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April 2017

Affiliate Transaction Cost Study

Schedule – TJF - D4

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Laclede Gas

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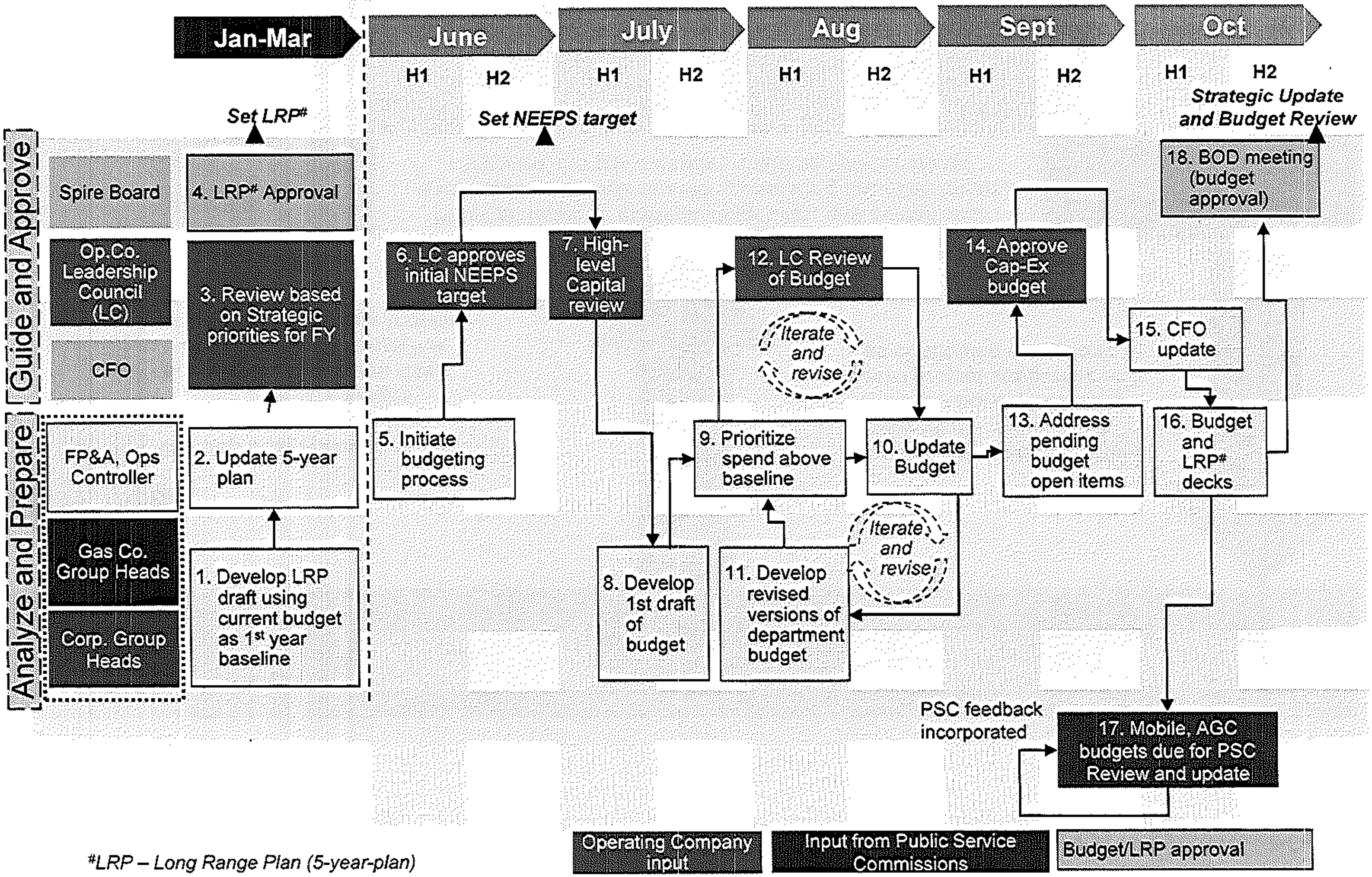
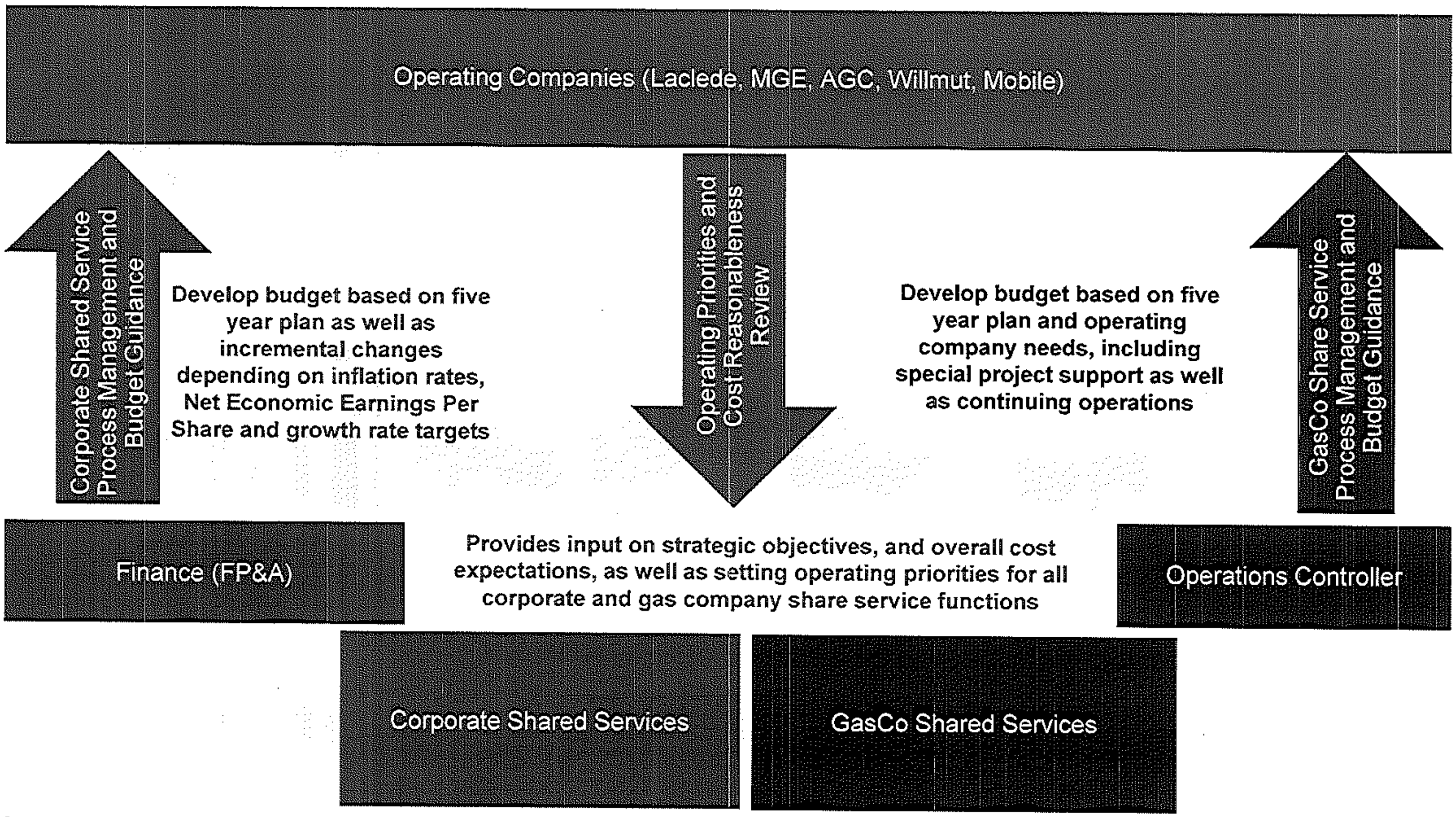
Schedule 4 – Cost Management Governance and Processes

Spire Budgeting Process and Timeline



#LRP – Long Range Plan (5-year-plan)

Interaction Model - Shared Service Functions with Operating Companies



Source: Interviews with Shared Services and Operating companies, Spire's function description document

Spire Cost Management Governance Elements

Governance Forum	Participants	Frequency	Purpose
Quarterly Board of Directors Meetings	Spire BOD, Executive Team, Executive Council	Quarterly	▪ Review CFO Report (all meetings) – variances to budget, year-over-year earnings results and year-end re-projections; ▪ Discuss strategic issues/review long-range plan (July); ▪ Discuss updates to strategy, review control budget, approve capital "total spending limit" (January)
Quarterly Leadership Council (LC) Earnings Meetings	Executive Team / Leadership Council (LC), OpCo Regulatory & Financial VP's, BU Budget Coordinators, CFO Sr. Leadership Team	Quarterly	▪ Report variances to budget, year-over-year earnings results and year-end re-projections
COO quarterly meetings	COO, OpCo Presidents, Sr. BU Management, Shared Services team heads, Ops Controller	Quarterly	▪ Discuss major points of deviations from budget and causes for the same ▪ Evaluate next-steps necessary for course correction and reevaluate forecasts
Monthly LC meetings	All MDs, Vice Presidents and above	Monthly	▪ Focus on priorities emerging from Business Review Meetings – discuss plan of action and potential challenges
Monthly Business Review meetings	Finance, COO, CFO, Ops Controller of Gas utilities, Spire Marketing	Monthly	▪ Review previous month financial and operational results – and identify opportunities for improvement and action-items for the future
COO monthly meetings (Operations Shared Services cost)	COO, Operating Company Presidents, Senior Business Unit Management, Shared Services team heads	Monthly	▪ Focus on operational improvements and Shared Services support necessary to remain on budget
Monthly departmental meetings	FP&A - with Corp Shared Services, and OPS Controller - with Operating Company Shared Services	Monthly	▪ Variance meetings scheduled with various department heads to go over budget deviations and action items for the future
SVP Weekly LC meetings	Executive Team / Executive Council	Weekly	▪ Meet as needed to set/discuss earnings targets, results, projections; determine corrective action as required

Spire Cost Management Governance Roles

Governance Body	Members	Activities and Purpose
Leadership Council	CEO, COO, CFO, General Counsel, Senior VP of Strategic Planning, SVP Commercial Ops	▪ To approve budget and Long Term Plan and to steer operations in alignment with the overall strategy, and in accordance with the budget
Audit Committee	Selected Board members	▪ Audit committee, comprising of selected board review annual performance, and intervene as necessary when executive management is not performing according to expectation or targets previously set
Capital Review Committee	COO, CFO	▪ Prioritize project spend ▪ Review project resources and timeline and approve project initiation
Program Management Office	Project Managers, Engineers, VP Operations Services, VP Gas Supply and Operations	▪ Review performance of project against budget restrictions and completion rate ▪ Institute performance reviews and standards to accomplish project completion goals ▪ Consolidated progress reporting, project prioritization, invoicing and contract management
Operations Controller	Operations Controller, VP Field Operations, Operating Company Presidents	▪ To better manage operating company and Gas Co Shared Services resources and optimize performance ▪ Ensure actual financial performance and benefits match annual plan and formulate course-correction steps for deviations
Finance Controller	Financial Planning and Analysis Group	▪ To better manage corporate shared services resources and optimize performance ▪ Ensure actual financial performance and benefits match annual plan and formulate course-correction steps for deviations

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Schedule – TJF – D5

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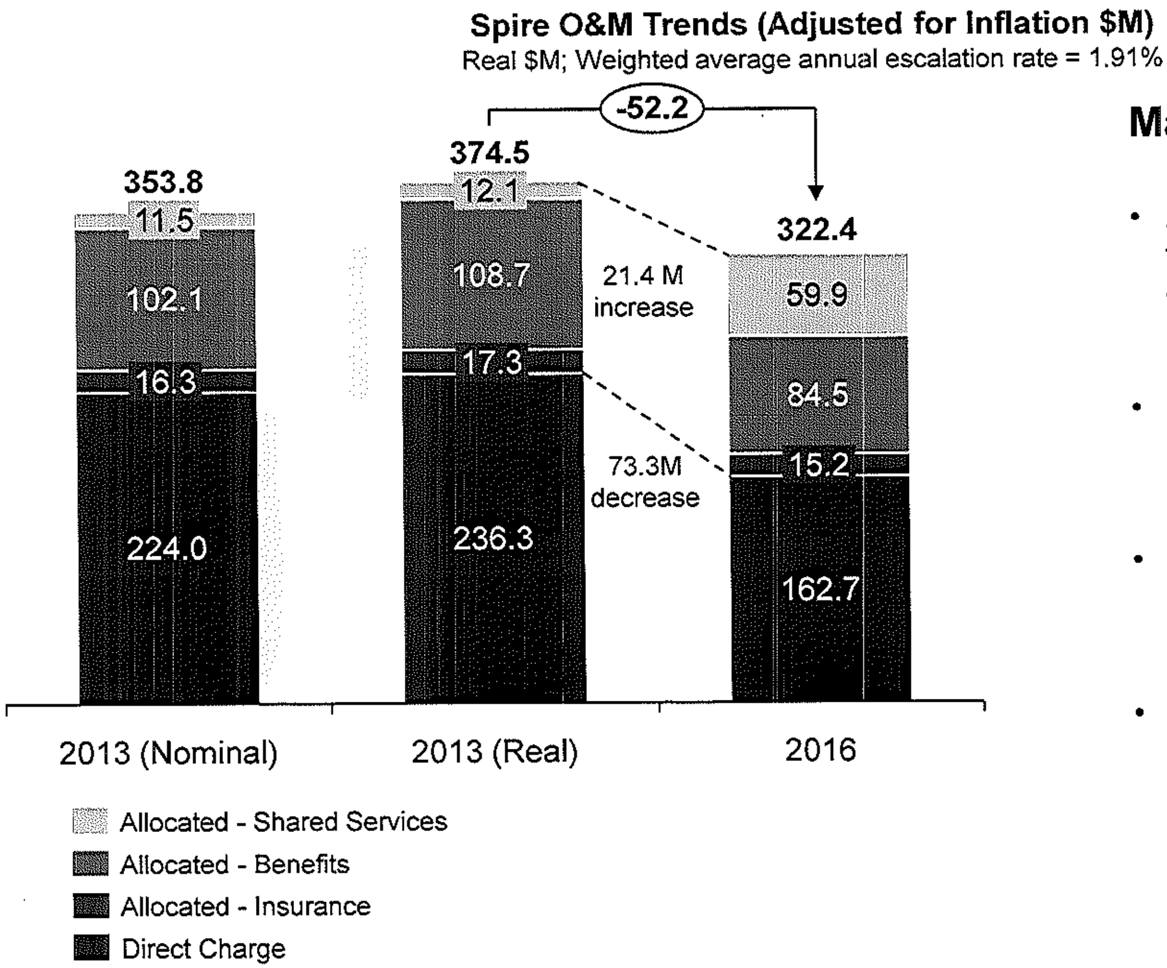
Schedule 5 – Cost Trends 2013-2016

Spire A&G Trends – Real $

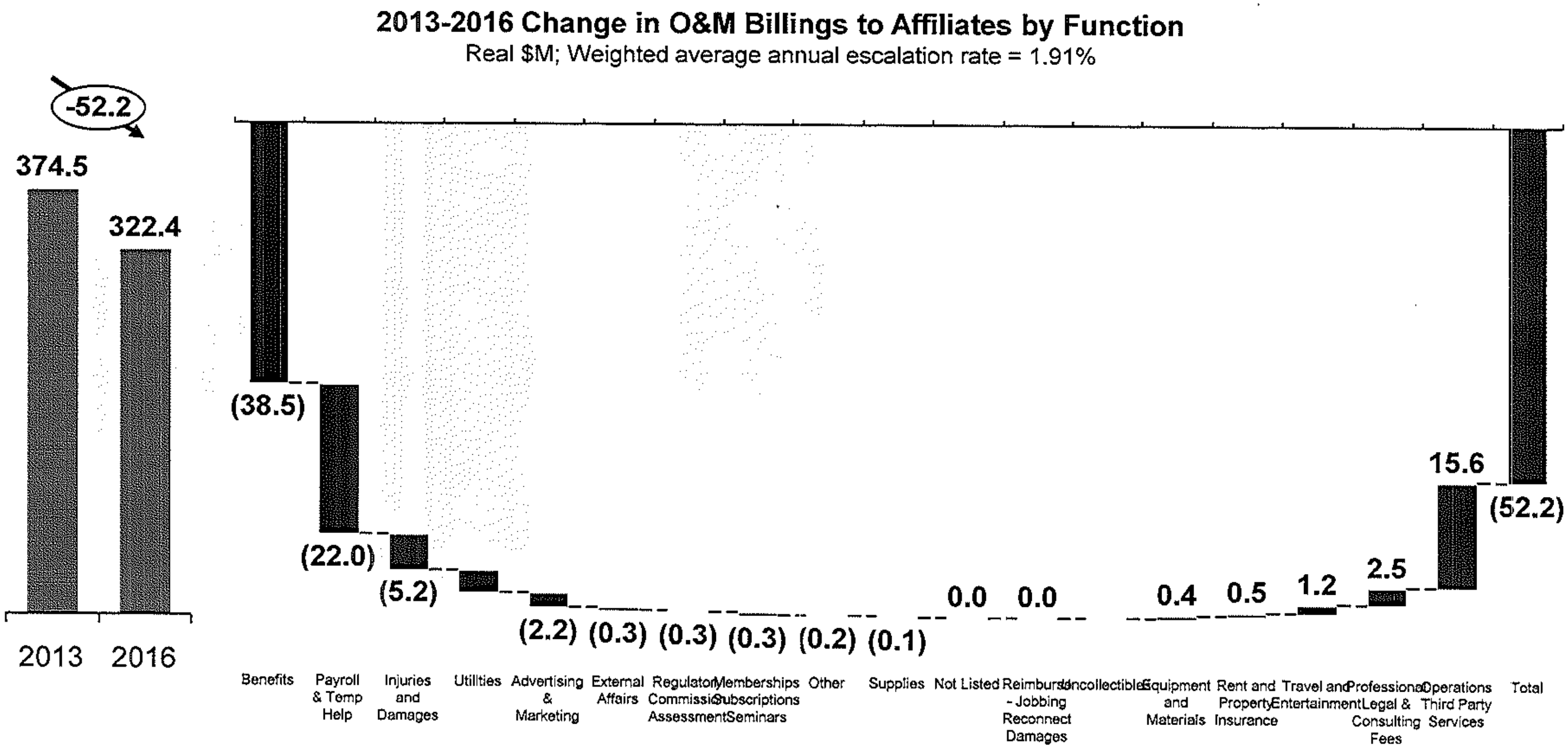


Main Cost Drivers

- ***HR** - $37 million decrease:* Mainly due to headcount reduction, benefits plan design, decreased pension expense after previous rate case
- ***Executive & Governance** - $11.2 million decrease:* Mainly driven by payroll acquisition synergies
- ***Legal & Claims** – $8 million dollar decrease:* Due to reduced legal fees, insurance synergies, lower provision
- ***IT** - $4 million decrease:* Due to outsourcing and synergies

