

Storage businesses are affected by various gas market fundamentals which impact the level of demand for storage services and the rates that can be charged for these services. These market fundamentals include: seasonal price spread; monthly, daily and hourly price volatility; locational basis for pricing points on pipelines connected to a storage facility; seasonal, daily and hourly weather; and operational impacts in supply and market areas served by a storage facility and its connected pipelines. These fundamentals have varying and potentially material adverse impacts on the various services offered by storage facilities and the rates that can be charged for these services in the market. These services include: long-term firm storage; short-term park and loan; wheeling; and optimization. Rates below the variable costs to operate a storage facility could result in a decision to not operate all of the capacity in the facility or to operate the facility at a loss if required to fulfill firm customer contract obligations. A sustained decline in these rates or a shut-in of all or a portion of one or more facilities' capacity could have an adverse impact on our financial condition, results of operations and cash flows.

Transporting, distributing, and storing natural gas and propane involves numerous risks that may result in accidents and other operating risks and costs.

Natural gas transportation, distribution and storage activities inherently involve a variety of hazards and operations risks, such as leaks, accidental explosions, damage caused by third parties, and mechanical problems, which could cause substantial financial losses. In addition, these risks could result in serious injury to employees and non-employees, loss of human life, significant damage to property, environmental pollution, impairment of operations, and substantial losses to the Company and its subsidiaries. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers, and industrial sites, could increase the level of damages resulting from these risks. Similar risks also exist for Spire Missouri's propane storage, transmission and minor distribution operations. These activities may subject the Company to litigation or administrative proceedings. Such litigation or proceedings could result in substantial monetary judgments, fines, or penalties against the Company and its subsidiaries or be resolved on unfavorable terms. The Utilities and other Spire businesses are subject to federal and state laws and regulations requiring them to maintain certain safety and system integrity measures by identifying and managing storage and pipeline risks. Compliance with these laws and regulations, or future changes in these laws and regulations, may result in increased capital, operating and other costs which may not be recoverable in a timely manner from customers in rates. In accordance with customary industry practices, the Utilities and other Spire businesses maintain insurance against a significant portion, but not all, of these risks and losses. To the extent that the occurrence of any of these events is not fully covered by insurance, it could adversely affect the financial condition and results of operations of the Company and its subsidiaries.

13

Workforce risks may affect the Company's financial results.
The Company and its subsidiaries are subject to various workforce risks, including, but not limited to, the risk that it will be unable to attract and retain qualified personnel; that it will be unable to effectively transfer the knowledge and expertise of an aging workforce to new personnel as those workers retire; and that it will be unable to reach collective bargaining arrangements with the unions that represent certain of its workers, which could result in work stoppages.
In connection with acquisitions, Spire and Spire Missouri recorded goodwill and long-lived assets that could become impaired and adversely affect its financial condition and results of operations.
Spire and Spire Missouri assess goodwill for impairment annually or more frequently if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company and Spire Missouri assess their long-lived assets for impairment whenever events or circumstances indicate that an asset's carrying amount may not be recoverable. To the extent the value of goodwill or long-lived assets becomes impaired, the Company and Spire Missouri may be required to incur impairment charges that could have a material impact on their results of operations.
Since interest rates are a key component, among other assumptions, in the models used to estimate the fair values of the Company's reporting units, as interest rates rise, the calculated fair values decrease and future impairments may occur. Due to the subjectivity of the assumptions and estimates underlying the impairment analysis, Spire and Spire Missouri cannot provide assurance that future analyses will not result in impairment. These assumptions and estimates include projected cash flows, current and future rates for contracted capacity, growth rates, weighted average cost of capital and market multiples.
Changes in accounting standards may adversely impact the Company's financial condition and results of operations.
Spire and its subsidiaries are subject to changes in U.S. generally accepted accounting principles ("GAAP"), SEC regulations and other interpretations of financial reporting requirements for public utilities. Neither the Company nor any of its subsidiaries have any control over the impact these changes may have on their financial condition or results of operations nor the timing of such changes. The potential issues associated with rate-regulated accounting, along with other potential changes to GAAP that the U.S. Financial Accounting Standards Board ("FASB") continues to consider may be significant.
Climate change and regulatory and legislative developments in the energy industry related to climate change may in the future adversely affect operations and financial results.
Climate change, and the extent regulatory or legislative changes occur to address the potential for climate change, could adversely affect operations and financial results of the Company. Management believes it is likely that any such resulting impacts would occur over a long period of time and thus would be difficult to quantify with any degree of specificity. To the extent climate change results in warmer temperatures, financial results could be adversely affected through lower gas volumes and revenues and lack of marketing opportunities. Another possible impact of climate change may be more frequent and more severe weather events, such as hurricanes and tornadoes, which could increase costs to repair damaged facilities and restore service to customers. If the Company were unable to deliver natural gas to customers, financial results would be impacted by lost revenues, and the Utilities generally would have to seek approval from regulators to recover restoration costs. To the extent the Utilities would be unable to recover those costs, or if higher rates resulting from recovery of such costs would result in reduced demand for the Company's services, the Company's and the Utilities' future business, financial condition or financial results could be adversely impacted.
In addition, there have been a number of federal and state legislative and regulatory initiatives proposed in recent years in an attempt to control or limit the effects of global warming and overall climate change, including greenhouse gas emissions, such as methane and carbon dioxide. The adoption of this type of legislation by Congress or similar legislation by states or the adoption of related regulations by federal or state governments mandating a substantial reduction in greenhouse gas emissions in the future could have far-reaching and significant impacts on the energy industry. Such new legislation or regulations could result in increased compliance costs or additional operating restrictions, affect the demand for natural gas or impact the prices charged to customers. At this time, we cannot predict the potential impact of such laws or regulations that may be adopted on the Company's and the Utilities' future business, financial condition or financial results.

14

Changes to income tax policy, certain tax elections, tax regulations and future taxable income could adversely impact the Company's financial condition and results of operations.

The Company has significantly reduced its federal and state income tax obligations over the past few years through tax planning strategies and the extension of bonus depreciation deductions for certain expenditures for property. As a result, the Company has generated large annual taxable losses that have resulted in significant federal and state net operating losses. The Company plans to utilize these net operating losses in the future to reduce income tax obligations. The value of these net operating losses could be reduced if the Company cannot generate enough taxable income in the future to utilize all of the net operating losses before they expire due to lower than expected financial performance or regulatory actions or if the Internal Revenue Service does not agree with certain filing positions of the Company.

Changes to income tax policy, laws and regulations, including but not limited to changes in tax rates, the deductibility of certain expenses including interest and state and local income taxes and/or changes in the deductibility of certain expenditures for property, could adversely impact the Company. Those impacts could include reducing the value of its net operating losses and could result in material charges to earnings. Further, the Company's financial condition and results of operations may be adversely impacted.

Spire's pension and other postretirement benefits plans are subject to investment and interest rate risk that could negatively impact its financial condition.

The Company and its subsidiaries have pension and other postretirement benefits plans that provide benefits to many of their employees and retirees. Costs of providing benefits and related funding requirements of these plans are subject to changes in the market value of the assets that fund the plans. The funded status of the plans and the related costs reflected in our financial statements are affected by various factors, which are subject to an inherent degree of uncertainty, including economic conditions, financial market performance, interest rates, life expectancies and demographics. Recessions and volatility in the domestic and international financial markets have negatively affected the asset values of Spire's pension plans at various times in the past. Poor investment returns or lower interest rates may necessitate accelerated funding of the plans to meet minimum federal government requirements, which could have an adverse impact on the Company's and its subsidiaries' financial condition and results of operations.

Catastrophic events may adversely affect the Company's facilities and operations.

Catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes, tropical storms, terrorist acts, acts of civil unrest, pandemic illnesses or other similar occurrences could adversely affect the Utilities' facilities and operations, as well as those of Spire STL Pipeline and Spire Storage. The Utilities have emergency planning and training programs in place to respond to events that could cause business interruptions. However, unanticipated events or a combination of events, failure in resources needed to respond to events, or slow or inadequate response to events may have an adverse impact on the operations, financial condition, and results of operations of the Company and its subsidiaries. The availability of insurance covering catastrophic events may be limited or may result in higher deductibles, higher premiums, and more restrictive policy terms.

RISKS THAT RELATE TO THE GAS UTILITY SEGMENT

Regulation of the Utilities' businesses may impact rates they are able to charge, costs, and profitability.

The Utilities are subject to regulation by federal, state and local authorities. At the state level, the Utilities are regulated in Missouri by the Missouri Public Service Commission ("MoPSC"), in Alabama by the Alabama Public Service Commission ("APSC"), and in Mississippi by the Mississippi Public Service Commission ("MSPSC"). These state public service commissions regulate many aspects of the Utilities' distribution operations, including construction and maintenance of facilities, operations, safety, the rates the Utilities may charge customers, the terms of service to their customers, transactions with their affiliates, the rate of return they are allowed to realize, and the accounting treatment for certain aspects of their operations. For further discussion of these accounting matters, see Regulatory Accounting under Critical Accounting Estimates in Item 7.