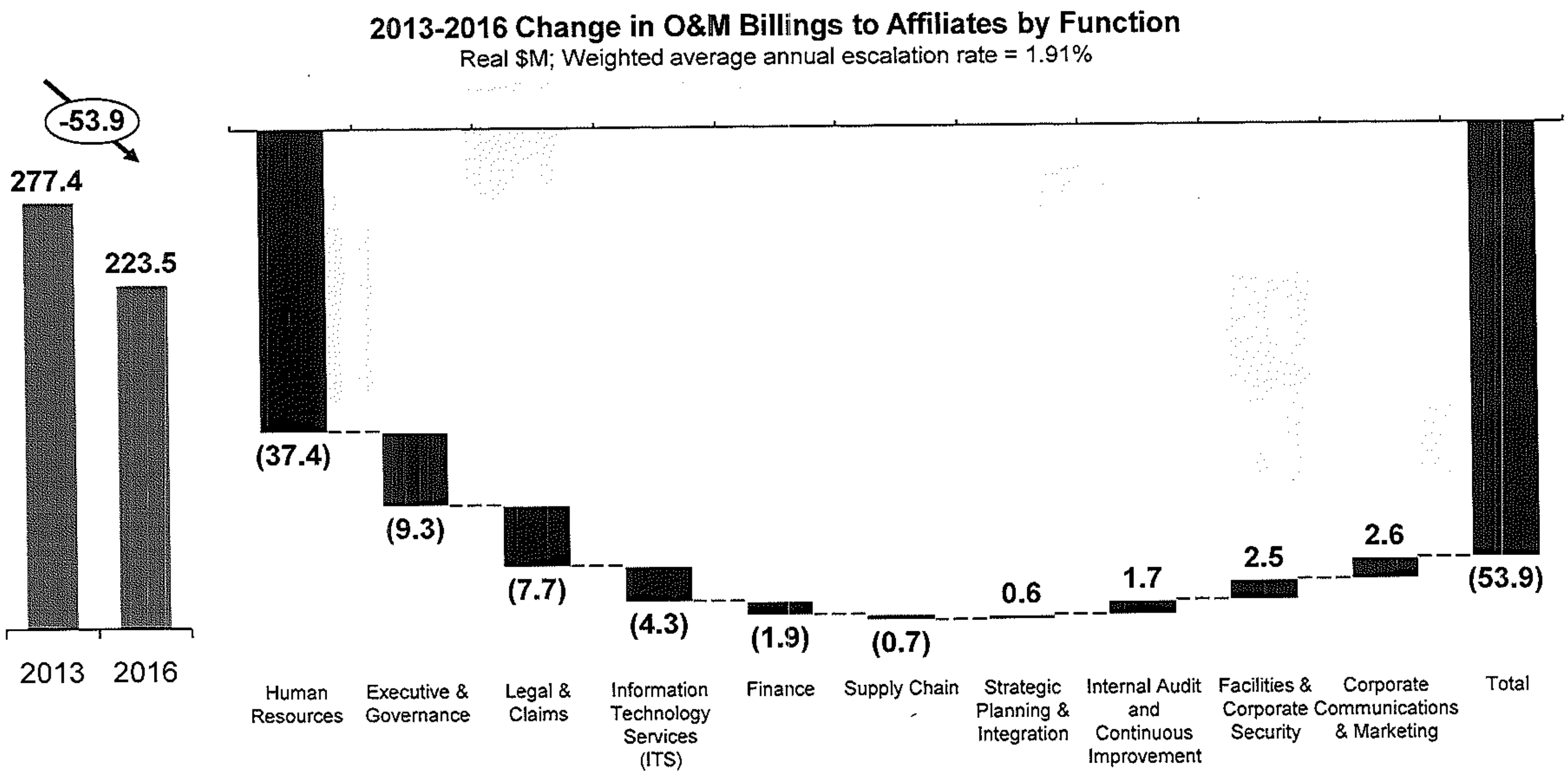
Source: Spire Data, Strategy& analysis

Spire 2013-2016 Real $ Change in O&M Billings to Affiliates by Cost Element – All Functions



Source: Spire Data, Strategy& analysis
Note all data excludes Mobile Gas Company and Willmut Gas Company – Data not included into Spire before Mid December 2016
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Spire 2013-2016 Real $ Change in Corporate Shared Service Function Billings to Affiliates by Function



Source: Spire Data, Strategy& analysis
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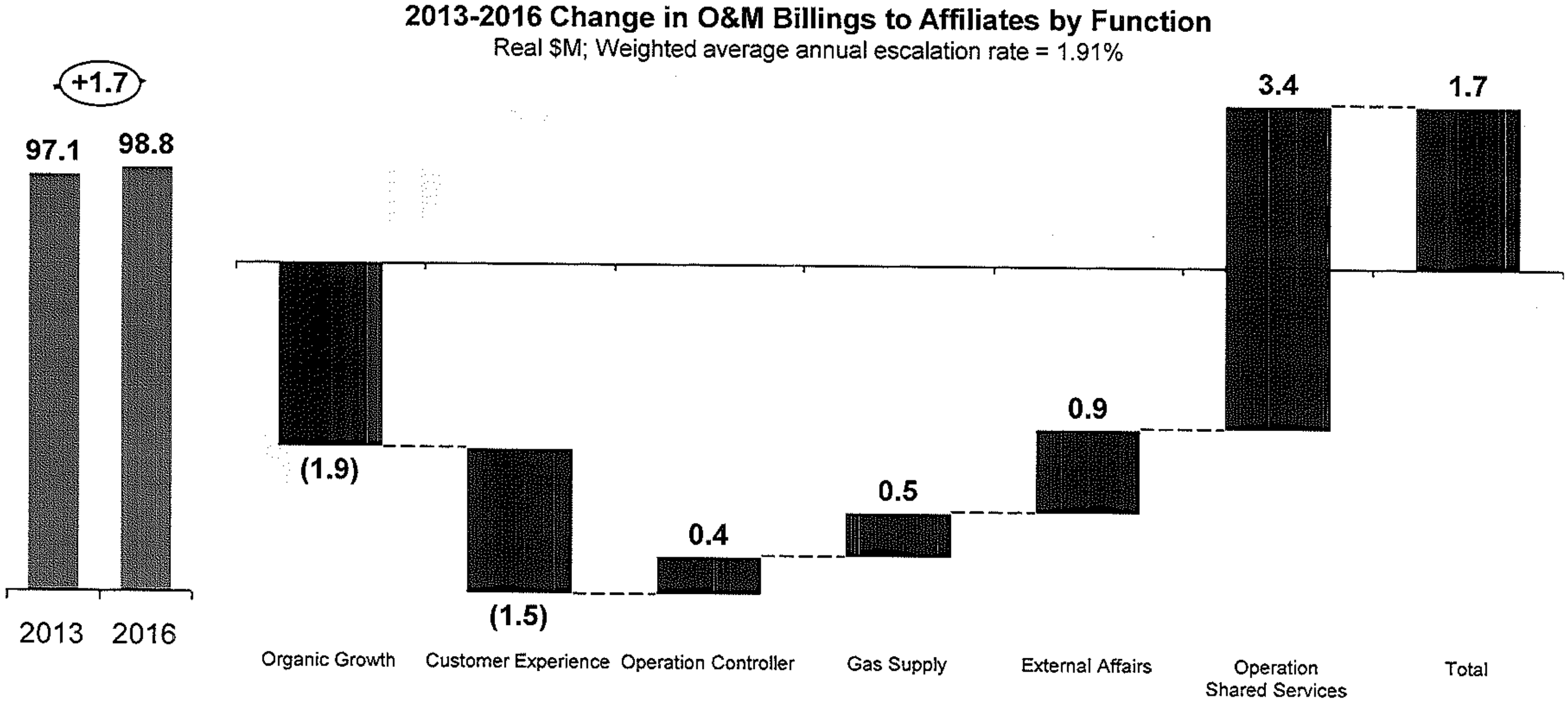
Spire 2013-2016 Real $ Change in Gas Co Shared Service Function Billings to Affiliates by Function



Source: Spire Data, Strategy& analysis
Note all data excludes Mobile Gas Company and Willmut Gas Company – Data not included into Spire before Mid December 2016
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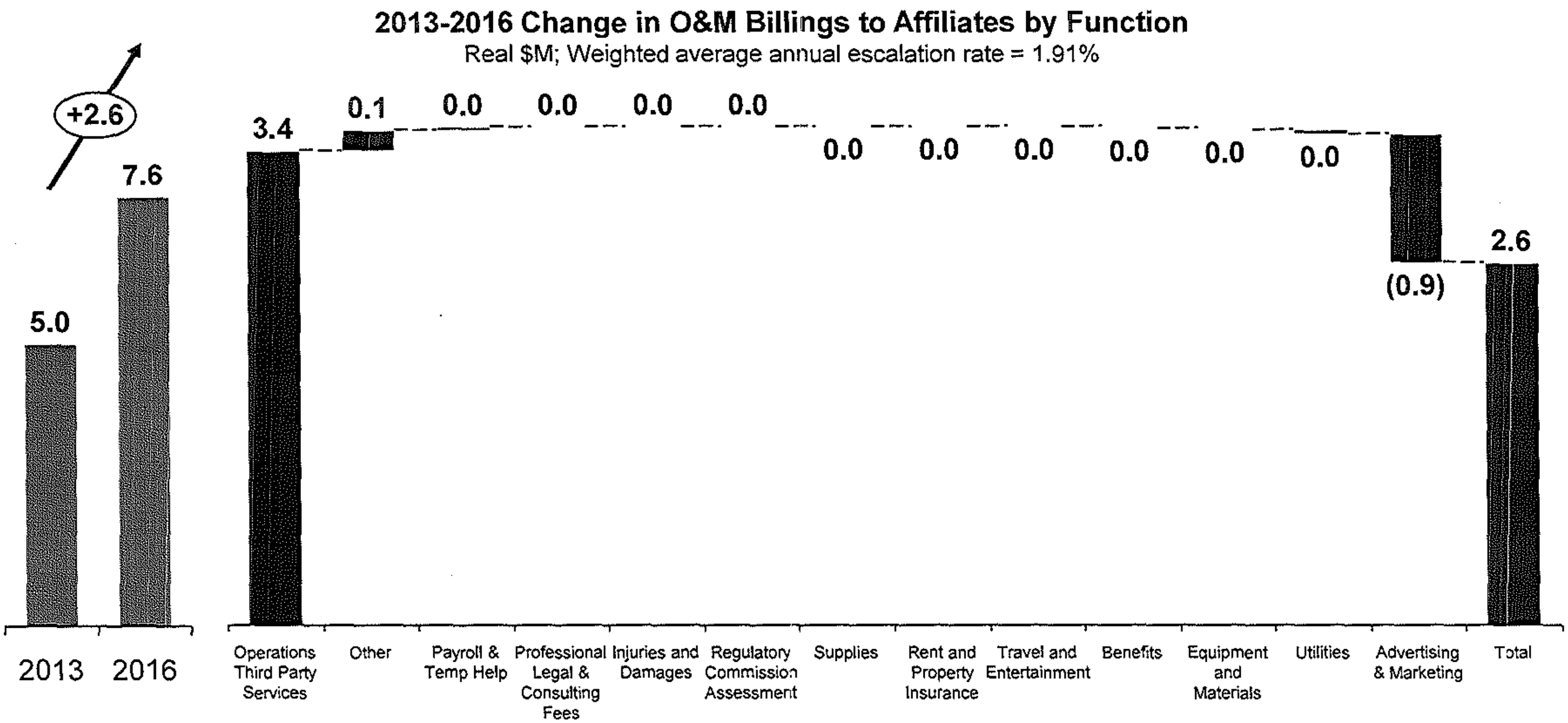
Spire 2013-2016 Real $ Change in Corporate Communications & Marketing by Cost Element



Source: Spire Data, Strategy& analysis
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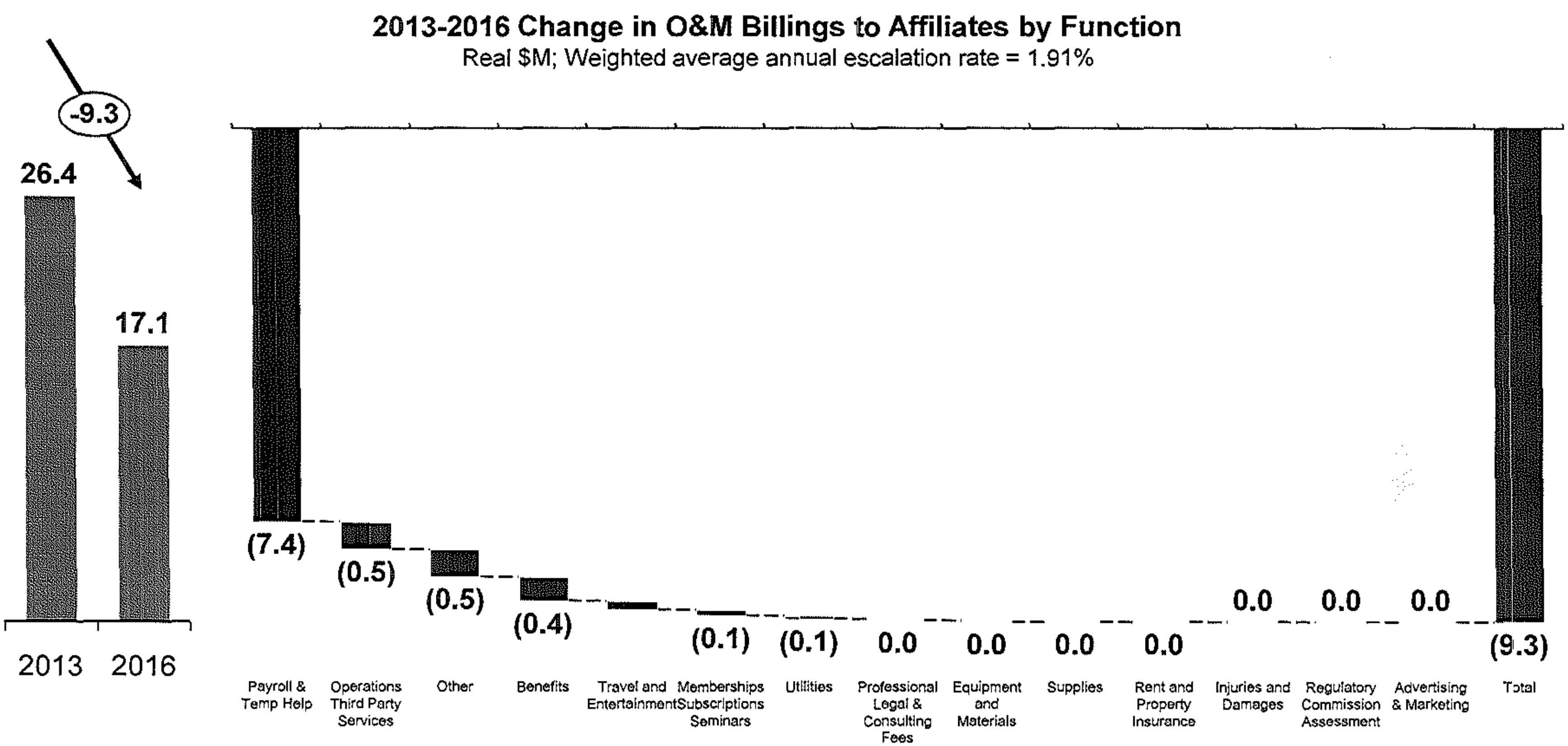
Spire 2013-2016 Real $ Change in Executive & Governance by Cost Element



Source: Spire Data, Strategy& analysis
Note all data excludes Mobile Gas Company and Willmut Gas Company – Data not included into Spire before Mid December 2016
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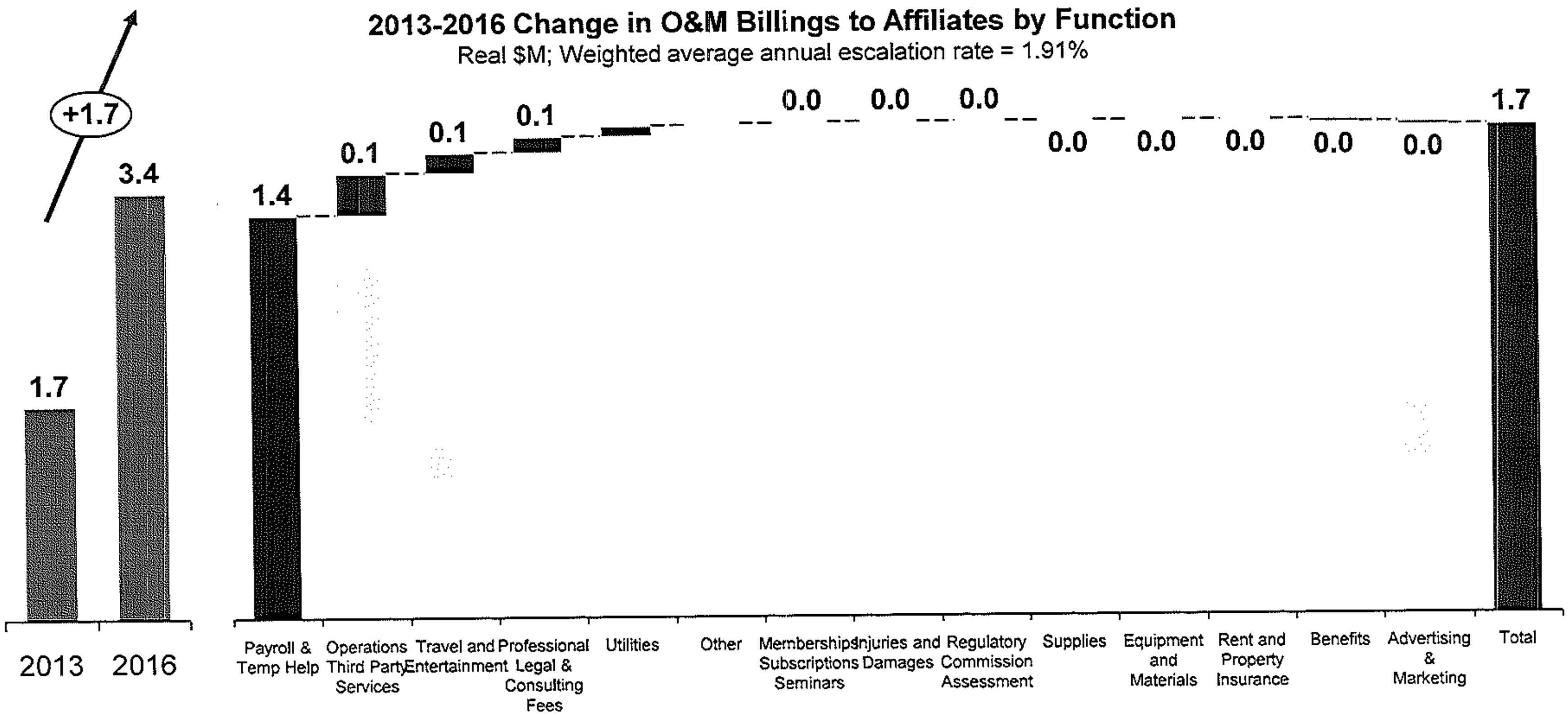
Spire 2013-2016 Real $ Change in Internal Audit and Continuous Improvement by Cost Element



Source: Spire Data, Strategy& analysis
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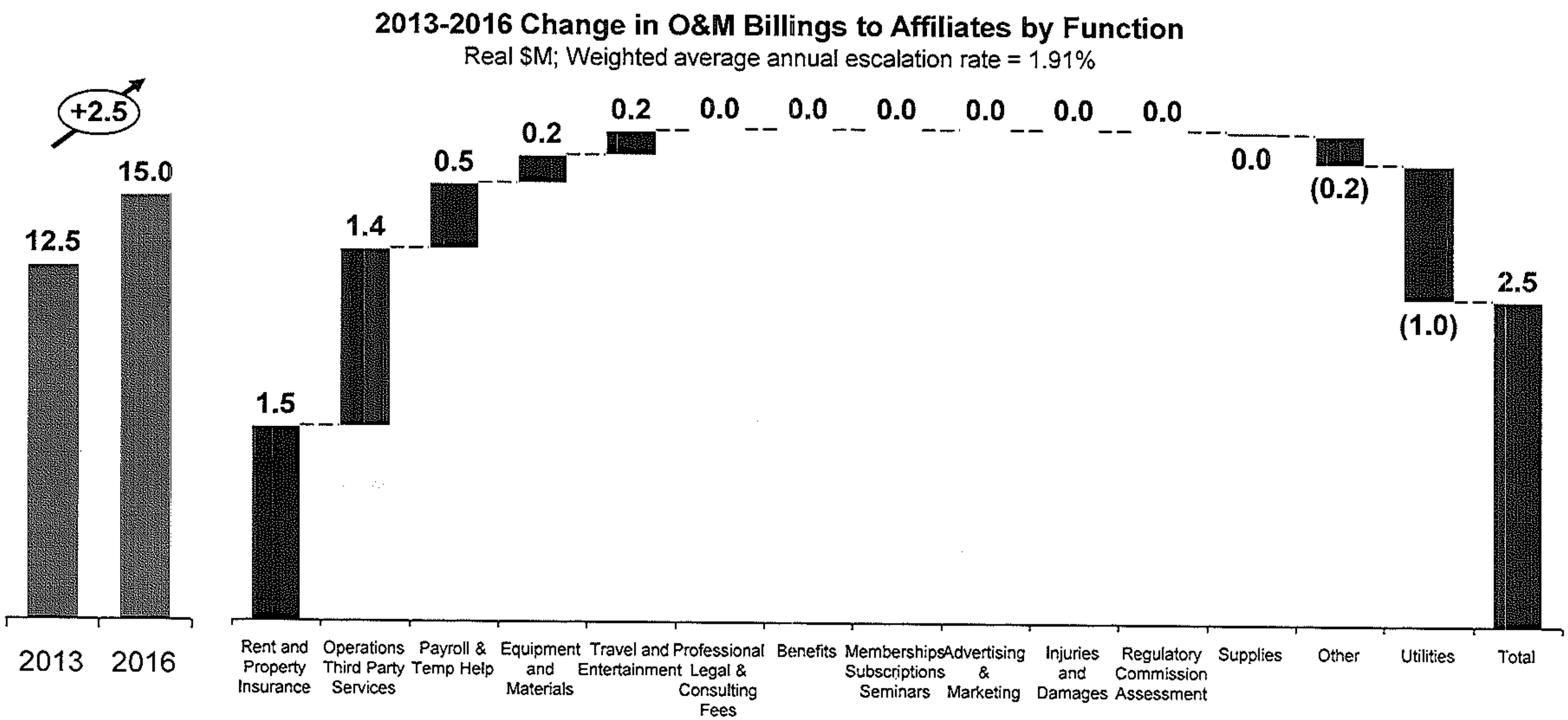
Spire 2013-2016 Real $ Change in Facilities & Corporate Securities by Cost Element



Source: Spire Data, Strategy& analysis
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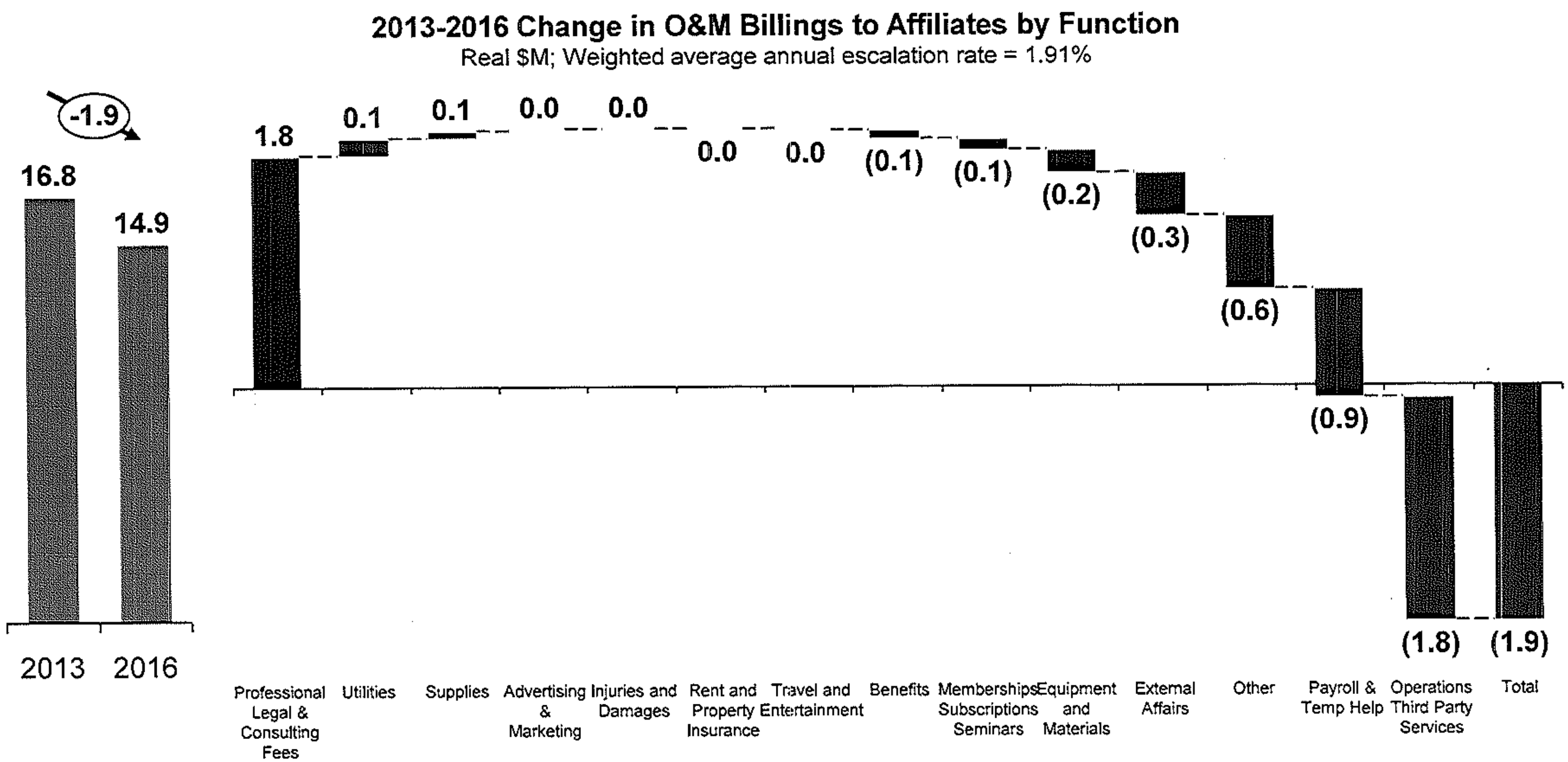
Spire 2013-2016 Real $ Change in Finance by Cost Element



Source: Spire Data, Strategy& analysis
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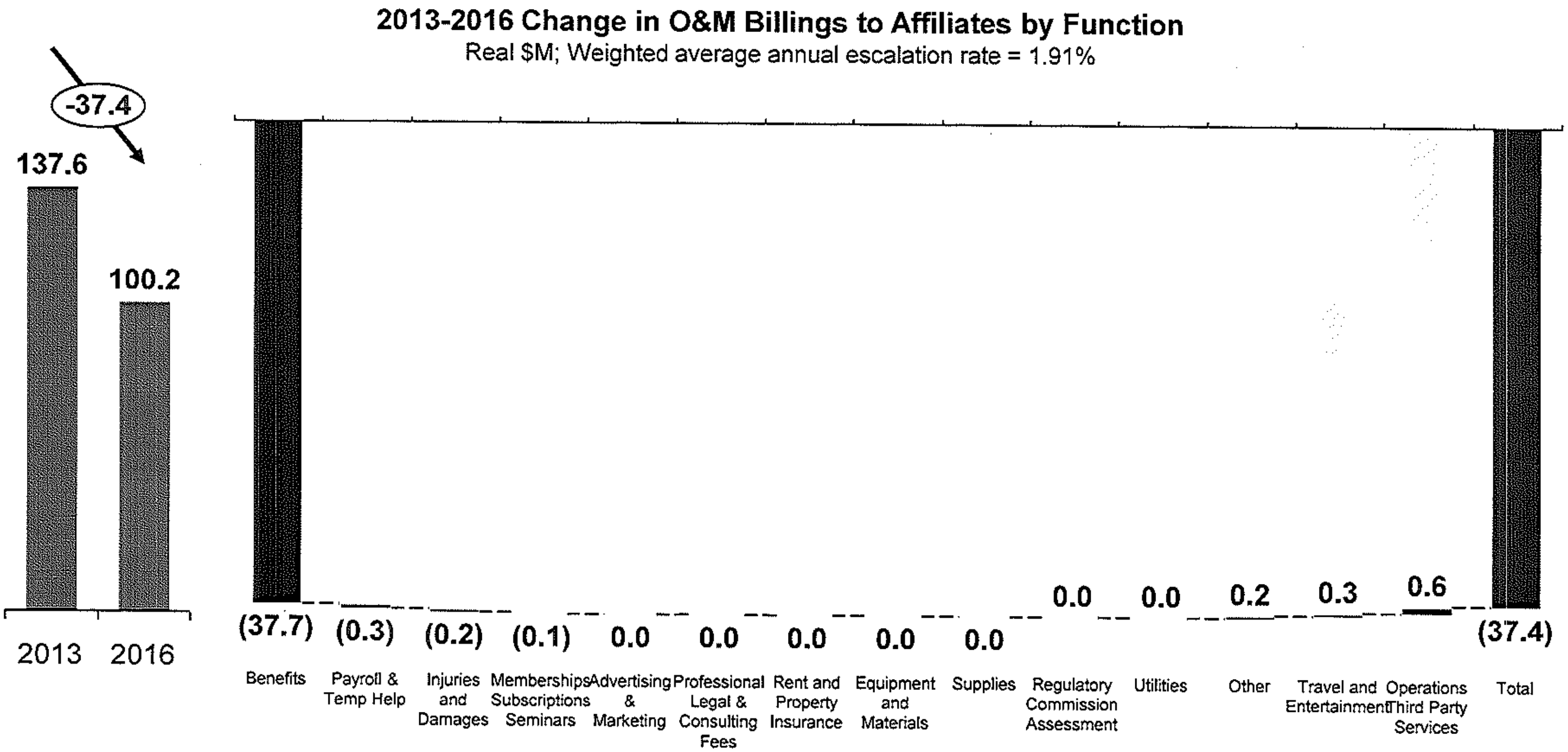
Spire 2013-2016 Real $ Change in Human Resources by Cost Element



Source: Spire Data, Strategy& analysis
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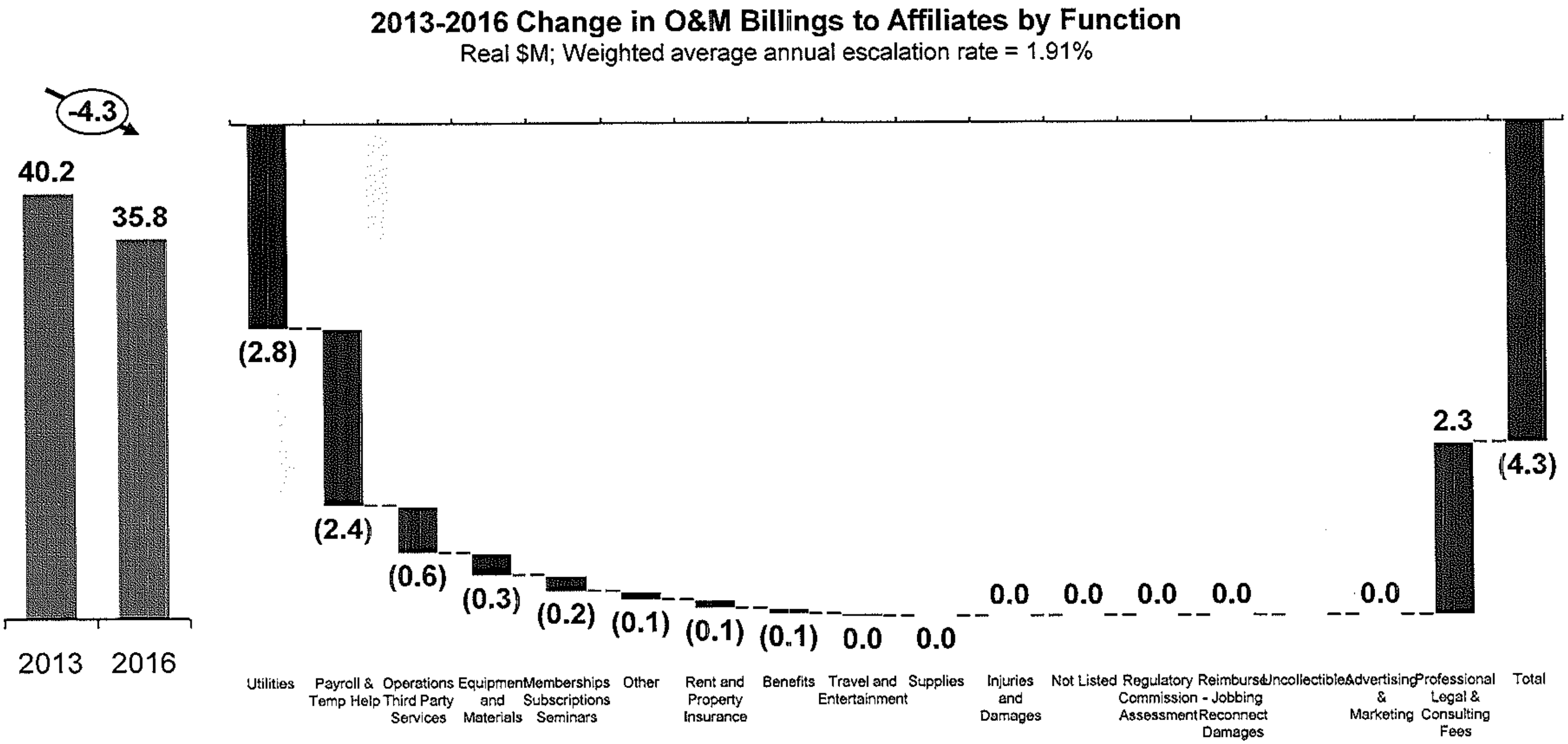
Spire 2013-2016 Real $ Change in IT by Cost Element



Source: Spire Data, Strategy& analysis
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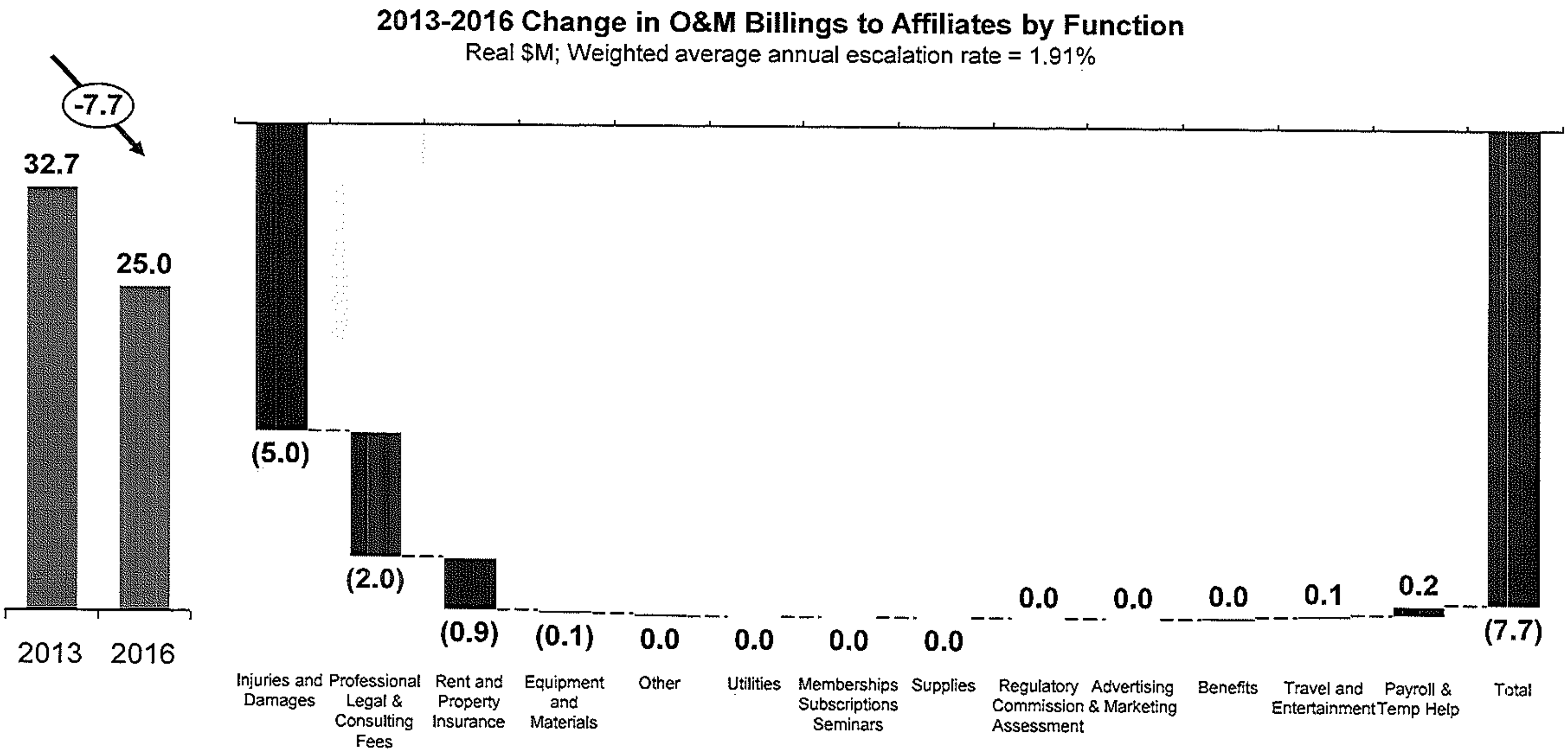
Spire 2013-2016 Real $ Change in Legal & Claims by Cost Element