The Utilities' ability to obtain and timely implement rate increases and rate supplements to maintain the current rate of return is subject to regulatory review and approval. There can be no assurance that they will be able to obtain rate increases or rate supplements or continue earning the current authorized rates of return. Spire Alabama's and Spire Gulf's rate setting process, Rate Stabilization and Equalization ("RSE"), is subject to regulation by the APSC and is implemented pursuant to APSC orders expiring September 30, 2022 and 2021, respectively. RSE adjustments would continue after those dates unless the APSC enters an order to the contrary in a manner consistent with the law. Spire Mississippi is subject to regulation by the MSPSC and utilizes the Rate Stabilization Adjustment ("RSA") Rider. For further details, see Note 14, Regulatory Matters, of the Notes to Financial Statements in Item 8.

The Utilities could incur additional costs if required to adjust to new laws or regulations, revisions to existing laws or regulations or changes in interpretations of existing laws or regulations such as the Dodd-Frank Act. In addition, as the regulatory environment for the natural gas industry increases in complexity, the risk of inadvertent noncompliance could also increase. If the Utilities fail to comply with applicable laws and regulations, whether existing or new, they could be subject to fines, penalties or other enforcement action by the authorities that regulate the Utilities' operations.

The Utilities are involved in legal or administrative proceedings before various courts and governmental bodies that could adversely affect their results of operations, cash flows and financial condition.

The Utilities are involved in legal or administrative proceedings before various courts and governmental bodies with respect to general claims, rates, environmental issues, gas cost prudence reviews and other matters. For further details, see Contingencies in Note 15 to the financial statements in Item 8. Adverse decisions regarding these matters, to the extent they require the Utilities to make payments in excess of amounts provided for in their financial statements, or to the extent they are not covered by insurance, could adversely affect the Utilities' results of operations, cash flows and financial condition.

The Utilities' liquidity may be adversely affected by delays in recovery of their costs, due to regulation.

In the normal course of business, there is a lag between when the Utilities incur increases in certain of their costs and the time in which those costs are considered for recovery in the ratemaking process. Cash requirements for increased operating costs, increased funding levels of defined benefit pension and postretirement costs, capital expenditures, and other increases in the costs of doing business can require outlays of cash prior to the authorization of increases in rates charged to customers, as approved by the MoPSC, APSC, and MSPSC. Accordingly, the Utilities' liquidity can be adversely impacted to the extent higher costs are not timely recovered from their customers.

The Utilities' ability to meet their customers' natural gas requirements may be impaired if contracted gas supplies, interstate pipeline and/or storage services are not available or delivered in a timely manner.

In order to meet their customers' annual and seasonal natural gas demands, the Utilities must obtain sufficient supplies, interstate pipeline capacity, and storage capacity. If they are unable to obtain these, either from their suppliers' inability to deliver the contracted commodity or the inability to secure replacement quantities, the Utilities' financial condition and results of operations may be adversely impacted. If a substantial disruption in interstate natural gas pipelines' transmission and storage capacity were to occur during periods of heavy demand, the Utilities' financial results could be adversely impacted.

The Utilities' liquidity and, in certain circumstances, the Utilities' results of operations may be adversely affected by the cost of purchasing natural gas during periods in which natural gas prices are rising significantly.

The tariff rate schedules of the Missouri Utilities, Spire Gulf and Spire Mississippi contain Purchased Gas Adjustment ("PGA") clauses and Spire Alabama's tariff rate schedule contains a Gas Supply Adjustment ("GSA") rider that permit the Utilities to file for rate adjustments to recover the cost of purchased gas. Changes in the cost of purchased gas are flowed through to customers and may affect uncollectible amounts and cash flows and can therefore impact the amount of capital resources.

Currently, the Missouri Utilities are allowed to adjust the gas cost component of rates up to four times each year while Spire Alabama and Spire Gulf (collectively, the "Alabama Utilities") and Spire Mississippi may adjust the gas cost component of their rates on a monthly basis. The Missouri Utilities must make a mandatory gas cost adjustment at the beginning of the winter, in November, and during the next twelve months may make up to three additional discretionary gas cost adjustments, so long as each of these adjustments is separated by at least two months.

The MoPSC typically approves the Missouri Utilities' PGA changes on an interim basis, subject to refund and the outcome of a subsequent audit and prudence review. Due to such review process, there is a risk of a disallowance of full recovery of these costs. Any material disallowance of purchased gas costs would adversely affect revenues. The Alabama Utilities' gas supply charges are submitted for APSC review on a monthly basis, regardless of whether there is a request for a change, so prudence review occurs on an ongoing basis. Spire Mississippi's PGA is adjusted on a monthly basis for the most recent charges and is filed at the MSPSC on a monthly basis.

Increases in the prices the Utilities charge for gas may also adversely affect revenues because they could lead customers to reduce usage and cause some customers to have trouble paying the resulting higher bills. These higher prices may increase bad debt expenses and ultimately reduce earnings. Rapid increases in the price of purchased gas may result in an increase in short-term debt.

To lower financial exposure to commodity price fluctuations, Spire Missouri enters into contracts to hedge the forward commodity price of its natural gas supplies. As part of this strategy, Spire Missouri may use fixed-price forward physical purchase contracts, swaps, futures, and option contracts. However, Spire Missouri does not hedge the entire exposure of energy assets or positions to market price volatility, and the coverage will vary over time. Any costs, gains, or losses experienced through hedging procedures, including carrying costs, generally flow through the PGA clause, thereby limiting the Missouri Utilities' exposure to earnings volatility. However, variations in the timing of collections of such gas costs under the PGA clause and the effect of cash payments for margin deposits associated with the Missouri Utilities' use of natural gas derivative instruments may cause short-term cash requirements to vary. These procedures remain subject to prudence review by the MoPSC.

Other than fixed-price forward physical purchase contracts, Spire Alabama currently does not utilize risk mitigation strategies that incorporate commodity hedge instruments but has the ability to do so through its GSA. Spire Gulf hedges gas supply for up to 30 months in advance, and Spire Mississippi utilizes hedging for the upcoming heating season.

The Utilities' business activities are concentrated in three states.

The Utilities provide natural gas distribution services to customers in Alabama, Mississippi, and Missouri. Changes in the regional economies, politics, regulations and weather patterns of these states could negatively impact the Utilities' growth opportunities and the usage patterns and financial condition of customers and could adversely affect the Utilities' earnings, cash flows, and financial position.

The Utilities may be adversely affected by economic conditions.

Periods of slowed economic activity generally result in decreased energy consumption, particularly by industrial and large commercial companies, a loss of existing customers, fewer new customers especially in newly constructed buildings. As a consequence, national or regional recessions or other downturns in economic activity could adversely affect the Utilities' revenues and cash flows or restrict their future growth. Economic conditions in the Utilities' service territories may also adversely impact the Utilities' ability to collect accounts receivable, resulting in an increase in bad debt expense.

Environmental laws and regulations may require significant expenditures or increase operating costs.
The Utilities are subject to federal, state and local environmental laws and regulations affecting many aspects of their present and future operations. These laws and regulations require the Utilities to obtain and comply with a wide variety of environmental licenses, permits, inspections, and approvals. Failure to comply with these laws and regulations and failure to obtain any required permits and licenses may result in costs to the Utilities in the form of fines, penalties or business interruptions, which may be material. In addition, existing environmental laws and regulations could be revised or reinterpreted and/or new laws and regulations could be adopted or become applicable to the Utilities or their facilities, thereby impacting the Utilities' cost of compliance. The discovery of presently unknown environmental conditions, including former manufactured gas plant sites, and claims against the Utilities under environmental laws and regulations may result in expenditures and liabilities, which could be material. To the extent environmental compliance costs are not fully covered by insurance or recovered in rates from customers, those costs may have an adverse effect on the Utilities' financial condition and results of operations.
Because of the highly competitive nature of its business, the Utilities may not be able to retain existing customers or acquire new customers, which could have an adverse impact on their business, operating results and financial condition.
The Utilities face the risk that customers may bypass gas distribution services by gaining distribution directly from interstate pipelines or, in the case of Spire Alabama and Spire Gulf, also from municipally or publicly owned gas distributors located adjacent to its service territory. The Utilities cannot provide any assurance that increased competition or other changes in legislation, regulation or policies will not have a material adverse effect on their business, financial condition or results of operations.
The Utilities compete with distributors offering a broad range of services and prices, from full-service distributors to those offering delivery only. The Utilities also compete for retail customers with suppliers of alternative energy products, principally propane and electricity. If they are unable to compete effectively, the Utilities may lose existing customers and/or fail to acquire new customers, which in the aggregate could have a material adverse effect on their business, operating results and financial condition.
Changes in the wholesale costs of purchased natural gas supplies may adversely impact the Utilities' competitive position compared with alternative energy sources.
Changes in wholesale natural gas prices compared with prices for electricity, fuel oil, coal, propane, or other energy sources may affect the Utilities' retention of natural gas customers and may adversely impact their financial condition and results of operations.
Significantly warmer-than-normal weather conditions, the effects of climate change, legislative and regulatory initiatives in response to climate change or in support of increased energy efficiency, and other factors that influence customer usage may affect the Utilities' sale of heating energy and adversely impact their financial position and results of operations.
The Utilities' earnings are primarily generated by the sale of heating energy. The Missouri Utilities and Spire Mississippi each have a Weather Normalization Adjustment rider, Spire Alabama has a Temperature Adjustment Rider, and Spire Gulf has a Weather Impact Normalization Factor. These mechanisms, approved by the respective state regulatory body, provide better assurance of the recovery of fixed costs and margins during winter months despite variations in sales volumes due to the impacts of weather, while the annual rate designs of Alabama and Mississippi help adjust for other factors that affect customer usage. However, significantly warmer-than-normal weather conditions in the Utilities' service areas and other factors, such as climate change, alternative energy sources and increased efficiency of gas furnaces and other appliances, may result in reduced profitability and decreased cash flows attributable to lower gas sales. Furthermore, continuation of these adjustment factors is subject to regulatory discretion.
In addition, the promulgation of regulations by the U.S. Environmental Protection Agency, particularly those regulating the emissions of greenhouse gases, and by the U.S. Department of Energy supporting higher efficiency for residential gas furnaces and other gas appliances or the potential enactment of congressional legislation addressing global warming and climate change may decrease customer usage, encourage fuel switching from gas to other energy forms, and may result in future additional compliance costs that could impact the Utilities' financial conditions and results of operations.