Source: Spire Data, Strategy& analysis
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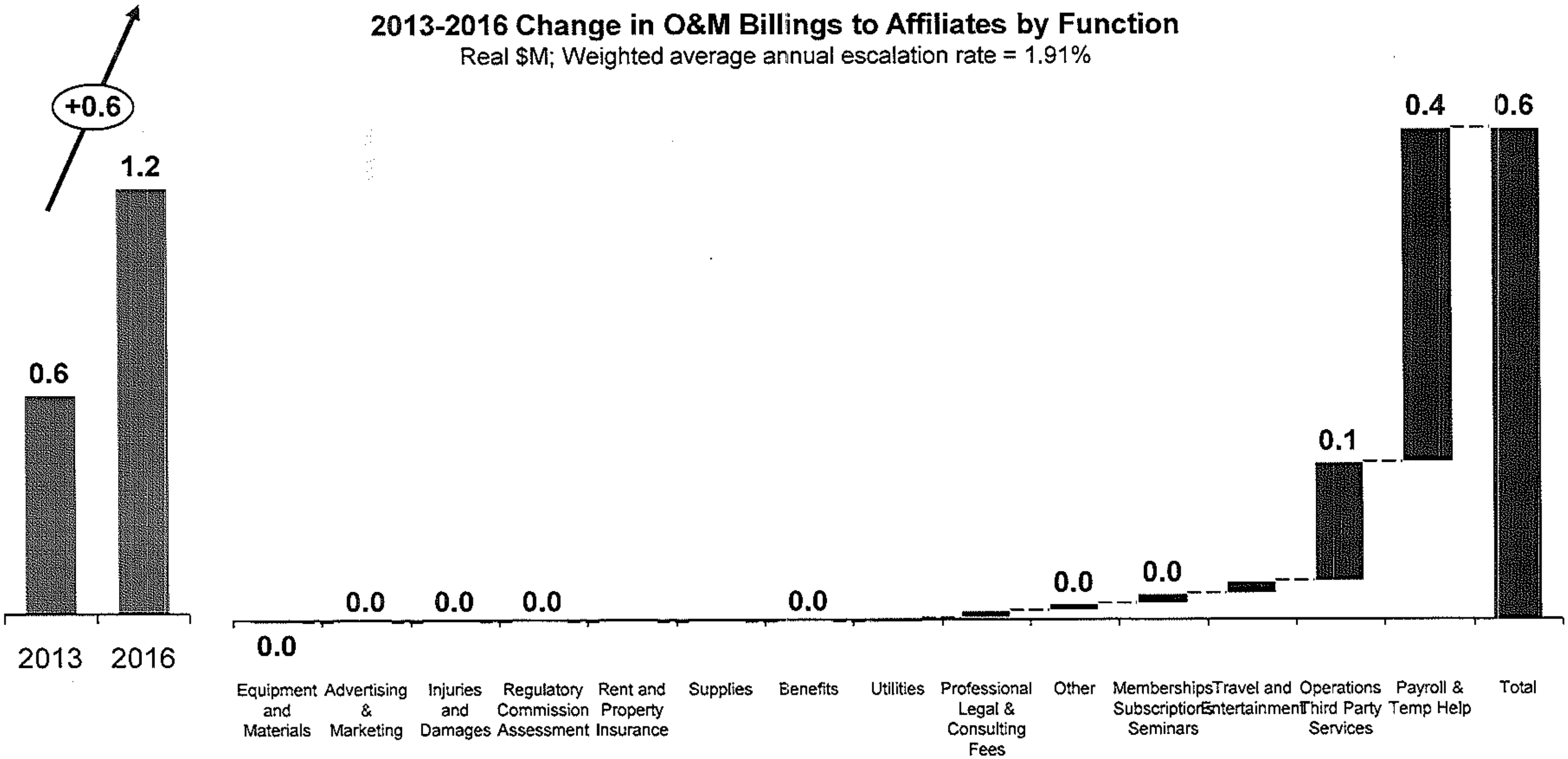
Spire 2013-2016 Real $ Change in Strategic Planning & Integration by Cost Element



Source: Spire Data, Strategy& analysis
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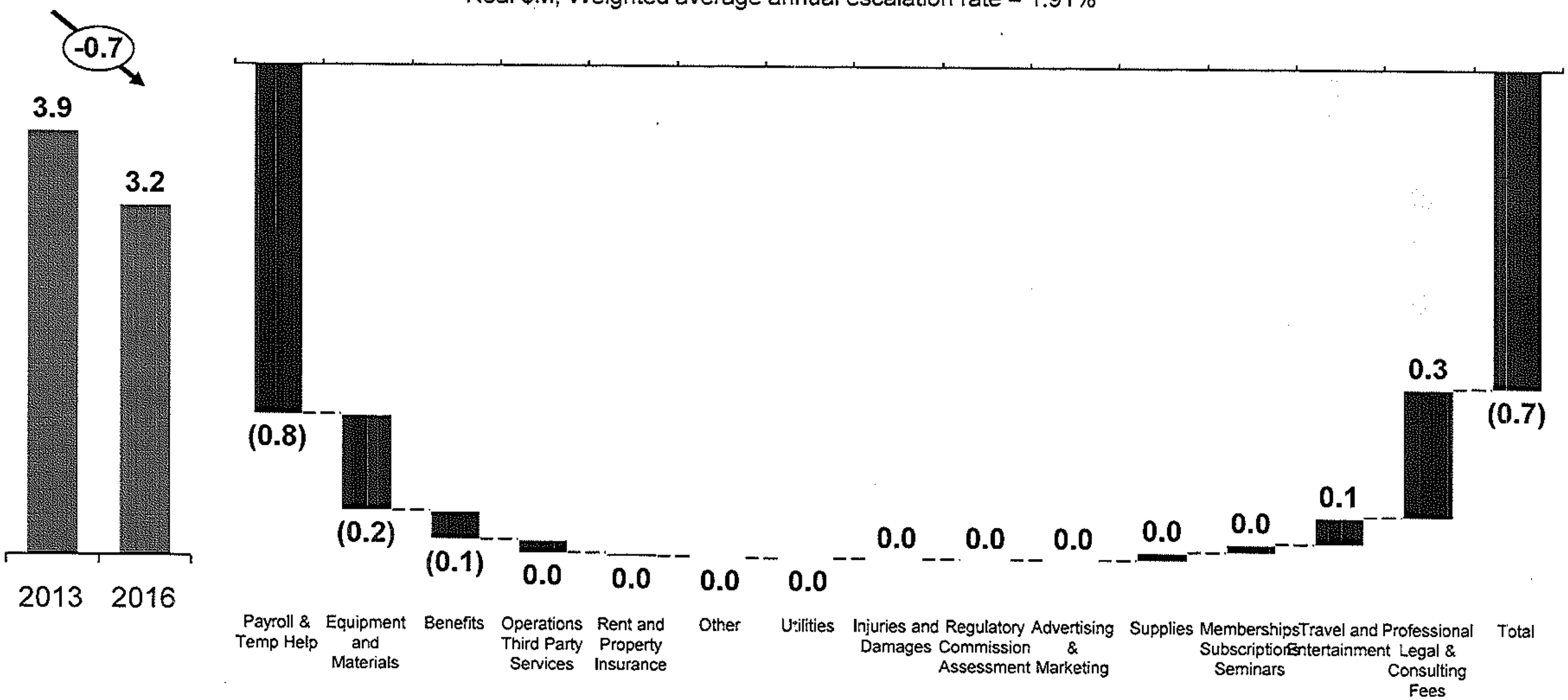
Spire 2013-2016 Real $ Change in Supply Chain by Cost Element

2013-2016 Change in O&M Billings to Affiliates by Function
Real $M; Weighted average annual escalation rate = 1.91%



Source: Spire Data, Strategy& analysis
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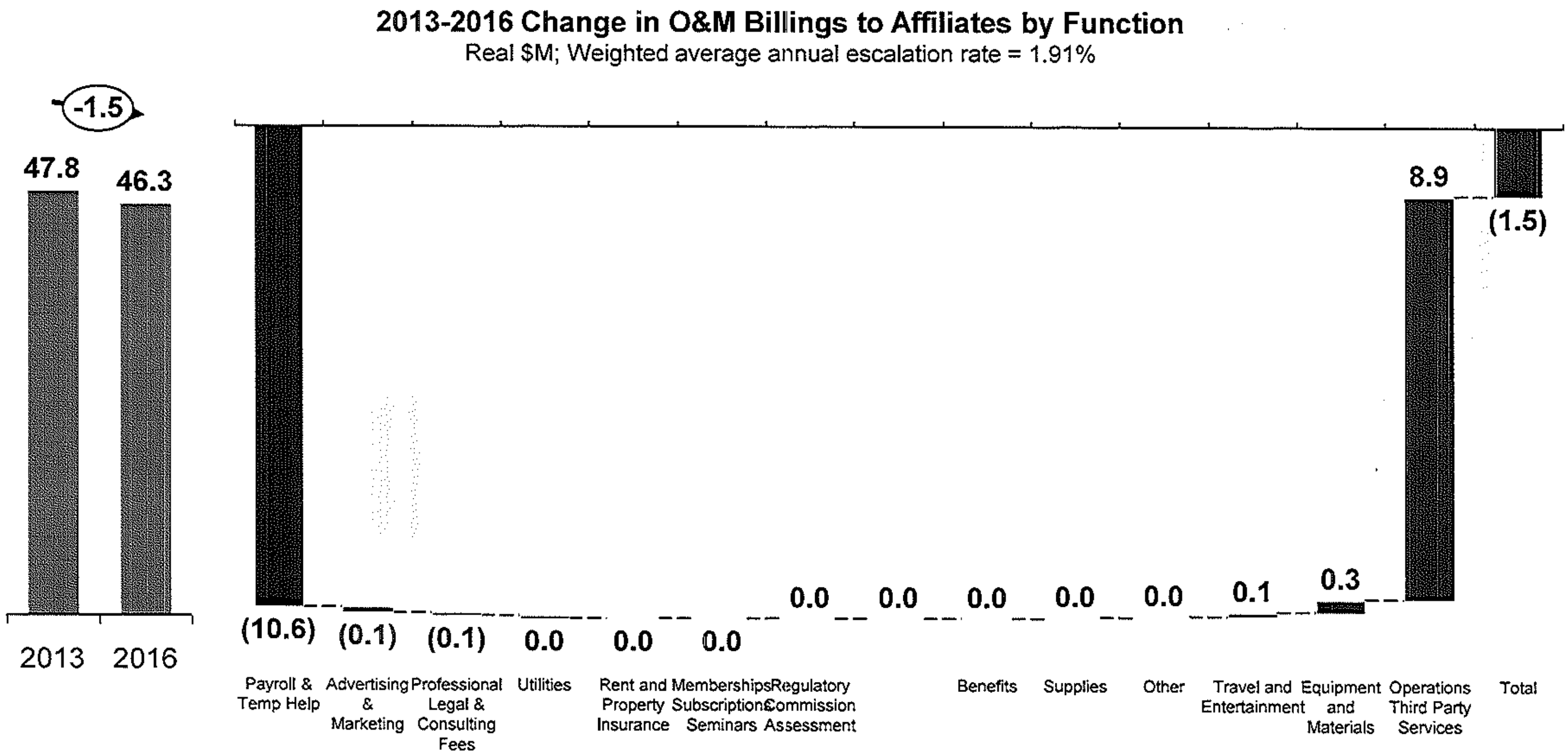
Spire 2013-2016 Real $ Change in Customer Experience by Cost Element



Source: Spire Data, Strategy& analysis
Note all data excludes Mobile Gas Company and Willmut Gas Company – Data not included into Spire before Mid December 2016
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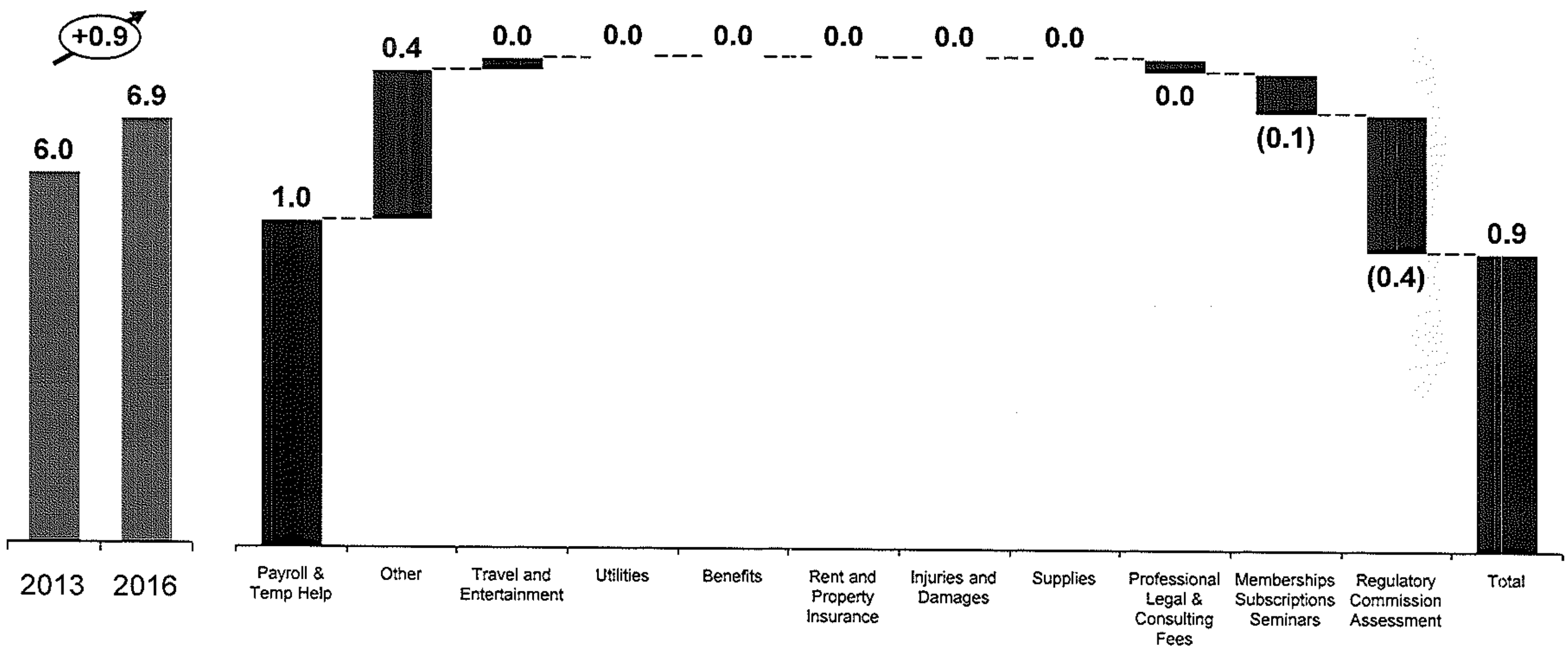
Spire 2013-2016 Real $ Change in External Affairs by Cost Element

2013-2016 Change in O&M Billings to Affiliates by Function
Real $M; Weighted average annual escalation rate = 1.91%



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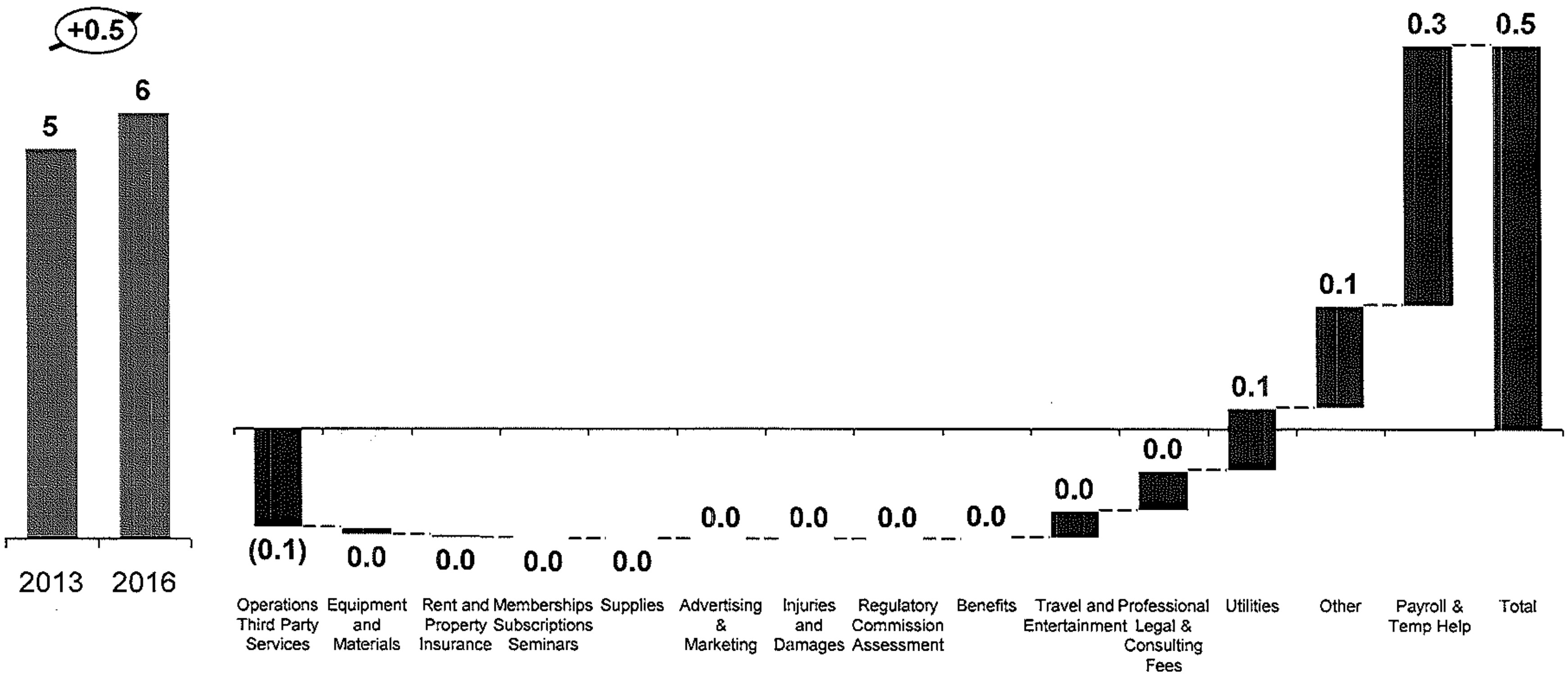
Spire 2013-2016 Real $ Change in Gas Supply by Cost Element

2013-2016 Change in O&M Billings to Affiliates by Function

Real $M; Weighted average annual escalation rate = 1.91%



Source: Spire Data, Strategy& analysis
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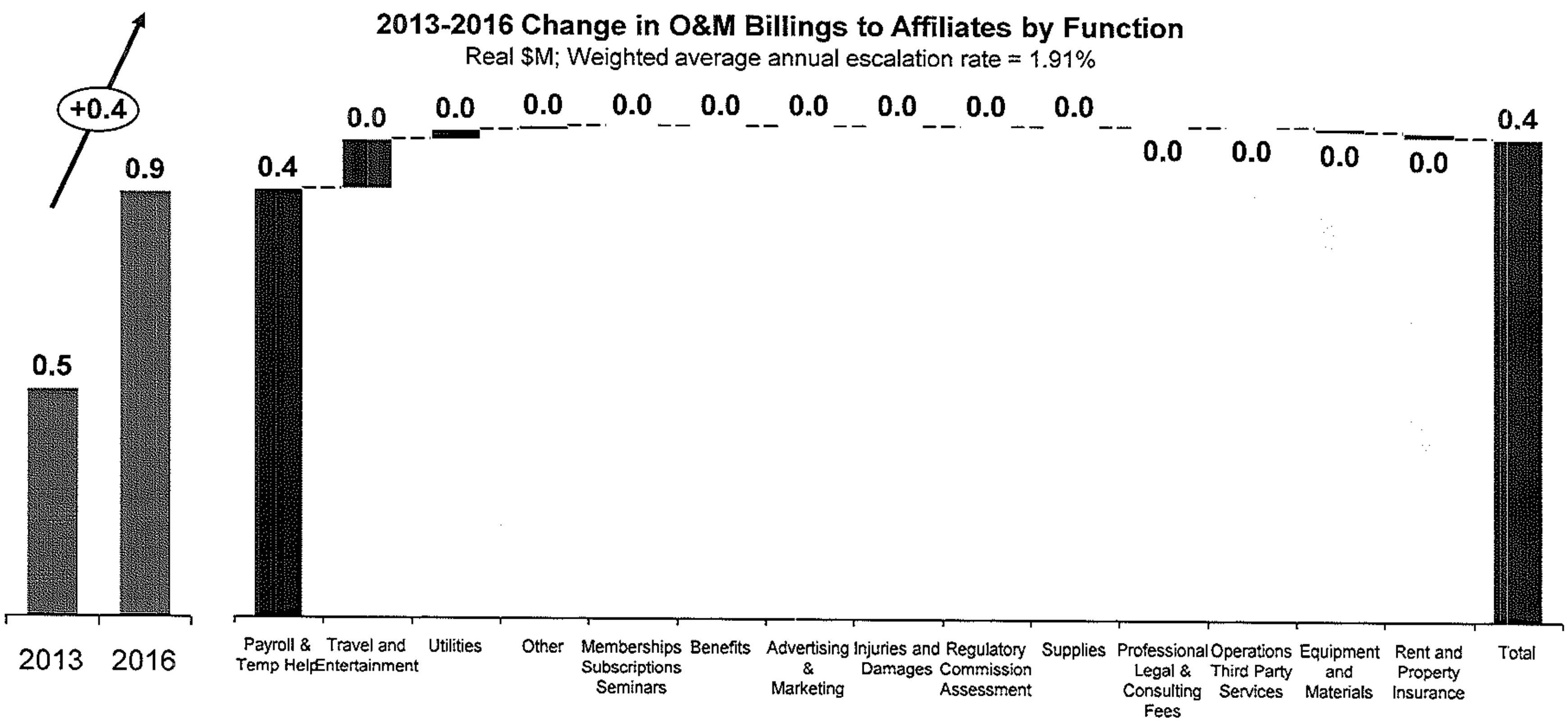
Spire 2013-2016 Real $ Change in Operations Controller by Cost Element



Source: Spire Data, Strategy& analysis
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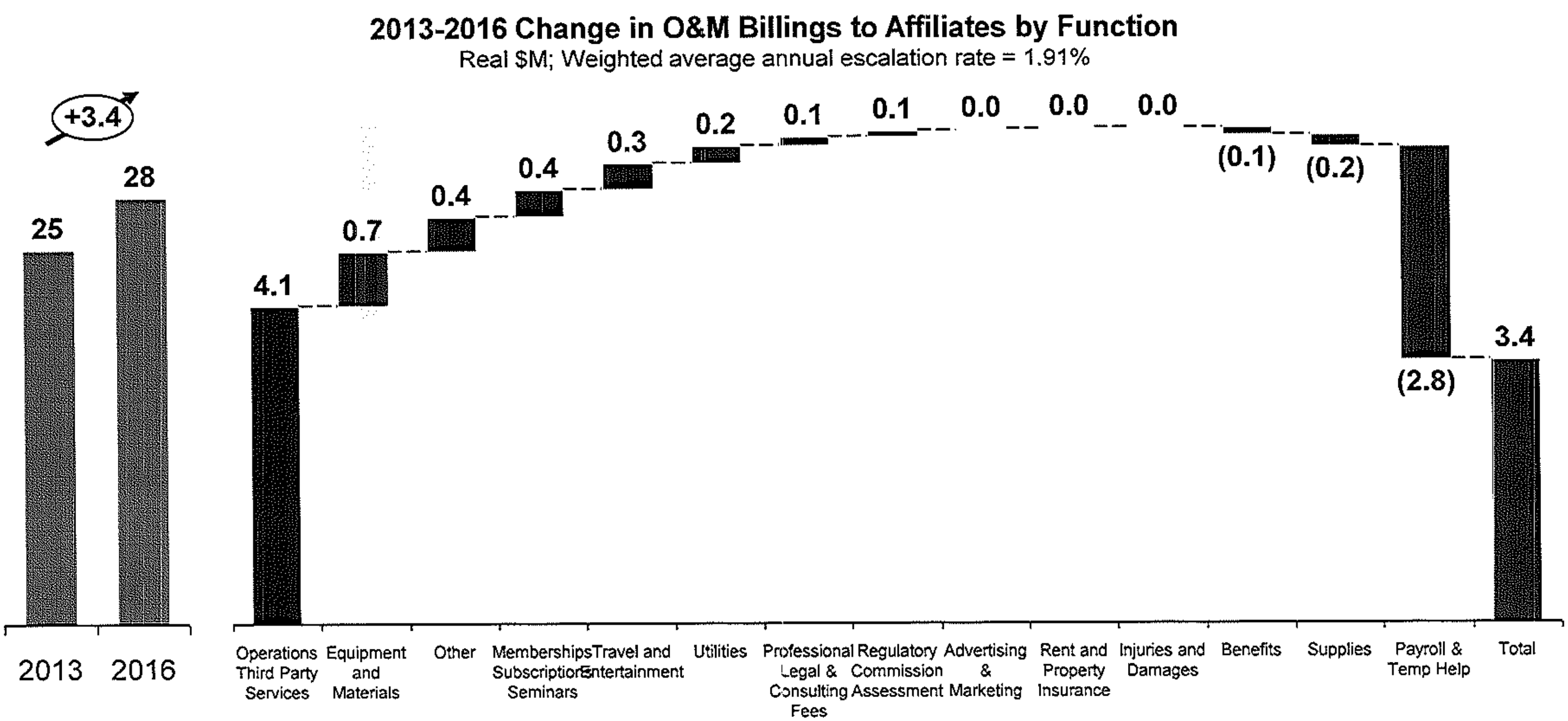
Spire 2013-2016 Real $ Change in Operations Shared Services by Cost Element



Source: Spire Data, Strategy& analysis
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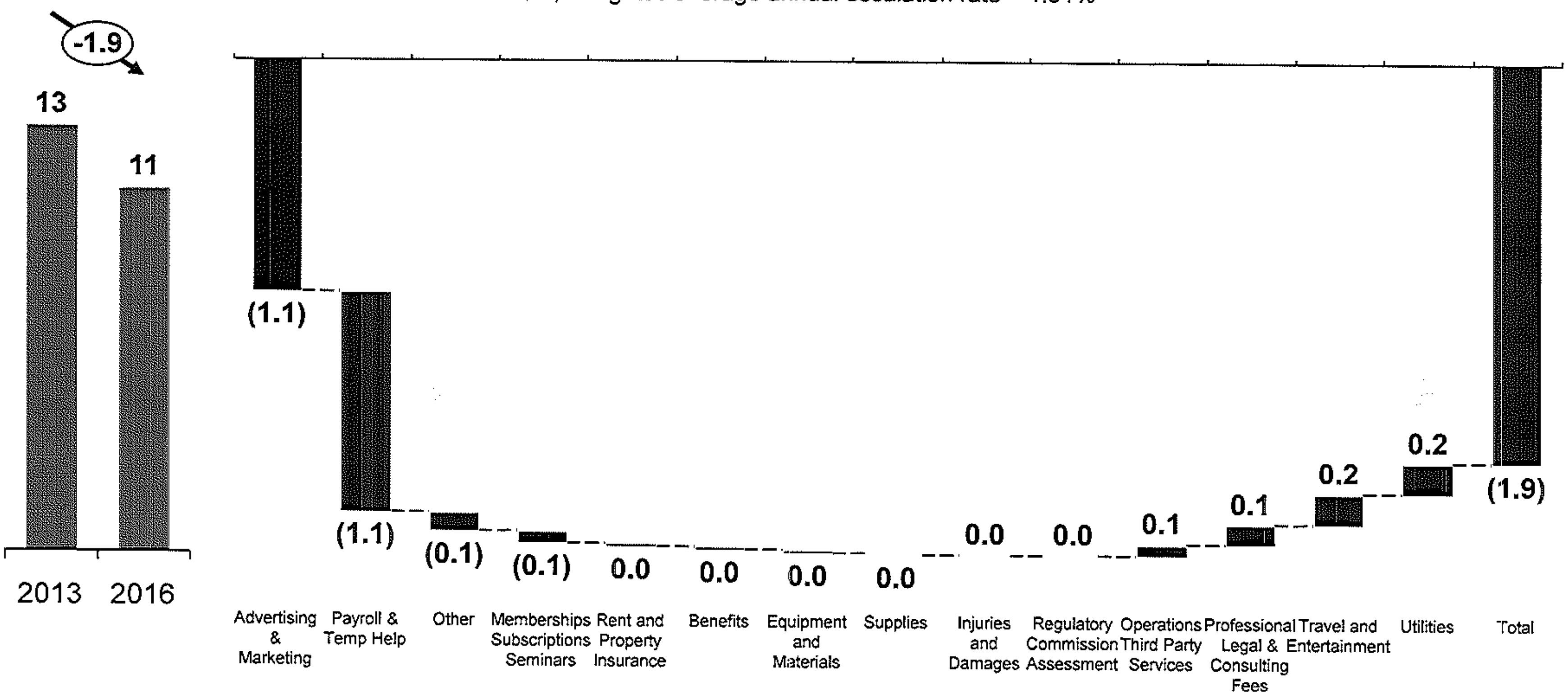
Spire 2013-2016 Real $ Change in Organic Growth by Cost Element

2013-2016 Change in O&M Billings to Affiliates by Function

Real $M; Weighted average annual escalation rate = 1.91%



Source: Spire Data, Strategy& analysis
Note all data excludes Mobile Gas Company and Willmut Gas Company – Data not included into Spire before Mid December 2016
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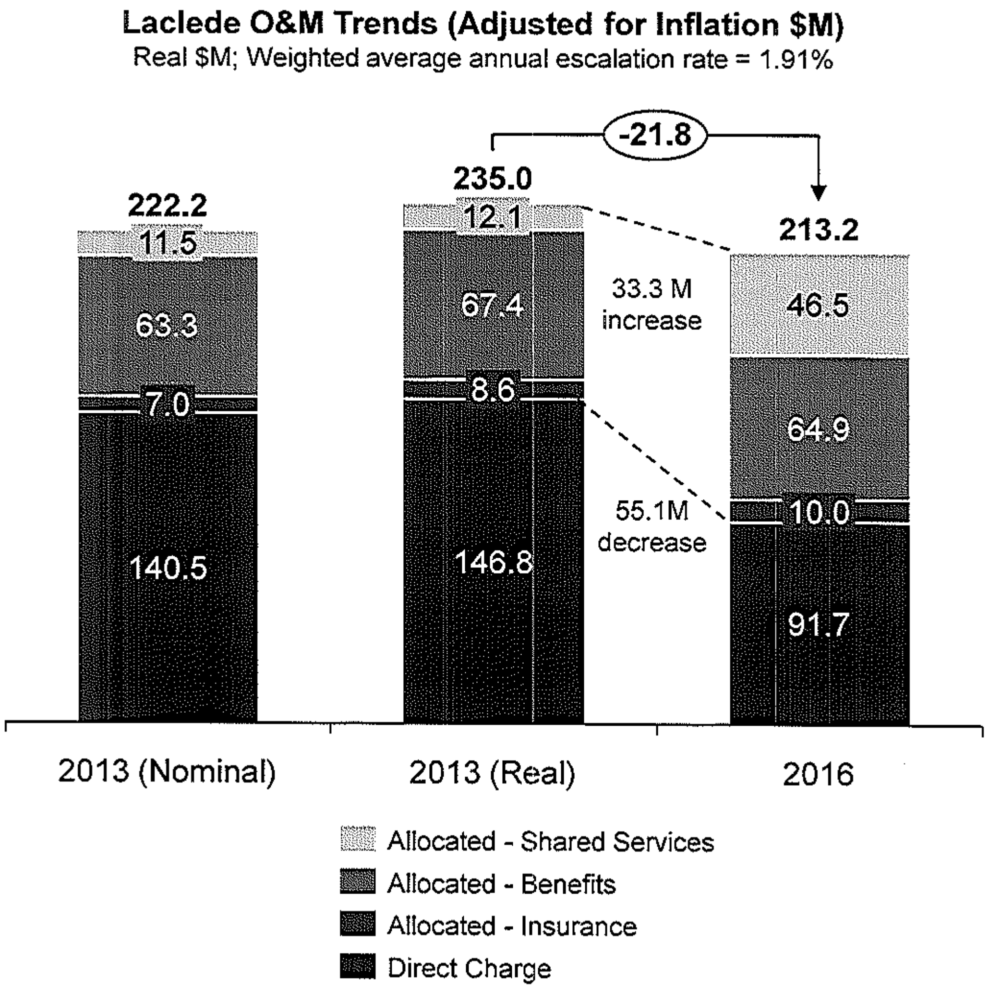
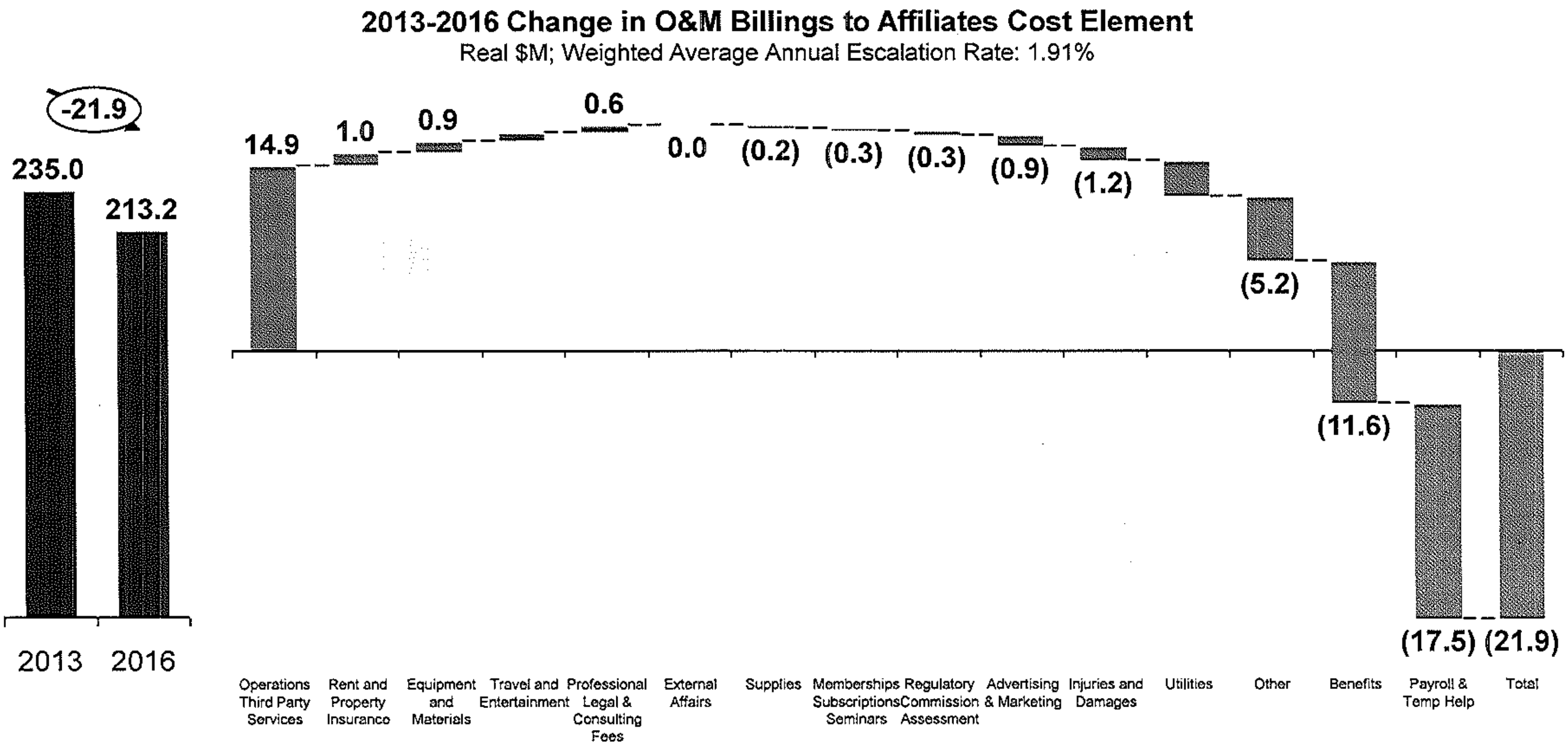
Laclede Cost Trends 2013-2016

Laclede A&G Trends – Real $



Source: Spire Data, Strategy& analysis, Laclede refers to the Operating Company comprising of both Laclede Gas and Missouri Gas Energy Business Units