Regional supply/demand fluctuations and changes in national infrastructure, as well as regulatory discretion, may adversely affect the Missouri Utilities' ability to profit from off-system sales and capacity release.

The Missouri Utilities' income from off-system sales and capacity release is subject to fluctuations in market conditions and changing supply and demand conditions in areas the Missouri Utilities hold pipeline capacity rights. Specific factors impacting the Missouri Utilities' income from off-system sales and capacity release include the availability of attractively-priced natural gas supply, availability of pipeline capacity, and market demand. Income from off-system sales and capacity release is shared with customers. Effective April 19, 2018, the Missouri Utilities are allowed to retain 25% of the net margins achieved as a result of such off-system sales and capacity releases. The Missouri Utilities' ability to retain such income in the future is subject to regulatory discretion in a base rate proceeding.

RISKS THAT RELATE TO THE GAS MARKETING SEGMENT

Increased competition, fluctuations in natural gas commodity prices, expiration of supply and transportation arrangements, and infrastructure projects may adversely impact the future profitability of Gas Marketing.

Competition in the marketplace and fluctuations in natural gas commodity prices have a direct impact on the Gas Marketing business. Changing market conditions and prices, the narrowing of regional and seasonal price differentials and limited future price volatility may adversely impact its sales margins or affect its ability to procure gas supplies and/or to serve certain customers, which may reduce sales profitability and/or increase certain credit requirements caused by reductions in netting capability. Also, Gas Marketing profitability may be impacted by the effects of the expiration, in the normal course of business, of certain of its natural gas supply contracts if those contracts cannot be replaced and/or renewed with arrangements with similar terms and pricing. Although the FERC regulates the interstate transportation of natural gas and establishes the general terms and conditions under which Spire Marketing may use interstate gas pipeline capacity to purchase and transport natural gas, it must occasionally renegotiate its transportation agreements with a concentrated group of pipeline companies. Renegotiated terms of new agreements, or increases in FERC-authorized rates of existing agreements, may impact Gas Marketing's future profitability. Profitability may also be adversely impacted if pipeline capacity or future storage capacity secured is not fully utilized.

Reduced access to credit and/or capital markets may prevent the Gas Marketing business from executing operating strategies.

The Gas Marketing segment relies on its cash flows, ability to effect net settlements with counterparties, parental guaranties, and access to Spire's liquidity resources to satisfy its credit and working capital requirements. Spire Marketing's ability to rely on parental guaranties is dependent upon Spire's financial condition and credit ratings. If Spire's credit ratings were lowered, particularly below investment grade, counterparty acceptance of parental guaranties may diminish, resulting in decreased availability of credit. Additionally, under such circumstances, certain counterparties may require Spire Marketing to provide prepayments or cash deposits, amounts of which would be dependent upon natural gas market conditions. Reduced access to credit or increased credit requirements, which may also be caused by factors such as higher overall natural gas prices, may limit Spire Marketing's ability to enter into certain transactions. In addition, Spire Marketing has concentrations of counterparty credit risk in that a significant portion of its transactions are with (or are associated with) energy producers, utility companies, and pipelines. These concentrations of counterparties have 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. Spire Marketing also has concentrations of credit risk in certain individually significant counterparties. Spire Marketing closely monitors its credit exposure and, although uncollectible amounts have not been significant, increased counterparty defaults are possible and may result in financial losses and/or capital limitations.

Risk management policies, including the use of derivative instruments, may not fully protect Spire Marketing's sales and results of operations from volatility and may result in financial losses.

In the course of its business, Spire Marketing enters into contracts to purchase and sell natural gas at fixed prices and index-based prices. Commodity price risk associated with these contracts has the potential to impact earnings and cash flows. To minimize this risk, Spire Marketing has a risk management policy that provides for daily monitoring of a number of business measures, including fixed price commitments.

19

Spire Marketing currently manages the commodity price risk associated with fixed-price commitments for the purchase or sale of natural gas by either closely matching the offsetting physical purchase or sale of natural gas at fixed prices or through the use of natural gas futures, options, and swap contracts traded on or cleared through the New York Mercantile Exchange, Inc. and/or the Intercontinental Exchange to lock in margins. These exchange-traded/cleared contracts may be designated as cash flow hedges of forecasted transactions. However, market conditions and regional price changes may cause ineffective portions of matched positions to result in financial losses. Additionally, to the extent that Spire Marketing's natural gas contracts are classified as trading activities or do not otherwise qualify for the normal purchases or normal sales designation (or the designation is not elected), the contracts are recorded as derivatives at fair value each period. Accordingly, the associated gains and losses are reported directly in earnings and may cause volatility in results of operations. Gains or losses (realized and unrealized) on certain wholesale purchase and sale contracts, consisting of those classified as trading activities, are required to be presented on a net basis (instead of a gross basis) in the statements of consolidated income. Such presentation could result in volatility in the Company's operating revenues.

As a natural gas market participant, Spire Marketing is subject to all applicable FERC- and Commodity Futures Trading Commission- ("CFTC") administered statutes, rules, regulations and orders, including those directed generally to prevent manipulation of or fraud involving natural gas physical transactions and financial instruments, such as futures, options and swaps. Spire Marketing could be subject to substantial penalties and fines by FERC or CFTC, or both, for failure to comply with such rules.

The Dodd-Frank Act's swaps regulatory provisions and the related rules may adversely affect our existing derivative contracts and restrict our ability to monetize such contracts, cause us to restructure certain contracts, reduce the availability of derivatives to protect against risks or to optimize assets, increase the costs of entering into and maintaining swaps, adversely affect our ability to execute our hedging strategies and impact the liquidity of certain swaps products, all of which could increase our business costs.

Spire Marketing's ability to meet its customers' natural gas requirements may be impaired if contracted gas supplies and interstate pipeline services are not available or delivered in a timely manner.

Spire Marketing's ability to deliver natural gas to its customers is contingent upon the ability of natural gas producers, other gas marketers, and interstate pipelines to fulfill delivery obligations to Spire Marketing under firm contracts. To the extent that it is unable to obtain the necessary supplies, Spire Marketing's financial position and results of operations may be adversely impacted.

Regulatory and legislative developments pertaining to the energy industry may adversely impact Gas Marketing's results of operations, financial condition and cash flows.

The Gas Marketing business is non-regulated, in that the rates it charges its customers are not currently established by or subject to approval by any regulatory body with jurisdiction over its business. However, it is subject to various laws and regulations affecting the energy industry. New regulatory and legislative actions may adversely impact Gas Marketing's results of operations, financial condition, and cash flows by potentially reducing customer growth opportunities and/or increasing the costs of doing business.

For example, Spire Marketing incurs additional costs to comply with new laws and regulations, such as the Dodd-Frank Act amendments to the Commodity Exchange Act, which authorizes the CFTC to regulate futures contracts, options and swaps. These derivative transactions include instruments and bilateral contracts that Spire Marketing uses to hedge or mitigate ongoing commercial risks. The Dodd-Frank Act contemplates that most standardized swaps will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility, subject to certain exceptions. In addition, the CFTC's rules require companies, including Spire Marketing, to maintain regulatory records of swap transactions, and to report swaps to centralized swap data repositories, among other new compliance obligations. Although Spire Marketing may qualify for exceptions to certain of the new CFTC rules, its derivatives counterparties are subject to new capital, margin, documentation and business conduct requirements imposed as a result of the Dodd-Frank Act. Such new rules may increase transaction costs and may make it more difficult for Spire Marketing to enter into hedging transactions on favorable terms or affect the number and/or creditworthiness of available swap counterparties. Spire Marketing's inability to enter into derivatives instruments or other commercial risk hedging transactions on favorable terms, or at all, could increase operating expenses and expose it to unhedged commercial risks, including potential adverse changes in commodity prices.

The CFTC has re-proposed its position limits rules that would modify and expand the applicability of position limits on the amounts of certain speculative futures contracts, as well as economically equivalent options, futures and swaps for or linked to certain physical commodities that market participants may hold, subject to limited exemptions for certain bona fide hedging positions and other types of transactions. To the extent the revised CFTC position limits proposal becomes final, such positions will also be subject to the aggregation rules which the CFTC has adopted and the Company’s ability to execute Spire Marketing’s hedging strategies described above could be limited if Spire Marketing is unable to qualify for an exemption. It is uncertain at this time whether, when and in what form the CFTC’s proposed new position limits rules may become final and effective.

The Federal Reserve Board also has proposed rules that would limit certain physical commodity activities of financial holding companies. Such rules, if adopted, may adversely affect Spire Marketing’s ability to execute the Company’s strategies by restricting the Company’s available counterparties for certain types of transactions, limiting the Company’s ability to obtain certain services, and reducing liquidity in physical and financial markets. It is uncertain at this time whether, when and in what form the Federal Reserve’s proposed rules regarding financial holding companies may become final and effective.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Spire

Refer to the information below about the principal properties of Spire Missouri and Spire Alabama. The Spire EnergySouth utilities own approximately 5,500 miles of pipelines. Other properties of Spire and its subsidiaries, including Spire Marketing and Spire EnergySouth, do not constitute a significant portion of its properties. The current leases for office space in downtown St. Louis commenced in early 2015, with terms ranging from 10 to 20 years, with multiple renewal options. For further information on leases see Note 15, Commitments and Contingencies, of the Notes to Financial Statements in Item 8.

Spire Missouri

The principal properties of Spire Missouri consist of its gas distribution system, which includes more than 30,000 miles of main and related service lines, odorization and regulation facilities, and customer meters. The mains and service lines are located in municipal streets or alleys, public streets or highways, or on lands of others for which we have obtained the necessary legal rights to place and operate our facilities on such property. Spire Missouri has an underground natural gas storage facility, several operating centers, and other related properties. Substantially all of Spire Missouri’s utility plant is subject to the liens of its mortgage. All the properties of Spire Missouri are held in fee, by easement, or under lease agreements. The principal lease agreements include underground storage rights that are of indefinite duration.

Spire Alabama

The properties of Spire Alabama consist primarily of its gas distribution system, which includes approximately 23,000 miles of main and related service lines, odorization and regulation facilities, and customer meters. The mains and service lines are located in municipal streets or alleys, public streets or highways, or on lands of others for which we have obtained the necessary legal rights to place and operate our facilities on such property. Spire Alabama also has four LNG facilities, several operating centers, and other related properties. All of the properties of Spire Alabama are held in fee, by easement, or under lease agreements.

Item 3. Legal Proceedings

For a description of pending regulatory matters of Spire, see Note 14, Regulatory Matters, of the Notes to Financial Statements in Item 8. For a description of environmental matters, see Contingencies in Note 15 of the Notes to Financial Statements in Item 8.

Spire and its subsidiaries are involved in litigation, claims and investigations arising in the normal course of business. Management, after discussion with counsel, believes the final outcome will not have a material effect on the consolidated financial position or results of operations reflected in the consolidated financial statements presented herein.

EXECUTIVE OFFICERS OF THE REGISTRANT – Listed below are executive officers as defined by the SEC for Spire, Spire Missouri and Spire Alabama. Their ages, at September 30, 2018, and positions are listed below along with their business experience during the past five years.

Name	Age	Position with Company [1]	Appointed [2]
S. Sitherwood	58	Spire	
		President and Chief Executive Officer	February 2012
		Spire Missouri	
		Chairman of the Board	January 2015
		Chairman of the Board and Chief Executive Officer	October 2012
		Spire Alabama	
		Chairman of the Board	September 2014
S. L. Lindsey	52	Spire	
		Executive Vice President, Chief Operating Officer of Distribution Operations	October 2012
		Spire Missouri	
		President and Chief Executive Officer	January 2015
		President	October 2012
		Spire Alabama	
		Chief Executive Officer	September 2014
S. P. Rasche	58	Spire	
		Executive Vice President and Chief Financial Officer	November 2013
		Spire Missouri	
		Chief Financial Officer	May 2012
		Spire Alabama	
		Chief Financial Officer	September 2014
M. C. Darrell	60	Spire	
		Senior Vice President, General Counsel and Chief Compliance Officer	May 2012
M. C. Geiselhart	59	Spire	
		Senior Vice President, Strategic Planning and Corporate Development	January 2015
		Vice President, Strategic Planning and Corporate Development	February 2014
		Vice President, Strategic Development and Planning	August 2006
K. A. Smith	60	Spire Alabama	
		President	April 2015
		Vice President, System Integrity	August 2011

(1) The information provided relates to the Company and its principal subsidiaries. Many of the executive officers have served or currently serve as officers or directors for other subsidiaries of the Company.

(2) Officers of Spire are normally reappointed by the Board of Directors in November of each year. Officers of Spire Missouri and Spire Alabama are normally reappointed by their boards of directors in January of each year.

22

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Spire

Spire's common stock trades on The New York Stock Exchange ("NYSE") under the symbol "SR". The number of holders of record as of November 12, 2018 was 3,083.

Performance Graph

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*

September 30	2013	2014	2015	2016	2017	2018
Spire Inc.	$100.00	$107.08	$130.46	$157.24	$189.86	$192.98
S&P Utilities Index	100.00	117.13	124.82	146.50	164.12	168.93
S&P 500 Index	100.00	119.73	119.00	137.36	162.92	192.10

* Cumulative total return is based on a $100 investment on September 30, 2013, assuming reinvestment of dividends.

For disclosures related to securities authorized for issuance under equity compensation plans, see Note 2, Stock-Based Compensation, of the Notes to Financial Statements in Item 8.

During the three months ended September 30, 2018, the only repurchases of our common stock were pursuant to elections by employees to have shares of stock withheld to cover employee tax withholding obligations upon the vesting of performance-based and time-vested restricted stock and stock units. The following table provides information on those repurchases:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
July 1, 2018 - July 31, 2018	—	—	—	—
August 1, 2018 - August 31, 2018	114	$71.90	—	—
September 1, 2018 - September 30, 2018	64	$74.58	—	—
Total	178	$72.86	—	—

Spire Missouri

Spire Missouri common stock is owned by its parent, Spire Inc., and is not traded on any stock exchange.

Spire Missouri’s mortgage contains restrictions on its ability to pay cash dividends on its common stock, as described in further detail in Note 4, Shareholders’ Equity, of the Notes to Financial Statements in Item 8. As of September 30, 2018 and 2017, the amount under the mortgage’s formula that was available to pay dividends was $1,097.6 million and $1,010.8 million, respectively.

Spire periodically purchases common stock of Spire Missouri with the price set at the book value of Spire Missouri common stock as of the most recently completed fiscal quarter. There were no sales of Spire Missouri common stock during the three most recent fiscal years.

Spire Alabama

Spire Alabama common stock is owned by its parent, Spire Inc., and is not traded on any stock exchange.

Item 6. Selected Financial Data

Spire	Fiscal Years Ended September 30				
(Dollars in millions, except per share amounts)	2018	2017	2016[(1)]	2015	2014[(2)]
Statements of Income data					
Total Operating Revenues	$1,965.0	$1,740.7	$1,537.3	$1,976.4	$1,627.2
Net Income	214.2	161.6	144.2	136.9	84.6
Common Stock data					
Diluted Earnings Per Share of Common Stock	$4.33	$3.43	$3.24	$3.16	$2.35
Dividends Declared Per Share of Common Stock	2.25	2.10	1.96	1.84	1.76
Balance Sheet data [(3)]					
Total Assets	$6,843.6	$6,546.7	$6,064.4	$5,277.6	$5,059.3
Long-Term Debt (less current portion)	1,900.1	1,995.0	1,820.7	1,758.9	1,836.3
Net Economic Earnings data [(4)]					
Net Income [GAAP]	$214.2	$161.6	$144.2	$136.9	$84.6
Missouri regulatory adjustments	30.6	—	—	—	—
Unrealized (gain) loss on energy-related derivatives	(4.0)	6.0	(0.1)	(2.8)	(1.6)
Lower of cost or market inventory adjustments	—	—	0.2	0.4	(1.1)
Realized (gain) loss on economic hedges prior to the sale of the physical commodity	(0.3)	(0.3)	(1.6)	2.4	(0.4)
Acquisition, divestiture and restructuring activities	13.6	4.0	9.2	9.8	29.5
Gain on sale of property	—	—	—	(7.6)	—
Income tax effect of adjustments	(10.3)	(3.7)	(2.8)	(0.8)	(10.9)
Effect of the Tax Cuts and Jobs Act	(60.1)	—	—	—	—
Net Economic Earnings [Non-GAAP]	$183.7	$167.6	$149.1	$138.3	$100.1
Diluted Earnings per Share of Common Stock:					
Net Income [GAAP]	$4.33	$3.43	$3.24	$3.16	$2.35
Missouri regulatory adjustments	0.62	—	—	—	—
Unrealized (gain) loss on energy-related derivatives	(0.08)	0.13	—	(0.07)	(0.04)
Lower of cost or market inventory adjustments	—	—	0.01	0.01	(0.03)
Realized (gain) loss on economic hedges prior to the sale of the physical commodity	(0.01)	(0.01)	(0.04)	0.06	(0.01)
Acquisition, divestiture and restructuring activities	0.28	0.09	0.21	0.23	0.82
Gain on sale of property	—	—	—	(0.18)	—
Income tax effect of adjustments	(0.21)	(0.08)	(0.06)	(0.02)	(0.31)
Effect of the Tax Cuts and Jobs Act	(1.21)	—	—	—	—
Weighted average shares adjustment	—	—	0.06	—	0.27
Net Economic Earnings [Non-GAAP]	$3.72	$3.56	$3.42	$3.19	$3.05