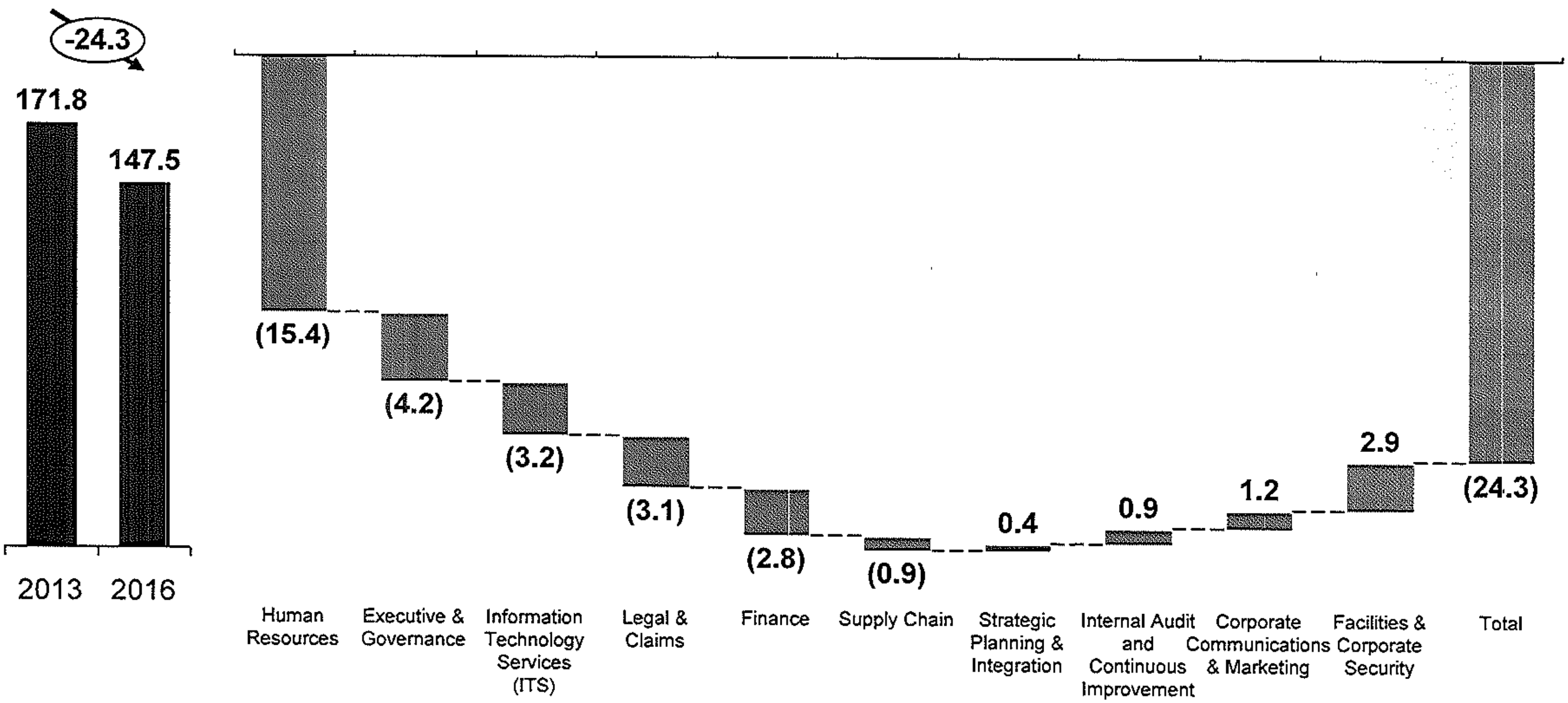
Laclede 2013-2016 Real$ Change in O&M Billings to Affiliates by Cost Element – All Functions



Source: Spire Data, Strategy& Analysis

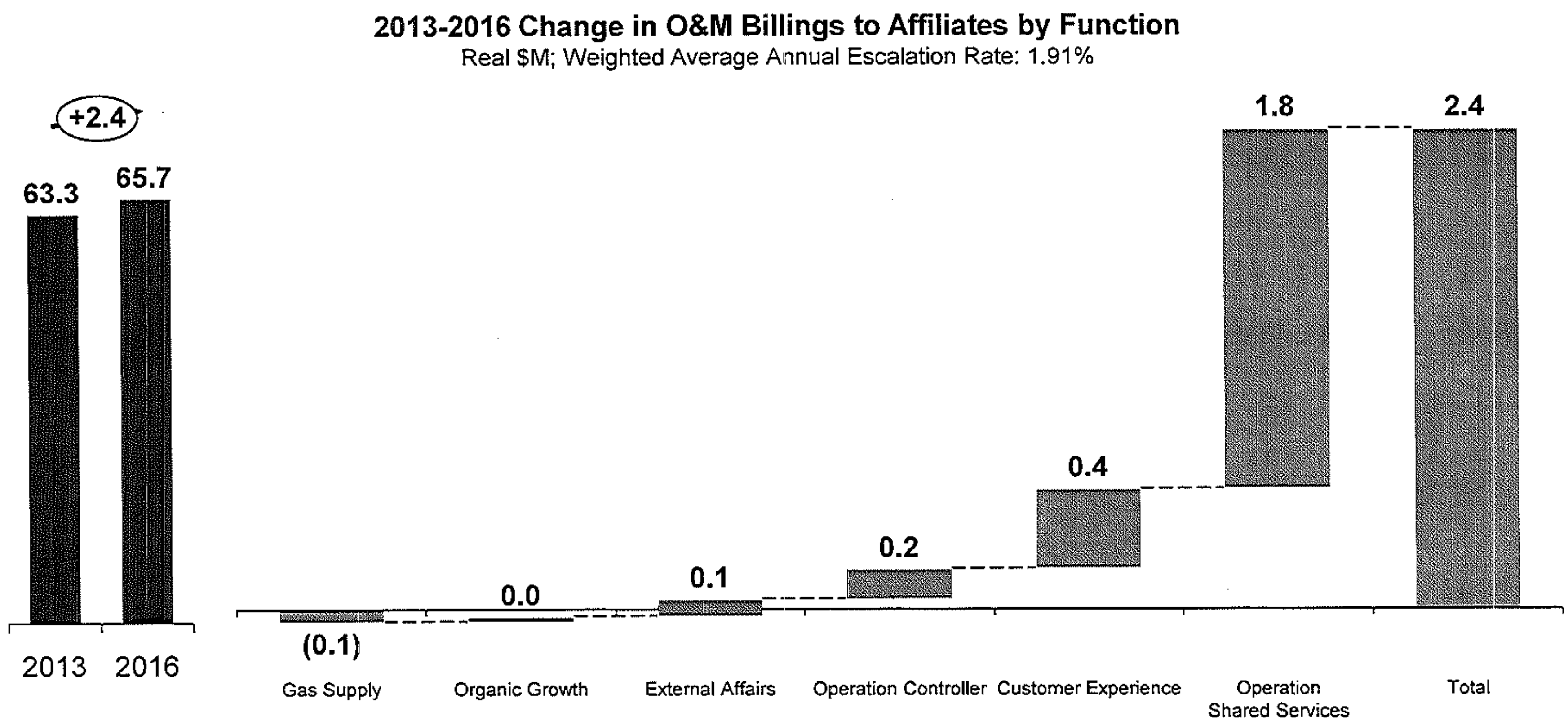
Laclede 2013-2016 Real $ Change in Corporate Shared Service Function Billings to Affiliates by Function

2013-2016 Change in O&M Billings to Affiliates by Function
Real $M; Weighted Average Annual Escalation Rate: 1.91%



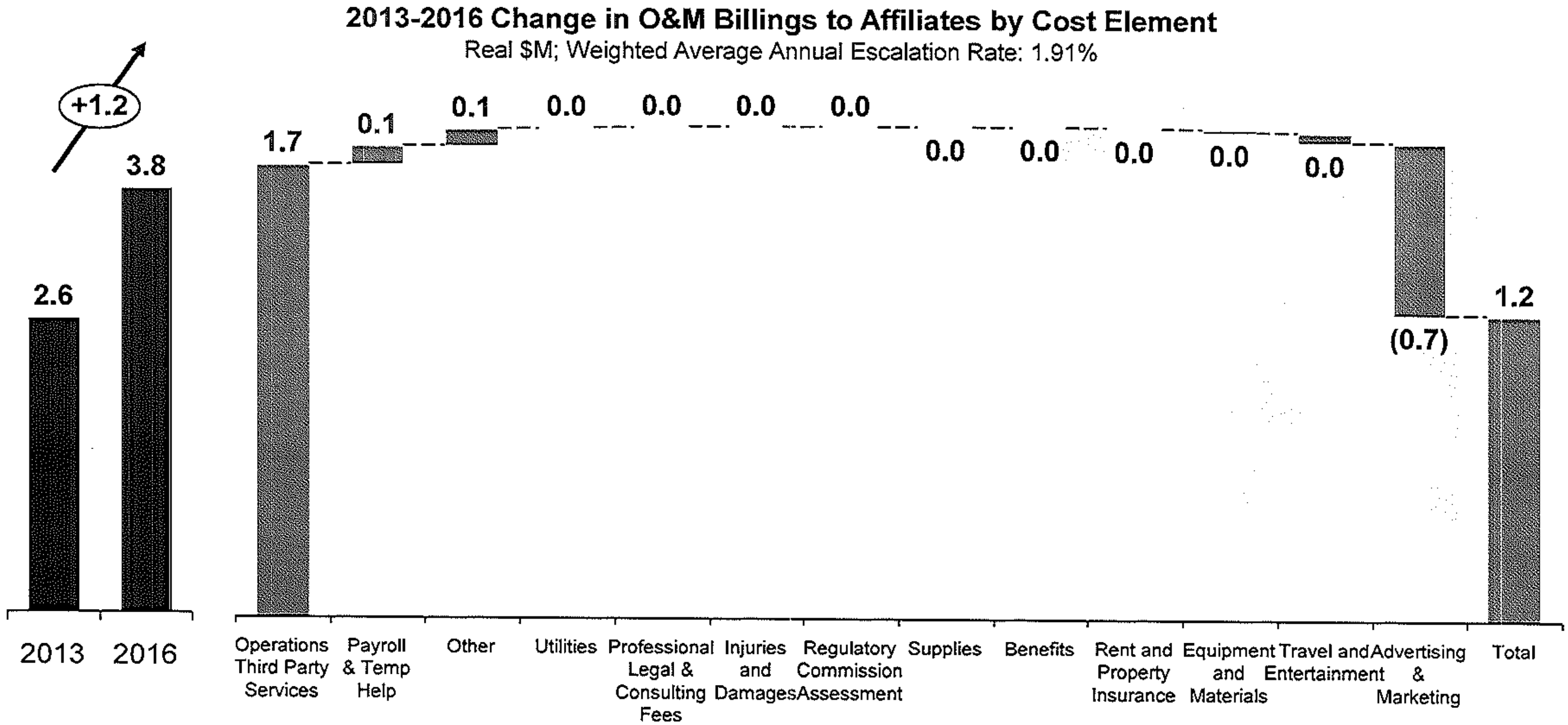
Source: Spire Data, Strategy& Analysis
Note: Spire did not have Shared Services in 2013.

Laclede 2013-2016 Real $ Change in Gas Co Shared Service Function Billings to Affiliates by Function



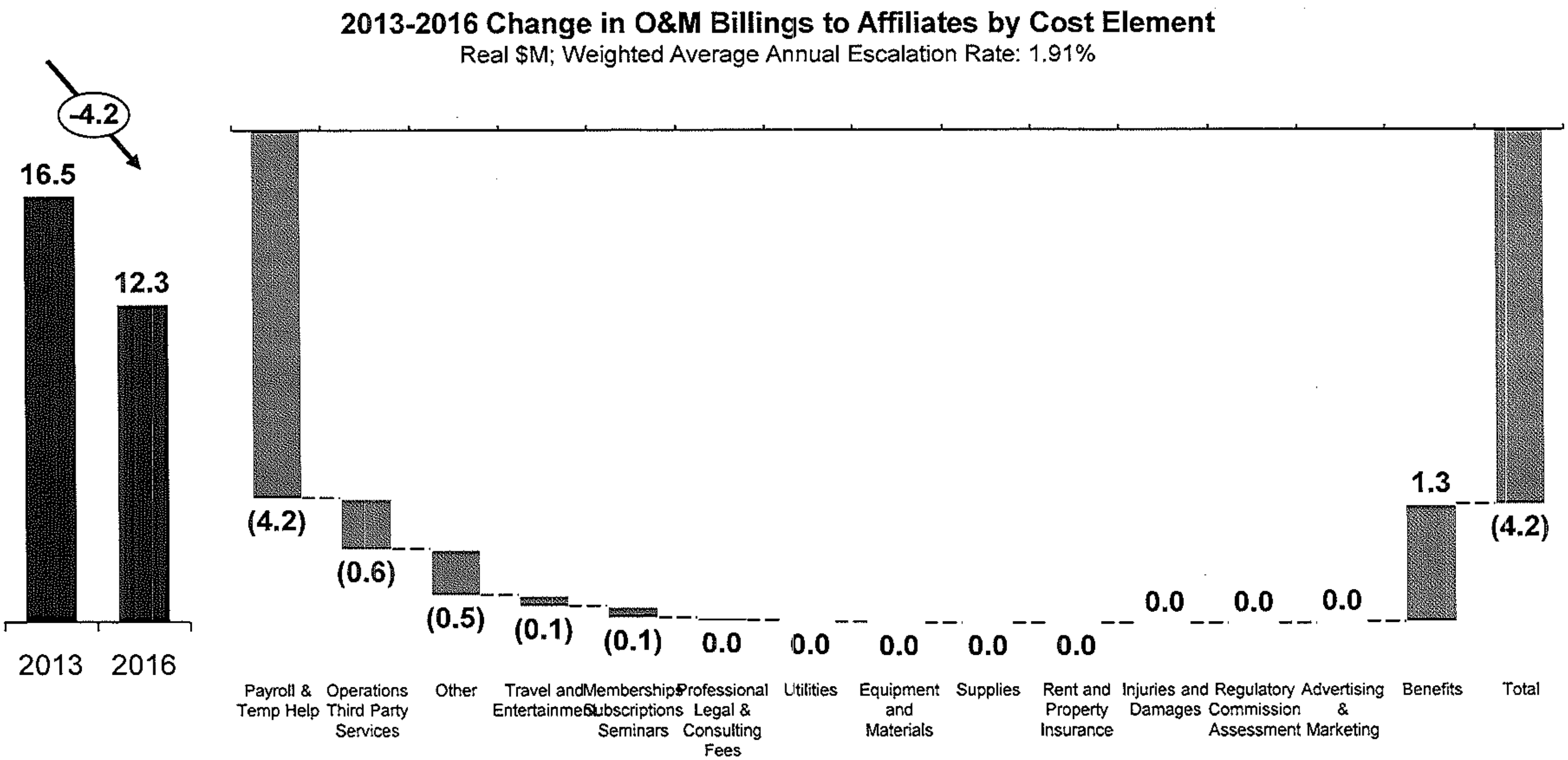
Source: Spire Data, Strategy& Analysis
Note: Spire did not have Shared Services in 2013. Only 13M of Holding Costs which have all assumed to be Corporate.

Laclede 2013-2016 Real $ Change in Corporate Communications & Marketing by Cost element



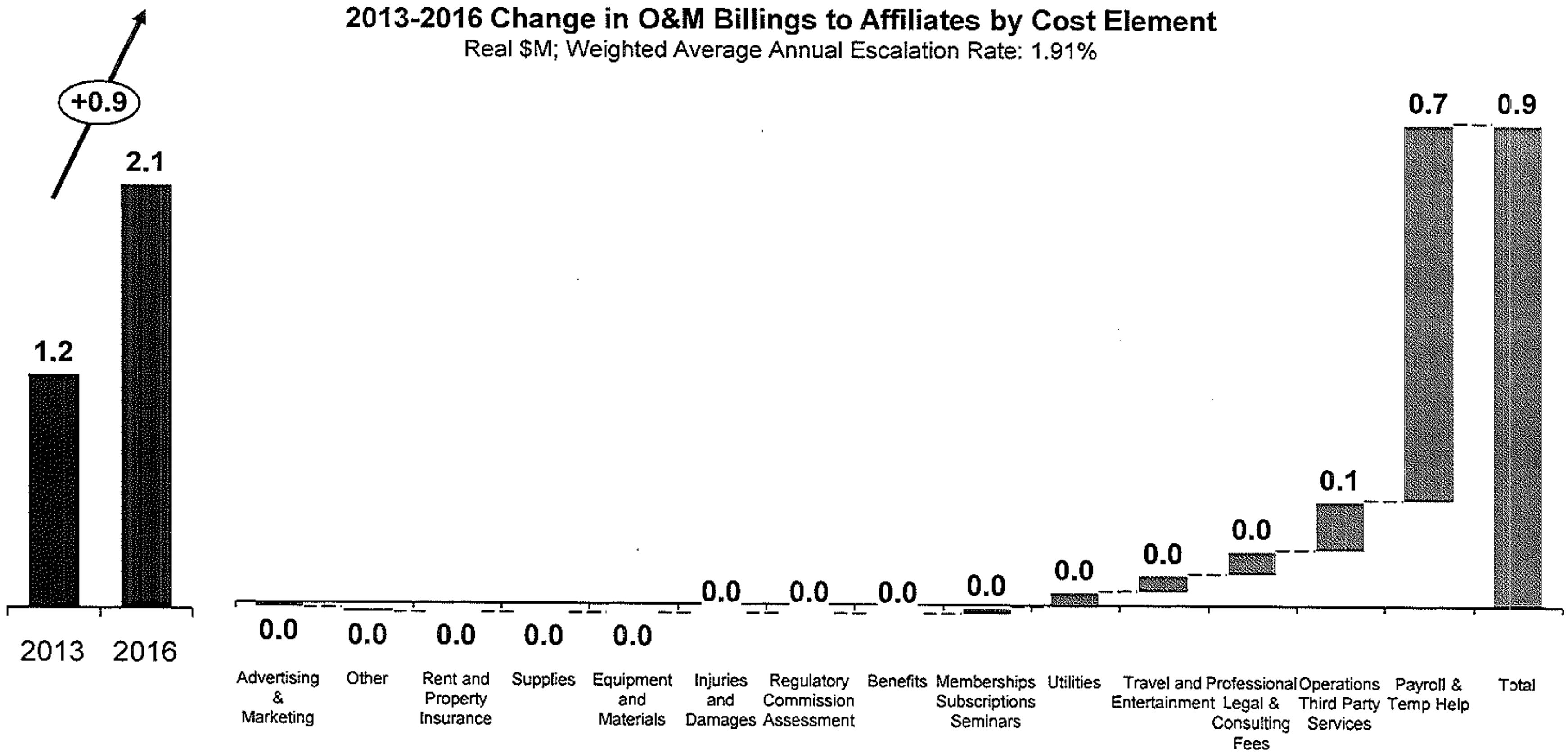
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Executive & Governance by Cost element



Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Internal Audit and Continuous Improvement by Cost element