(1) Effective September 12, 2016, Spire completed the purchase of 100% of the outstanding common stock of Spire EnergySouth. Total cash consideration paid, net of cash acquired, debt assumed and a working capital settlement payment received, was $313.9, funded with a combination of the issuance of approximately 2.2 million shares of common stock on May 17, 2016, the issuance of $165.0 aggregate principal amount of senior notes on September 9, 2016, and cash on hand.

(2) Effective August 31, 2014, Spire completed the purchase of 100% of the outstanding common stock of Spire Alabama for $1,590.3 (including assumed debt of $264.8), funded with a combination of the issuance of 10.35 million shares of common stock and 2.875 million equity units completed on June 11, 2014, the issuance of $625.0 aggregate principal amount of senior notes on August 19, 2014, and cash on hand.

(3) Balance Sheet data for fiscal years 2014-2016 has been restated to retrospectively reflect the impact of implementing Accounting Standards Update (“ASU”) No. 2015-03, Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs, during fiscal 2017.

(4)

This section contains the non-GAAP financial measures of net economic earnings ("NEE") and net economic earnings per share ("NEEPS"). NEEPS are calculated by replacing consolidated net income with consolidated NEE in the GAAP diluted earnings per share calculation. Each reconciling item between NEE and net income is shown pre-tax. The income tax effect is calculated by applying federal, state, and local income tax rates applicable to ordinary income to the amounts of the pre-tax reconciling items and then adding any estimated effects of enacted state or local income tax laws for periods before the related effective date. NEEPS for 2016 excludes the impact of the May 2016 equity offering to fund the acquisition of Spire EnergySouth. NEEPS for 2014 excludes the impact of the June 2014 equity offerings to fund the acquisition of Spire Alabama. The weighted-average diluted shares used in the NEEPS calculation for fiscal years 2016 and 2014 were 43.5 and 32.7, compared to 44.3 and 35.9, respectively, used in the GAAP earnings per share calculations for those years. For more information on net economic earnings data, refer to the Non-GAAP Measures section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Dollars in millions, except per share and per unit amounts)

INTRODUCTION

This section analyzes the financial condition and results of operations of Spire Inc. ("Spire" or the "Company"), Spire Missouri Inc. ("Spire Missouri" or the "Missouri Utilities"), and Spire Alabama Inc. ("Spire Alabama"). Spire Missouri, Spire Alabama and Spire EnergySouth Inc. ("Spire EnergySouth") are wholly owned subsidiaries of the Company. Spire Missouri, Spire Alabama and the subsidiaries of Spire EnergySouth Inc. are collectively referred to as the "Utilities". The subsidiaries of Spire EnergySouth are Spire Gulf Inc. ("Spire Gulf") and Spire Mississippi Inc. ("Spire Mississippi"). This section includes management's view of factors that affect the respective businesses of the Company, Spire Missouri and Spire Alabama, explanations of financial results including changes in earnings and costs from the prior periods, and the effects of such factors on the Company's, Spire Missouri's and Spire Alabama's overall financial condition and liquidity. Unless otherwise indicated, references to years herein are references to the fiscal years ending September 30 for the Company and its subsidiaries.

Reference is made to "Item 1A. Risk Factors" and "Forward-Looking Statements," which describe important factors that could cause actual results to differ from expectations and non-historical information contained herein. In addition, the following discussion should be read in conjunction with the audited financial statements and accompanying notes thereto of Spire, Spire Missouri and Spire Alabama included in "Item 8. Financial Statements and Supplementary Data."

OVERVIEW

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

Gas Utility - Spire Missouri

Spire Missouri is Missouri's largest natural gas distribution utility and is regulated by the Missouri Public Service Commission ("MoPSC"). Spire Missouri serves St. Louis and eastern Missouri through Spire Missouri East and serves Kansas City and western Missouri through Spire Missouri West. Spire Missouri delivers natural gas to customers at rates and in accordance with tariffs authorized by the MoPSC. The earnings of Spire Missouri are primarily generated by the sale of heating energy. The rate design for each service territory serves to lessen the impact of weather volatility on its customers during cold winters and stabilize Spire Missouri's earnings.

Gas Utility - Spire Alabama

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

Gas Utility - Spire EnergySouth

Spire Gulf and Spire Mississippi are utilities engaged in the purchase, retail distribution and sale of natural gas to 0.1 million customers in southern Alabama and south-central Mississippi. Spire Gulf is regulated by the APSC and Spire Mississippi is regulated by the Mississippi Public Service Commission ("MSPSC").

Gas Marketing

Spire Marketing Inc. (“Spire Marketing”) is engaged in the marketing of natural gas and related activities on a non-regulated basis and is reported in the Gas Marketing segment. Spire Marketing markets natural gas across the country with the core of its footprint located in and around the central United States (“U.S.”). It holds firm transportation and storage contracts in order to effectively manage its customer base, which consists of producers, pipelines, power generators, storage operators, municipalities, utility companies, and large commercial and industrial customers.

Other

Other components of the Company’s consolidated information include:

- unallocated corporate items, including certain debt and associated interest costs;
- Spire STL Pipeline, a subsidiary of Spire planning the construction and operation of a 65-mile FERC-regulated pipeline to deliver natural gas into eastern Missouri;
- Spire Storage, providing physical natural gas storage services; and
- Spire’s subsidiaries engaged in the operation of a propane pipeline, compression of natural gas, and risk management, among other activities.

Business Evaluation Factors

Based on the nature of the business of the Company and its subsidiaries, as well as current economic conditions, management focuses on the following key variables in evaluating the financial condition and results of operations and managing the business.

Gas Utility segment:

- the Utilities’ ability to recover the costs of purchasing and distributing natural gas from their customers;
- the impact of weather and other factors, such as customer conservation, on revenues and expenses;
- changes in the regulatory environment at the federal, state, and local levels, as well as decisions by regulators, that impact the Utilities’ ability to earn its authorized rate of return in all service territories they serve;
- the Utilities’ ability to access credit markets and maintain working capital sufficient to meet operating requirements;
- the effect of natural gas price volatility on the business; and
- the ability to manage costs, integrate and standardize operations, and upgrade infrastructure.

Gas Marketing segment:

- the risks of competition;
- fluctuations in natural gas prices;
- the changing flow and availability of natural gas;
- new national infrastructure projects;
- the ability to procure firm transportation and storage services at reasonable rates;
- credit and/or capital market access;
- counterparty risks; and
- the effect of natural gas price volatility on the business.

Further information regarding how management seeks to manage these key variables is discussed below.

Gas Utility

The Utilities seek to provide reliable natural gas services at a reasonable cost, while maintaining and building secure and dependable infrastructures. The Utilities’ strategies focus on improving both performance and the ability to recover their authorized distribution costs and rates of return. The Utilities’ distribution costs are the essential, primarily fixed, expenditures they must incur to operate and maintain more than 58,000 miles of mains and services comprising their natural gas distribution systems and related storage facilities.

The Utilities' distribution costs include wages and employee benefit costs, depreciation and maintenance expenses, and other regulated utility operating expenses, excluding natural and propane gas expense. Distribution costs are considered in the rate-making process, and recovery of these types of costs is included in revenues generated through the Utilities' tariff rates. Spire Missouri's tariff rates are approved by the MoPSC, whereas Spire Alabama's tariff rates are approved by the APSC. Spire Gulf and Spire Mississippi have tariff rates that are approved by the APSC and MSPSC, respectively. Spire Missouri also has an off-system sales and capacity release income stream that is regulated by tariff but remains subject to fluctuations in market conditions. Effective April 19, 2018, customers receive 75% and Spire Missouri receives 25% of the net margins achieved as a result of such off-system sales and capacity releases. For information about the multiple sharing tiers and percentages in place prior to that date, see Note 14, Regulatory Matters, in the Notes to Financial Statements in Item 8.

Some of the factors impacting the level of off-system sales include the availability and cost of Spire Missouri's natural gas supply, the weather in its service area and the weather in other markets. When Spire Missouri's service area experiences warmer-than-normal weather while other markets experience colder weather or supply constraints, some of Spire Missouri's natural gas supply is available for off-system sales.

The Utilities work actively to reduce the impact of wholesale natural gas price volatility on their costs by strategically structuring their natural gas supply portfolios to increase their gas supply availability and pricing alternatives. They may also use derivative instruments to hedge against significant changes in the commodity price of natural gas. Nevertheless, the overall cost of purchased gas remains subject to fluctuations in market conditions. The Purchased Gas Adjustment ("PGA") clause of Spire Missouri, Spire Gulf and Spire Mississippi and Spire Alabama's Gas Supply Adjustment ("GSA") rider allow the Utilities to flow through to customers, subject to prudence review by the public service commissions, the cost of purchased gas supplies, including costs, cost reductions and related carrying costs associated with the use of derivative instruments to mitigate volatility in the cost of natural gas. As of September 30, 2018, Spire Missouri had active derivative positions, but Spire Alabama has had no gas supply derivative instrument activity since 2010. The Utilities believe they will continue to be able to obtain sufficient gas supply. The price of natural gas supplies and other economic conditions may affect sales volumes, due to the conservation efforts of customers, and cash flows associated with the timing of collection of gas costs and related accounts receivable from customers.

The Utilities rely on short-term credit and long-term capital markets, as well as cash flows from operations, to satisfy their seasonal cash requirements and fund their capital expenditures. The Utilities' ability to issue commercial paper, access their lines of credit, issue long-term bonds or obtain new lines of credit is dependent on current conditions in the credit and capital markets. Management focuses on maintaining a strong balance sheet and believes it currently has adequate access to credit and capital markets and will have sufficient capital resources to meet their foreseeable obligations. See the Liquidity and Capital Resources section for additional information.

Gas Marketing

Spire Marketing is engaged in the marketing of natural gas and providing energy services to both on-system utility transportation customers and customers outside of the Utilities' traditional service areas. Spire Marketing utilizes its natural gas supply agreements, transportation agreements, park and loan agreements, storage agreements and other executory contracts to support a variety of services to its customers at competitive prices. It closely monitors and manages the natural gas commodity price and volatility risks associated with providing such services to its customers through the use of a variety of risk management activities, including the use of exchange-traded/cleared derivative instruments and other contractual arrangements. Spire Marketing is committed to managing commodity price risk while it seeks to expand the services that it now provides. Nevertheless, income from the Gas Marketing operations is subject to more fluctuations in market conditions than the Utilities' operations.

The Gas Marketing business is directly impacted by the effects of competition in the marketplace, the impacts of new infrastructure, surplus natural gas supplies, and the addition of new demand from exports, power generation and industrial load. Spire Marketing's management expects a growing need for marketing services across the country as customers manage seasonal variability and marketplace volatility.

In addition to its operating cash flows, Spire Marketing relies on Spire's parental guaranties to secure its purchase and sales obligations of natural gas, and it also has access to Spire's liquidity resources. A large portion of Spire Marketing's receivables are from customers in the energy industry. It also enters into netting arrangements with many of its energy counterparties to reduce overall credit and collateral exposure. Although Spire Marketing's uncollectible amounts are closely monitored and have not been significant, increases in uncollectible amounts from customers are possible and could adversely affect Gas Marketing's liquidity and results of operations.

Spire Marketing carefully monitors the creditworthiness of counterparties to its transactions. It performs in-house credit reviews of potential customers and may require credit assurances such as prepayments, letters of credit or parental guaranties when appropriate. Credit limits for customers are established and monitored.

As a result of infrastructure optimization activities and an abundance of natural gas supply, Spire Marketing cannot be certain that all of its wholesale purchase and sale transactions will settle physically. As such, certain transactions are designated as trading activities for financial reporting purposes, due to their settlement characteristics. Results of operations from trading activities are reported on a net basis in Gas Marketing operating revenues (or expenses, if negative), which may cause volatility in the Company’s operating revenues, but have no effect on operating income or net income.

In the course of its business, Spire Marketing enters into commitments associated with the purchase or sale of natural gas. In accordance with U.S. generally accepted accounting principles (“GAAP”), some of its purchase and sale transactions are not recognized in earnings until the natural gas is physically delivered, while other energy-related transactions, including those designated as trading activities, are required to be accounted for as derivatives, with the changes in their fair value (representing unrealized gains or losses) recorded in earnings in periods prior to settlement. Because related transactions of a purchase and sale strategy may be accounted for differently, there may be timing differences in the recognition of earnings under GAAP and economic earnings realized upon settlement. The Company reports both GAAP and net economic earnings (non-GAAP), as discussed below.

NON-GAAP MEASURES

Net income, earnings per share and operating income reported by Spire, Spire Missouri and Spire Alabama are determined in accordance with GAAP. Spire, Spire Missouri and Spire Alabama also provide the non-GAAP financial measures of net economic earnings, net economic earnings per share and contribution margin. Management and the Board of Directors use non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting, to determine incentive compensation and to evaluate financial performance. These non-GAAP operating metrics should not be considered as alternatives to, or more meaningful than, the related GAAP measures. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures are provided on the following pages.

Net Economic Earnings and Net Economic Earnings Per Share

Net economic earnings and net economic earnings per share are non-GAAP measures that exclude from net income the impacts of fair value accounting and timing adjustments associated with energy-related transactions, the impacts of acquisition, divestiture and restructuring activities, and the largely non-cash impacts of other non-recurring or unusual items such as certain regulatory, legislative or GAAP standard-setting actions. In fiscal 2018, these items include the revaluation of deferred tax assets and liabilities due to the Tax Cuts and Jobs Act and the write-off of certain long-standing assets as a result of disallowances in our Missouri rate proceedings. In addition, net economic earnings per share excludes the impact, in the fiscal year of issuance, of shares issued to finance acquisitions that have yet to be included in net economic earnings.

The fair value and timing adjustments are made in instances where the accounting treatment differs from what management considers the economic substance of the underlying transaction, including the following:

- Net unrealized gains and losses on energy-related derivatives that are required by GAAP fair value accounting associated with current changes in the fair value of financial and physical transactions prior to their completion and settlement. These unrealized gains and losses result primarily from two sources:

1) changes in the fair values of physical and/or financial derivatives prior to the period of settlement; and
2) ineffective portions of accounting hedges, required to be recorded in earnings prior to settlement, due to differences in commodity price changes between the locations of the forecasted physical purchase or sale transactions and the locations of the underlying hedge instruments;

- Lower of cost or market adjustments to the carrying value of commodity inventories resulting when the market price of the commodity falls below its original cost, to the extent that those commodities are economically hedged; and
- Realized gains and losses resulting from the settlement of economic hedges prior to the sale of the physical commodity.

29

These adjustments eliminate the impact of timing differences and the impact of current changes in the fair value of financial and physical transactions prior to their completion and settlement. Unrealized gains or losses are recorded in each period until being replaced with the actual gains or losses realized when the associated physical transactions occur. Management believes that excluding the earnings volatility caused by recognizing changes in fair value prior to settlement and other timing differences associated with related purchase and sale transactions provides a useful representation of the economic effects of only the actual settled transactions and their effects on results of operations. While management uses these non-GAAP measures to evaluate both the Utilities and non-utility businesses, the net effect of these fair value and timing adjustments on the Utilities' earnings is minimal because gains or losses on their natural gas derivative instruments are deferred pursuant to state regulation.

Contribution Margin

In addition to operating revenues and operating expenses, management also uses the non-GAAP measure of contribution margin when evaluating results of operations. Contribution margin is defined as operating revenues less natural and propane gas costs and gross receipts tax expense. The Utilities pass to their customers (subject to prudence review by, as applicable, the MoPSC, APSC or MSPSC) increases and decreases in the wholesale cost of natural gas in accordance with their PGA clauses or GSA riders. The volatility of the wholesale natural gas market results in fluctuations from period to period in the recorded levels of, among other items, revenues and natural gas cost expense. Nevertheless, increases and decreases in the cost of gas associated with system gas sales volumes and gross receipts tax expense (which are calculated as a percentage of revenues), with the same amount (excluding immaterial timing differences) included in revenues, have no direct effect on operating income. Therefore, management believes that contribution margin is a useful supplemental measure, along with the remaining operating expenses, for assessing the Company's and the Utilities' performance.