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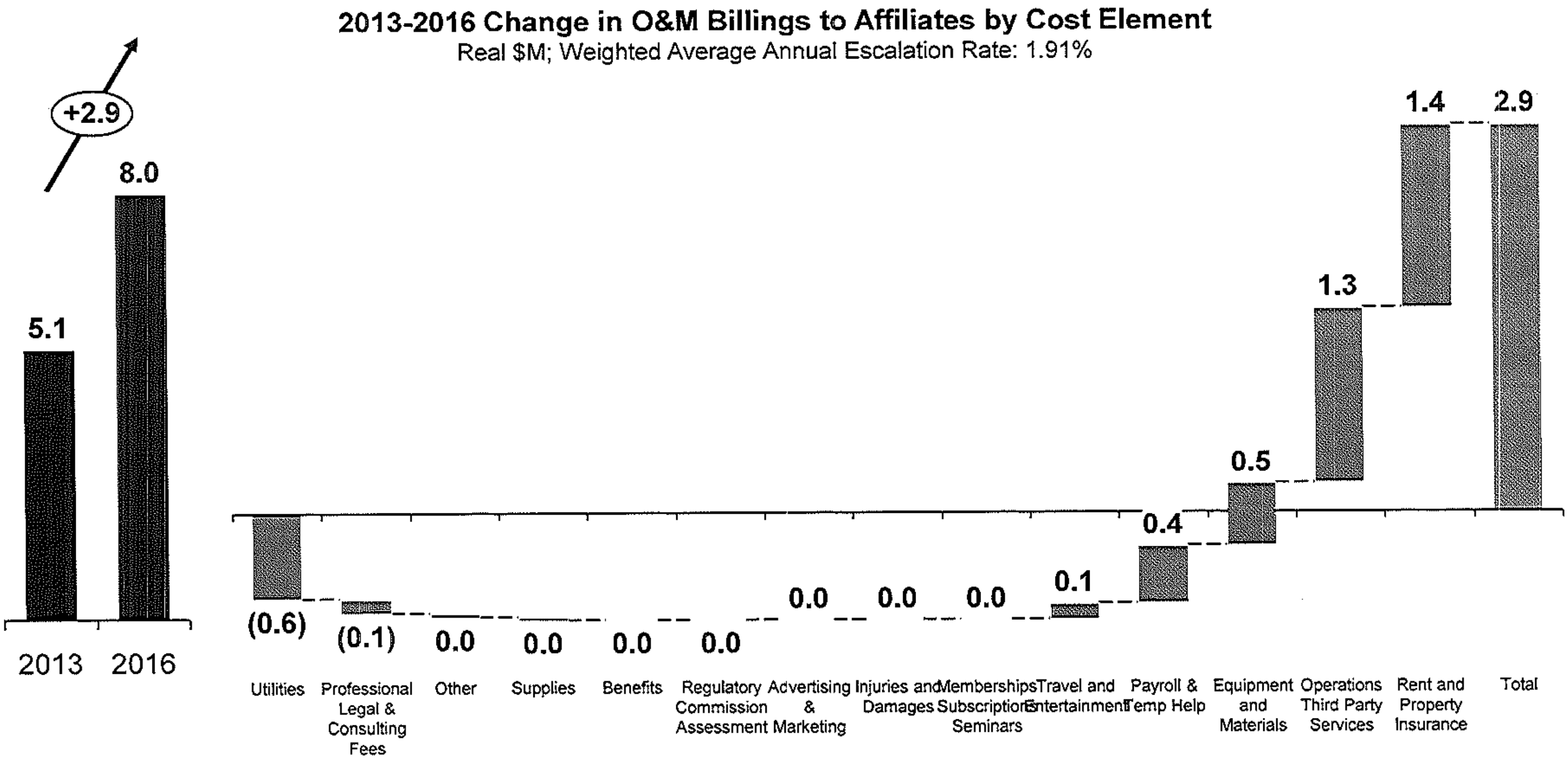
Laclede 2013-2016 Real $ Change in Facilities & Corporate Securities by Cost element



Source: Spire Data, Strategy& Analysis
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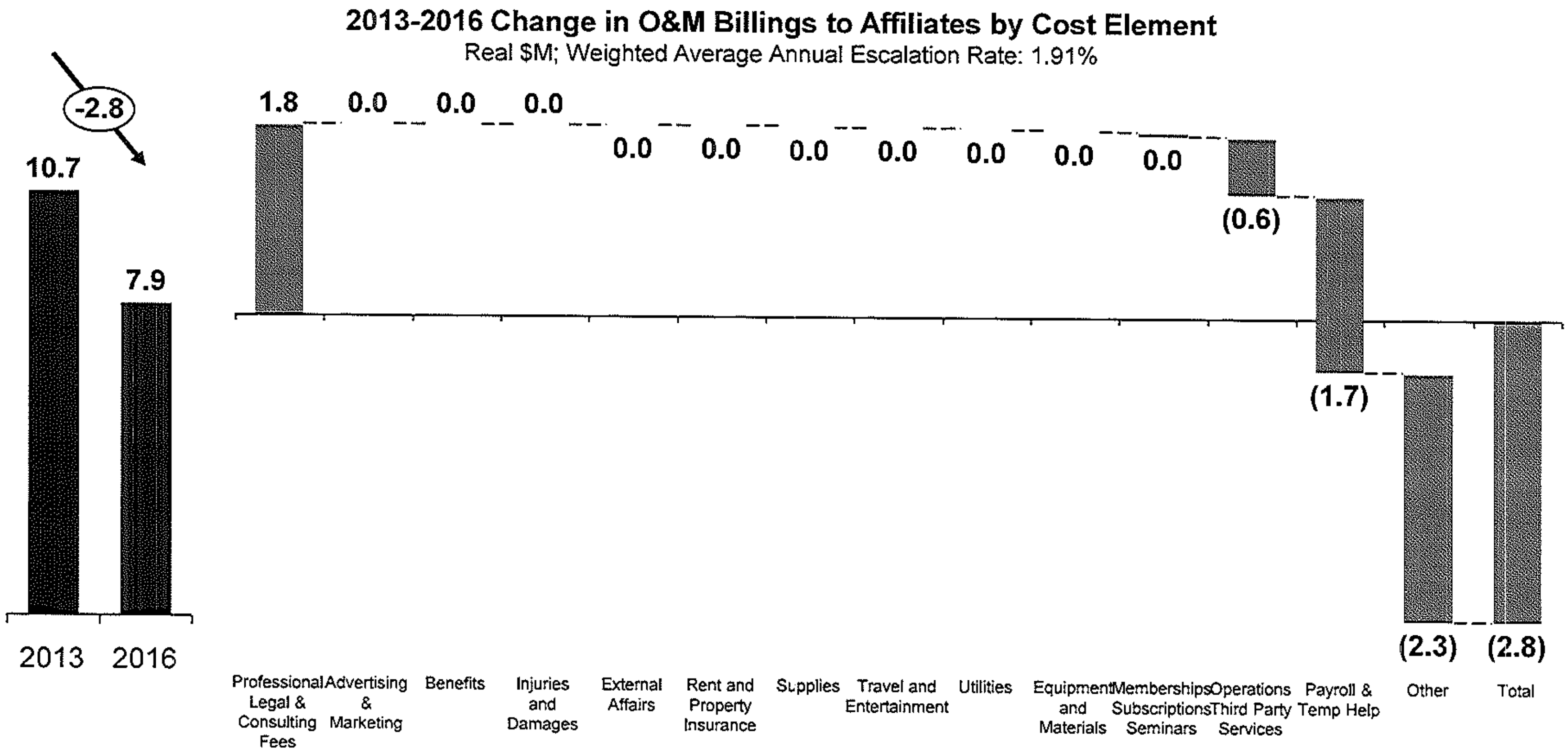
Laclede 2013-2016 Real $ Change in Finance by Cost element



Source: Spire Data, Strategy& Analysis
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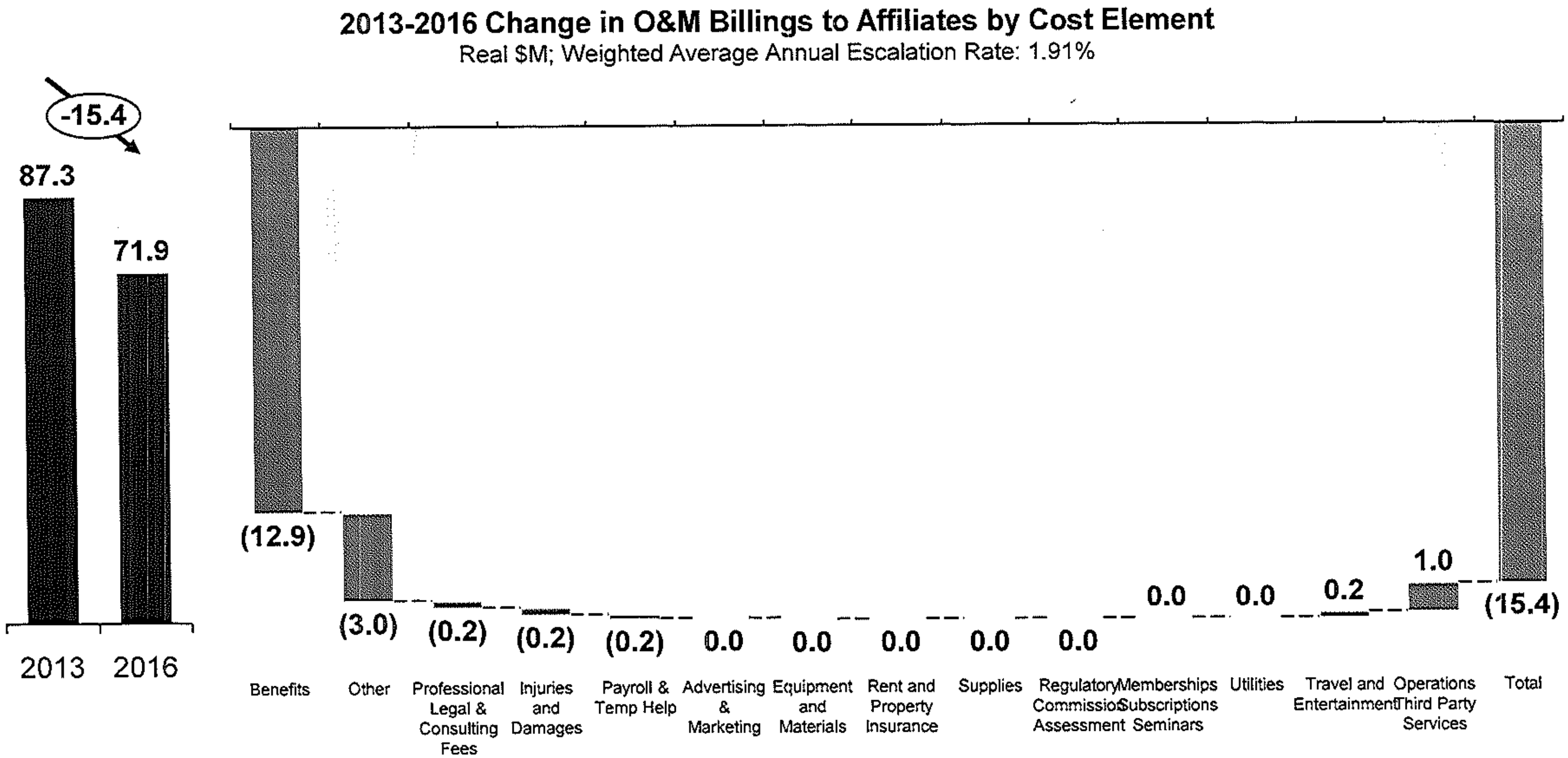
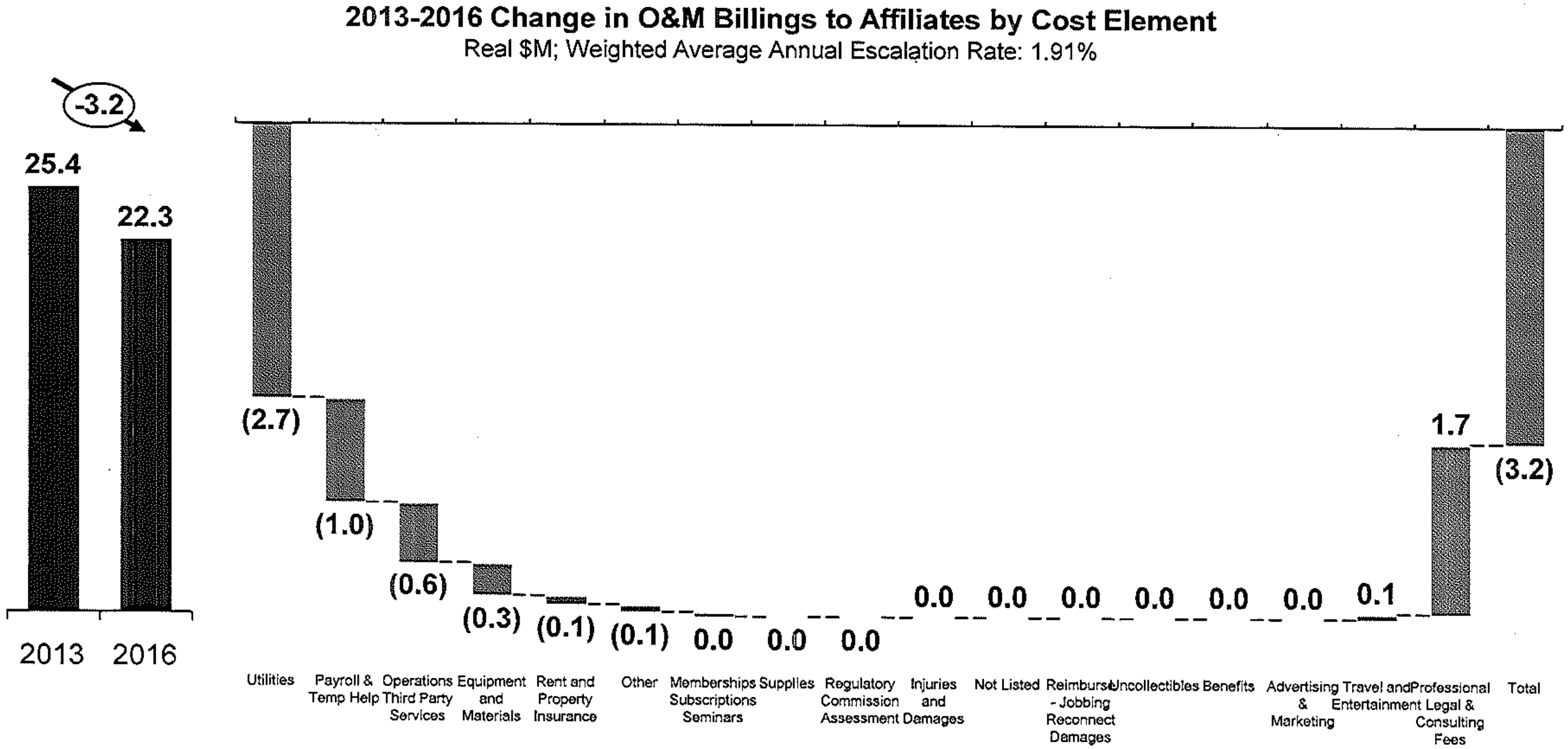
Laclede 2013-2016 Real $ Change in Human Resources by Cost element



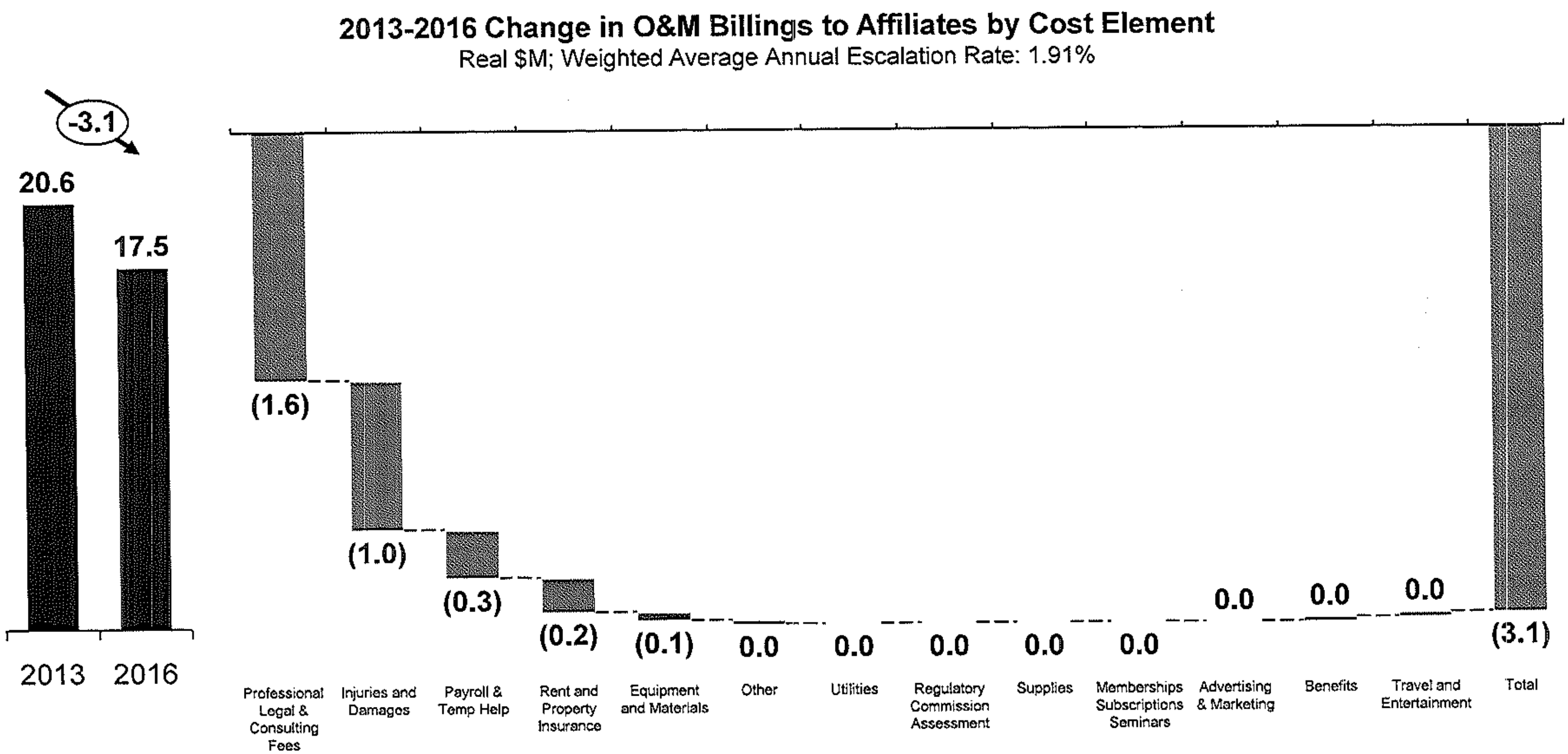
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in IT by Cost element