EARNINGS
Spire
Overview – Net Income (Loss)

	Gas Utility	Gas Marketing	Other	Consol-idated	Per Diluted Share**
Year Ended September 30, 2018					
Net Income [GAAP]	$144.4	$ 24.9	$44.9	$ 214.2	$ 4.33
Adjustments, pre-tax:					
Missouri regulatory adjustments	30.6	—	—	30.6	0.62
Unrealized gain on energy-related derivatives	—	(4.0)	—	(4.0)	(0.08)
Realized gain on economic hedges prior to the sale of the physical commodity	—	(0.3)	—	(0.3)	(0.01)
Acquisition, divestiture and restructuring activities	0.2	—	13.4	13.6	0.28
Income tax effect of adjustments*	(9.1)	1.2	(2.4)	(10.3)	(0.21)
Effect of the Tax Cuts and Jobs Act	17.0	1.1	(78.2)	(60.1)	(1.21)
Net Economic Earnings (Loss) [Non-GAAP]	$183.1	$ 22.9	$(22.3)	$ 183.7	$ 3.72
Year Ended September 30, 2017					
Net Income (Loss) [GAAP]	$180.5	$ 3.4	$(22.3)	$ 161.6	$ 3.43
Adjustments, pre-tax:					
Unrealized loss on energy-related derivatives	0.1	5.9	—	6.0	0.13
Realized gain on economic hedges prior to the sale of the physical commodity	—	(0.3)	—	(0.3)	(0.01)
Acquisition, divestiture and restructuring activities	1.5	—	2.5	4.0	0.09
Income tax effect of adjustments*	(0.6)	(2.2)	(0.9)	(3.7)	(0.08)
Net Economic Earnings (Loss) [Non-GAAP]	$181.5	$ 6.8	$(20.7)	$ 167.6	$ 3.56
Year Ended September 30, 2016					
Net Income (Loss) [GAAP]	$159.0	$ 7.1	$(21.9)	$ 144.2	$ 3.24
Adjustments, pre-tax:					
Unrealized (gain) loss on energy-related derivatives	(0.3)	0.2	—	(0.1)	—
Lower of cost or market inventory adjustments	—	0.2	—	0.2	0.01
Realized gain on economic hedges prior to the sale of the physical commodity	—	(1.6)	—	(1.6)	(0.04)
Acquisition, divestiture and restructuring activities	2.3	—	6.9	9.2	0.21
Income tax effect of adjustments*	(0.7)	0.5	(2.6)	(2.8)	(0.06)
Weighted average shares adjustment**	—	—	—	—	0.06
Net Economic Earnings (Loss) [Non-GAAP]	$160.3	$ 6.4	$(17.6)	$ 149.1	$ 3.42

* Income tax effect is calculated by applying federal, state and local income tax rates applicable to ordinary income to the amounts of the pre-tax reconciling items and then adding any estimated effects of enacted state or local income tax laws for periods before the related effective date.

** Fiscal 2016 net economic earnings per share excludes the impact of the May 2016 equity issuance to fund a portion of the acquisition of Spire EnergySouth. The weighted average diluted shares used in the net economic earnings per share calculation for the fiscal year ended September 30, 2016 was 43.5 compared to 44.3 in the GAAP diluted earnings per share ("EPS") calculation. For fiscal years 2018 and 2017, net economic earnings per share is calculated by replacing consolidated net income with consolidated net economic earnings in the GAAP diluted EPS calculation.

31

2018 vs. 2017

Consolidated

Spire's net income was $214.2 in fiscal 2018, compared with $161.6 in fiscal 2017. Basic and diluted earnings per share were $4.35 and $4.33, respectively, for fiscal 2018 compared with basic and diluted earnings per share of $3.44 and $3.43, respectively, for fiscal 2017. Net economic earnings were $183.7 (or $3.72 per share) in fiscal 2018, compared with $167.6 (or $3.56 per share) in fiscal 2017, an increase of $16.1. Net income increased in fiscal 2018 compared to fiscal 2017 primarily due to a $67.2 expense decrease from other activities, a $21.5 net income increase in the Gas Marketing segment, offset by a $36.1 net income decline in the Gas Utility segment. For the current year, both net income per share and net economic earnings per share were impacted by 2.3 million shares that were issued May 10, 2018. The key drivers of variances are discussed in detail below.

Gas Utility

Gas Utility net income decreased by $36.1, while net economic earnings increased $1.6 in fiscal 2018 compared to fiscal 2017. Both measures benefited from weather patterns that were significantly favorable to the prior year, with temperatures in the Utilities' territories being near normal, versus 28% warmer than normal in the prior year, combined with a lower federal tax rate resulting from the implementation of the Tax Cuts and Jobs Act ("TCJA") net of amounts reflected in lower customer rates. The TCJA is further described in Note 11, Income Taxes, of the Notes to Financial Statements in Item 8. These favorable impacts were partly offset by the rates changes in the Missouri Utilities effective during the third quarter as a result of two rate cases. Net income was further negatively impacted by the $23.6 after-tax charge related to certain recoveries being disallowed by the MoPSC as a result of those rate case proceedings.

Gas Marketing

Gas Marketing reported net income totaling $24.9, an increase of $21.5 compared with the same period last year. Net economic earnings for fiscal 2018 increased $16.1 from fiscal 2017. The increase in both net income and net economic earnings was attributable to improved market conditions resulting from colder weather and increased temperature volatility in the current year that increased value from regional basis differentials (spreads) and storage and transportation optimization. Net income also benefited from favorable mark-to-market fair value adjustments and the implementation of the TCJA. Further details are discussed in the Gas Marketing section below.

Other

The Company's other non-utility activities generated net income of $44.9 for fiscal 2018, compared to a $22.3 net loss for the same period last year. This favorable variance was driven primarily by a $78.2 tax benefit resulting from the implementation of the TCJA, partly offset by higher acquisition and restructuring activities. Net economic loss was $22.3 for fiscal 2018, an increase of $1.6 compared to fiscal 2017. The increased loss reflects higher after-tax interest and other corporate costs, partially offset by an increase in non-cash earnings related to STL Pipeline.

Operating Revenues and Operating Expenses

Reconciliations of contribution margin to the most directly comparable GAAP measure are shown below.

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Year Ended September 30, 2018					
Operating Income (Loss)	$262.2	$ 33.8	$(16.3)	$ —	$ 279.7
Operation and maintenance expenses	464.1	7.4	30.3	(10.1)	491.7
Depreciation and amortization	167.0	—	1.4	—	168.4
Taxes, other than income taxes	152.5	0.2	0.8	—	153.5
Less: Gross receipts tax expense	(98.3)	(0.1)	—	—	(98.4)
Contribution Margin [Non-GAAP]	947.5	41.3	16.2	(10.1)	994.9
Natural and propane gas costs	842.6	30.2	0.3	(1.4)	871.7
Gross receipts tax expense	98.3	0.1	—	—	98.4
Operating Revenues	$1,888.4	$ 71.6	$16.5	$ (11.5)	$ 1,965.0

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Year Ended September 30, 2017					
Operating Income (Loss)	$321.6	$ 5.2	$(5.1)	$ —	$ 321.7
Operation and maintenance expenses	409.1	5.9	11.8	(5.5)	421.3
Depreciation and amortization	153.5	0.1	0.5	—	154.1
Taxes, other than income taxes	137.8	0.5	0.2	—	138.5
Less: Gross receipts tax expense	(83.0)	(0.1)	—	—	(83.1)
Contribution Margin [Non-GAAP]	939.0	11.6	7.4	(5.5)	952.5
Natural and propane gas costs	645.9	67.6	0.3	(8.7)	705.1
Gross receipts tax expense	83.0	0.1	—	—	83.1
Operating Revenues	$1,667.9	$ 79.3	$7.7	$ (14.2)	$ 1,740.7

	Gas Utility	Gas Marketing	Other	Eliminations	Consolidated
Year Ended September 30, 2016					
Operating Income (Loss)	$278.3	$ 11.8	$(7.8)	$ —	$ 282.3
Operation and maintenance expenses	379.3	5.6	12.1	(2.4)	394.6
Depreciation and amortization	136.9	0.1	0.5	—	137.5
Taxes, other than income taxes	125.2	0.3	(0.2)	—	125.3
Less: Gross receipts tax expense	(75.3)	(0.1)	—	—	(75.4)
Contribution Margin [Non-GAAP]	844.4	17.7	4.6	(2.4)	864.3
Natural and propane gas costs	539.7	60.7	0.2	(3.0)	597.6
Gross receipts tax expense	75.3	0.1	—	—	75.4
Operating Revenues	$1,459.4	$ 78.5	$4.8	$ (5.4)	$ 1,537.3

Consolidated

Spire reported operating revenues of $1,965.0 for the year ended September 30, 2018 compared with $1,740.7 for the same period last year. The increase was driven primarily by the Utilities, the result of higher gas costs passed on to customers in both Missouri and Alabama, higher volumetric demand driven principally by colder weather, higher gross receipt taxes, and higher Infrastructure System Replacement Surcharge (“ISRS”) charges at Spire Missouri. These positive drivers were partly offset by the negative impact of new rates implemented in the Spire Missouri territory in April 2018, lower off-system sales at Spire Missouri, and the timing of return of tax savings to Spire Alabama customers. Spire’s contribution margin increased $42.4 for the year ended September 30, 2018, compared to the prior year. The increase was primarily due to higher contribution margin in the Gas Marketing and Gas Utility segments of $29.7 and $8.5, respectively, combined with an $8.8 increase in contribution margin from the Company’s other non-utility activities. Operation and maintenance (“O&M”) expenses increased $70.4 for the year ended September 30, 2018 as compared to the prior year, as discussed below. Depreciation and amortization expenses increased $14.3, driven principally by continued infrastructure investment at Spire Missouri and Spire Alabama in fiscal 2018.

Gas Utility

Operating Revenues – Gas Utility operating revenues for fiscal 2018 increased $220.5 compared to fiscal 2017, and was attributable to the following factors:

Missouri Utilities and Spire Alabama – Higher PGA/GSA gas cost recoveries	$149.2
Missouri Utilities and Spire Alabama – Volumetric usage	99.3
Missouri Utilities and Spire Alabama – Higher gross receipts taxes	14.9
Spire EnergySouth revenue growth	6.6
Missouri Utilities – Higher ISRS	5.2
Missouri Utilities – Customer growth	2.6
Missouri Utilities – Off-system sales and capacity release	(28.3)
Missouri Utilities – New rate design implementation	(20.6)
Spire Alabama – Customer rate reductions resulting from TCJA	(11.2)
All other factors	2.8
Total Variation	$220.5

As shown in the table above, Gas Utility revenue posted a year-over-year increase of $220.5. The growth was driven by $149.2 higher gas cost recoveries at both Spire Missouri and Spire Alabama, $99.3 due to volumetric usage primarily related to colder weather in fiscal 2018, higher gross receipt taxes resulting from the higher current year revenues, growth at Spire EnergySouth and increases due to Spire Missouri customer growth. Partly offsetting these gains were $28.3 in lower off-system sales at Spire Missouri as higher demand for system sales reduced gas availability, the new rate design implementation at Spire Missouri, and customer rate reductions at Spire Alabama due to tax savings from the TCJA.

Contribution Margin – Gas Utility contribution margin was $947.5 for fiscal 2018, a $8.5 increase over the same period last year. The increase was attributable to the following factors:

Missouri Utilities and Spire Alabama – Volumetric usage	$29.2
Missouri Utilities – Higher ISRS	5.2
Missouri Utilities – Customer growth	2.6
Missouri Utilities – New rate design implementation	(20.6)
Spire Alabama – Customer rate reductions resulting from TCJA	(11.2)
All other factors	3.3
Total Variation	$8.5

The increase was primarily attributable to the $29.2 increase resulting from higher volumetric usage. Temperatures in the Spire Missouri territory experienced degree days that were 29% colder than last year and 3% colder than normal. Degree days in the Spire Alabama service areas in fiscal 2018 were 51% colder than the prior year, and were close to normal. Contribution margin also benefited from higher ISRS charges and customer growth at Spire Missouri. These positive impacts were partly offset by a $20.6 reduction at the Missouri Utilities due to the April 2018 implementation of new rates that lowered the fixed monthly charge and increased the volumetric component. This results in the shifting of revenues from the April through October time period to November through March, the period when the highest volume of gas is used by customers. At Spire Alabama, contribution margin was negatively impacted by $11.2 resulting from the timing of rate reductions to customers due to tax savings from the TCJA.

Operating Expenses – O&M expenses increased $55.0 for the year ended September 30, 2018 compared to the prior year. Excluding the impact of the $36.6 of disallowed recoveries at Spire Missouri resulting from the MoPSC rulings in the rate cases completed in March 2018, O&M expenses were $18.4 above prior year levels due primarily to $15.9 growth at Spire Missouri and $6.4 growth at Spire Alabama, partly offset by a $3.9 reduction experienced by Spire EnergySouth. The O&M growth at the Missouri Utilities and Spire Alabama were attributable to the colder weather, with higher employee-related costs and bad debt expense at both Spire Missouri and Spire Alabama in the current year. Spire Missouri was also impacted by a $5.8 increase in pension and postretirement amortization expenses resulting from the rate cases. For more information about the Missouri rate cases, see Note 14, Regulatory Matters, of the Notes to Financial Statements in Item 8. Taxes other than income taxes were $14.7 higher in the current year, driven by a $15.3 increase related to higher gross receipt taxes due to the higher revenues. Depreciation and amortization expenses for the year ended September 30, 2018 increased $13.5 from the prior year, $9.7 due to Spire Missouri and $3.3 relating to Spire Alabama, principally the result of continued infrastructure capital spending in fiscal 2018.

Gas Marketing

Operating Revenues – Gas Marketing operating revenue for the year ended September 30, 2018 decreased $7.7 from the prior year. The variance in revenues reflects the impact of lower general pricing levels, partly offset by the effect of favorable $10.5 mark-to-market adjustments on derivatives and slightly higher total volumes. Average commodity pricing for the year ended September 30, 2018 was approximately $2.680/MMBtu versus approximately $2.897/MMBtu for fiscal 2017, a decrease of $0.217/MMBtu.

Contribution Margin – Gas Marketing contribution margin was $41.3 for fiscal 2018, a $29.7 increase compared to the same period last year, with that variance significantly impacted by favorable fair value adjustments on derivative holdings in the current year, and unfavorable adjustments in the prior year. Removing these fair value adjustments from both periods, contribution margin is $19.8 higher than last year, reflecting higher storage and transportation optimization, and capturing large basis differentials (spreads) during the cold weather in the current year.

Other

Other operating revenue increased $8.8 for the year ended September 30, 2018 compared to 2017, driven by higher reinsurance premiums and gas storage revenues. Other operating expenses were $19.9 higher than the prior year, with $15.7 of the increase driven by acquisitions of gas storage operations, and the remaining increase due to costs related to the reinsurance premiums.

Interest Charges

Consolidated interest charges during the year ended September 30, 2018 increased $9.3 versus the prior year. The increase was primarily driven by Spire Missouri's issuance of $170.0 in long-term debt in September 2017, and Spire Alabama's issuance of $75.0 of long-term debt: $30.0 on December 1, 2017, and $45.0 on January 12, 2018. Also, short-term rates averaged 2.0% in the current year versus 1.2% for the prior year, which was only partly offset with lower average borrowings outstanding. For the years ended September 30, 2018 and 2017, average short-term borrowings were $408.6 and $485.8, respectively.

Income Taxes

Consolidated income tax expense during the year ended September 30, 2018, decreased $104.1, primarily as a result of the TCJA enacted in December 2017. Of the decrease, $60.1 is the result of the revaluation of deferred tax assets and liabilities on the balance sheet that were not reflected in net economic earnings. The remaining reduction in income tax is primarily the result of a decrease in current year federal income tax rate due to tax reform, combined with the effects of lower pre-tax book income. The effective tax rate in fiscal 2018 was (14.1%) compared to 32.4% in fiscal 2017. The TCJA is further described in Note 11, Income Taxes, of the Notes to Financial Statements in Item 8.

Spire Missouri
Summary Operating Results

Year ended September 30,	2018	2017
Operating Income	$141.3	$196.9
Operation and maintenance expenses	296.3	243.8
Depreciation and amortization	102.8	93.1
Taxes, other than income taxes	108.4	99.8
Less: Gross receipts tax expense	(68.9)	(60.0)
Contribution Margin (non-GAAP)	579.9	573.6
Natural and propane gas costs	636.8	538.3
Gross receipts tax expense	68.9	60.0
Operating Revenues	$1,285.6	$1,171.9
Net Income	$129.3	$113.0

Operating revenues during the year ended September 30, 2018 increased $113.7 from the same period last year. Revenues were impacted primarily by higher gas costs of $83.7 passed on to customers, a $61.1 increase due to weather and volumetric impacts, higher gross receipts taxes of $8.9, higher ISRS charges of $5.2, and customer growth of $2.6. These positive impacts on the revenue growth were partly offset by a $28.3 reduction in off-system sales and a $20.6 reduction due to the implementation of the two Missouri rate cases that were resolved in March 2018.

Contribution margin for the year ended September 30, 2018 increased $6.3 from the prior year. Higher volumetric/weather impacts and ISRS charges of $17.0 and $5.2, respectively, combined with customer growth impacts of $2.6, were partly offset by a $20.6 reduction due to two Missouri rate cases (as noted above).

O&M for the year ended September 30, 2018 were $52.5 higher than the prior year. Of this increase, $36.6 was due to disallowed recoveries resulting from the MoPSC rulings in the rate cases completed in March 2018, and $7.0 was primarily related to an increase in the amount of amortization for pension and postretirement costs resulting from those rate cases. Excluding these rate case impacts, O&M increased $8.9, attributable to the colder weather, with higher employee-related costs and bad debt expense in the current year. Depreciation and amortization increased $9.7, reflecting continued infrastructure investments throughout Missouri. Interest expense in the current year was $7.3 greater than prior year, the result of the issuance of $170.0 in long-term debt in September 2017, and the combination of higher short-term borrowings and higher average effective interest rates. Income taxes were $80.1 lower for the year ended September 30, 2018 versus the prior year, as described earlier.

Temperatures experienced in the Missouri Utilities' service area during fiscal 2018 were 29% colder than they prior year and 3% colder than normal. Total system therms sold and transported were 1,759.8 million for fiscal 2018 compared with 1,482.1 million for fiscal 2017, an increase of 19%. Total off-system therms sold and transported outside of Spire Missouri's service area decreased 61% to 68.6 million for fiscal 2018 compared with 175.6 million for fiscal 2017. The decrease in off-system therms was the direct result of the increase in demand experien