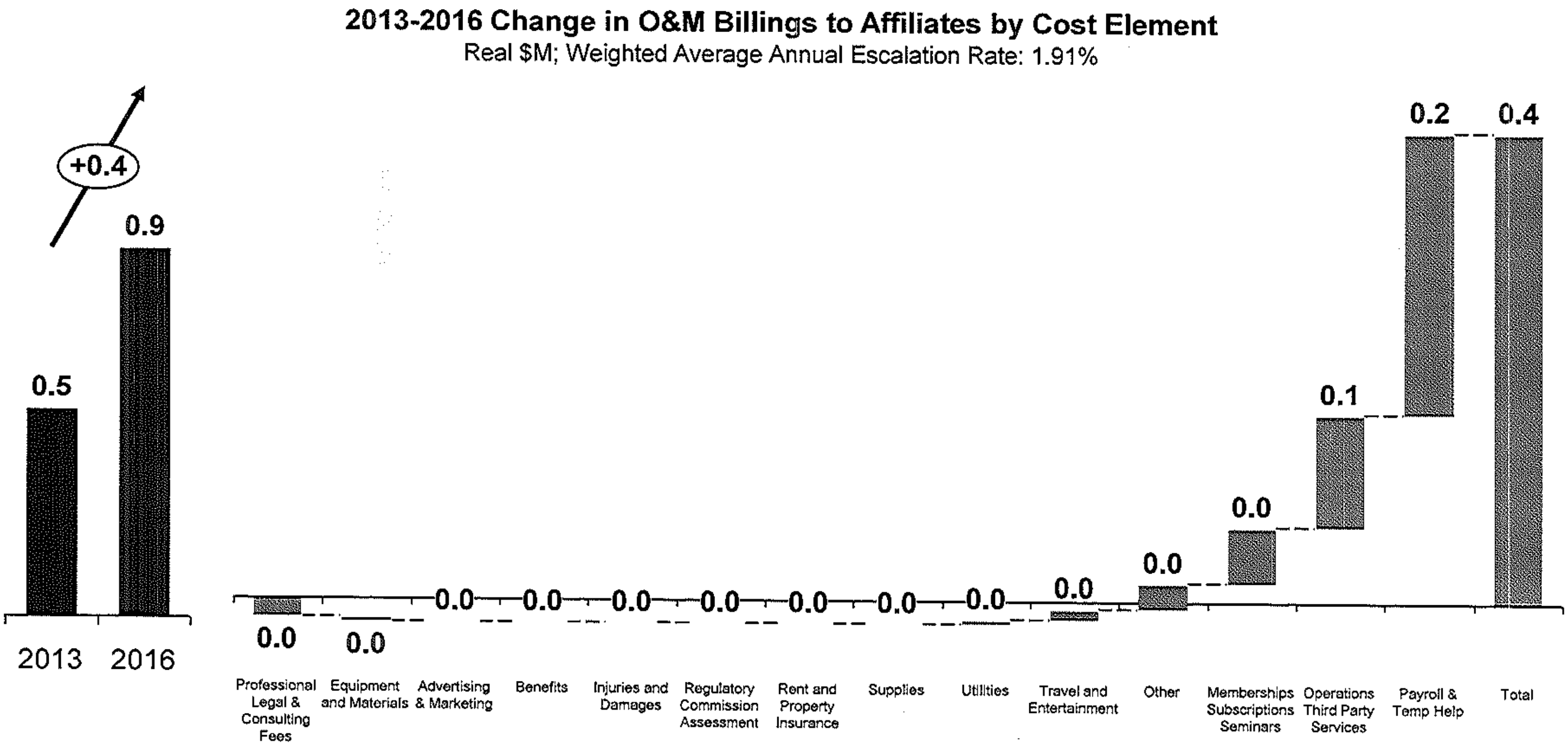
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Legal & Claims by Cost element



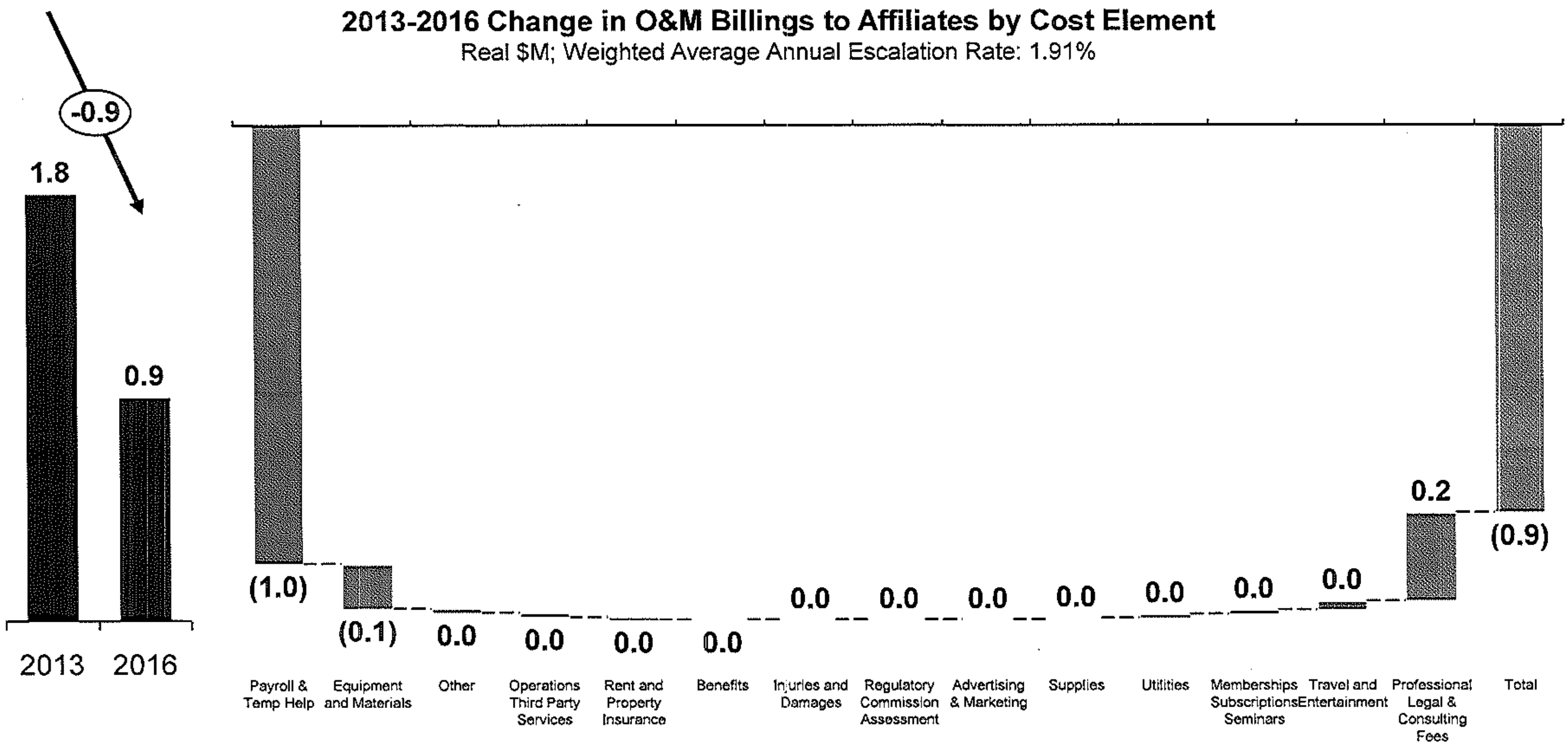
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Strategic Planning & Integration by Cost element



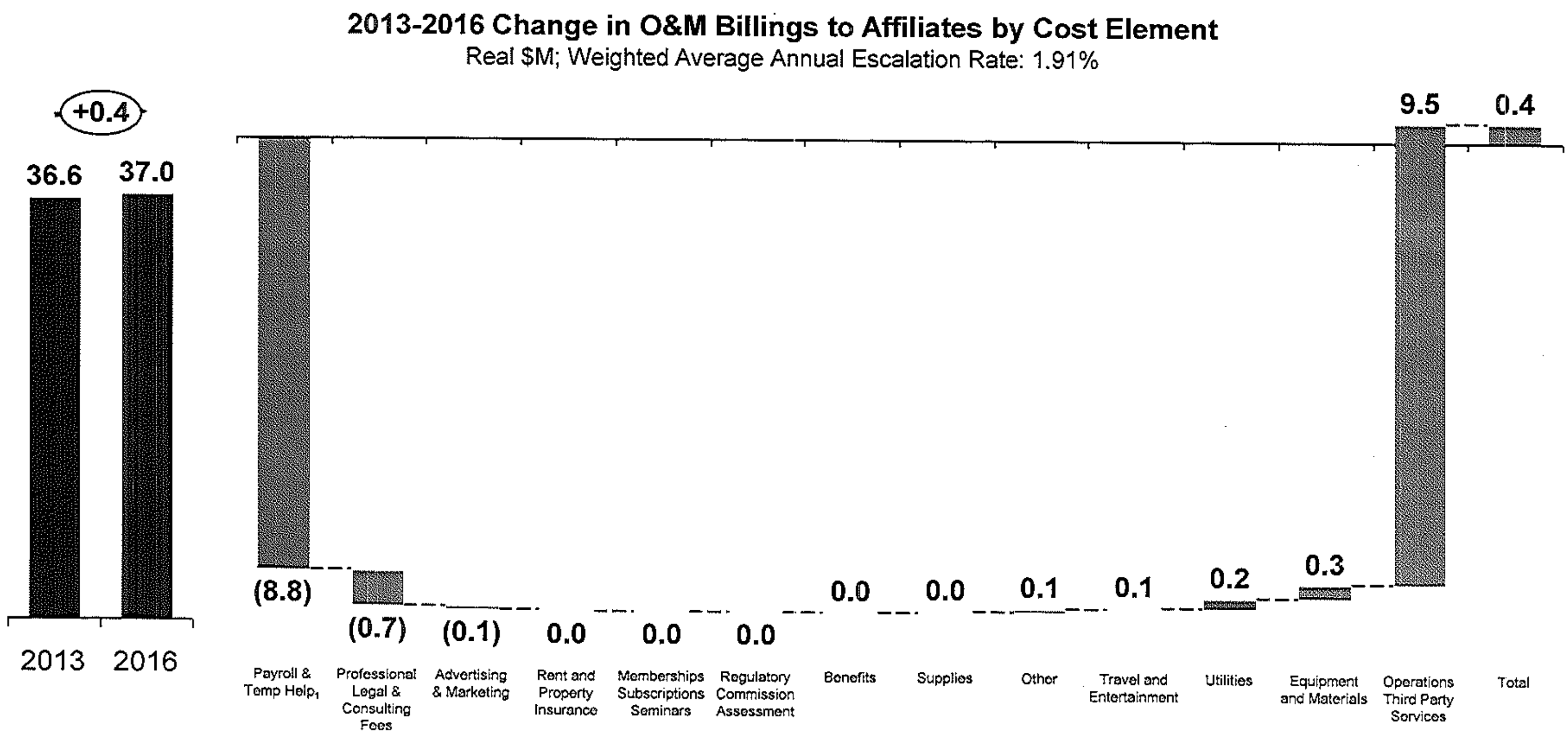
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Supply Chain by Cost element



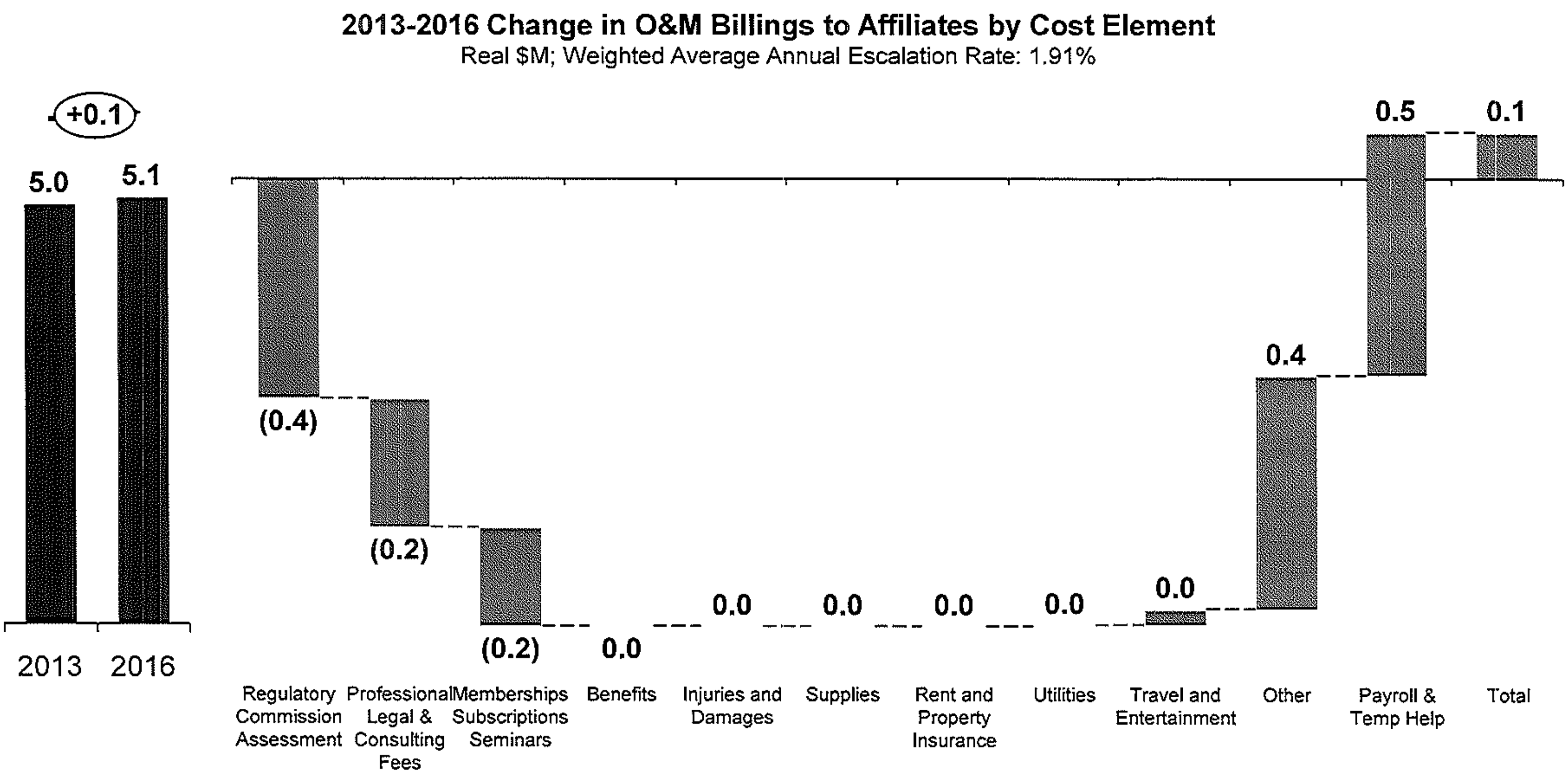
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Customer Experience by Cost element



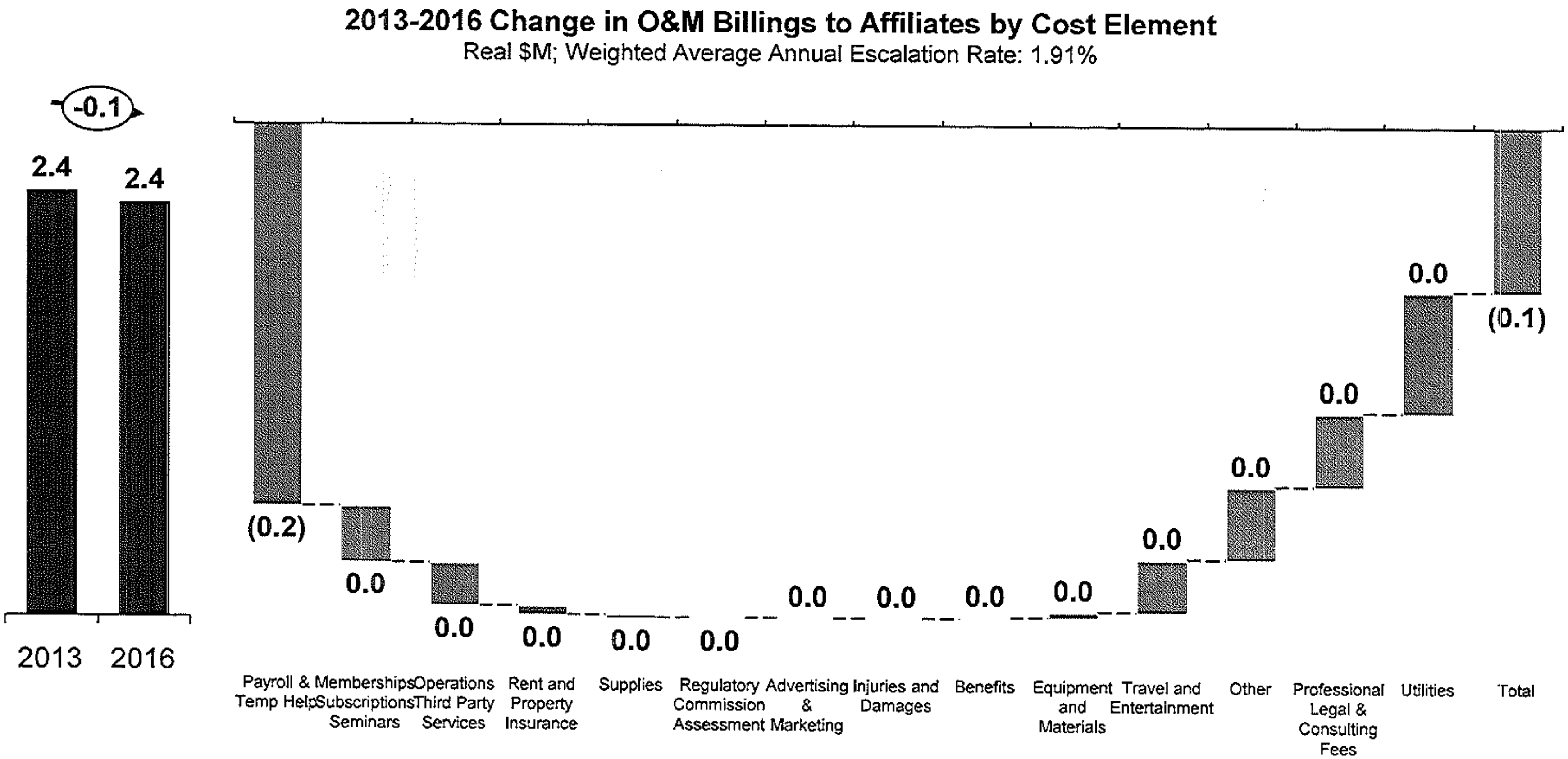
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in External Affairs by Cost element



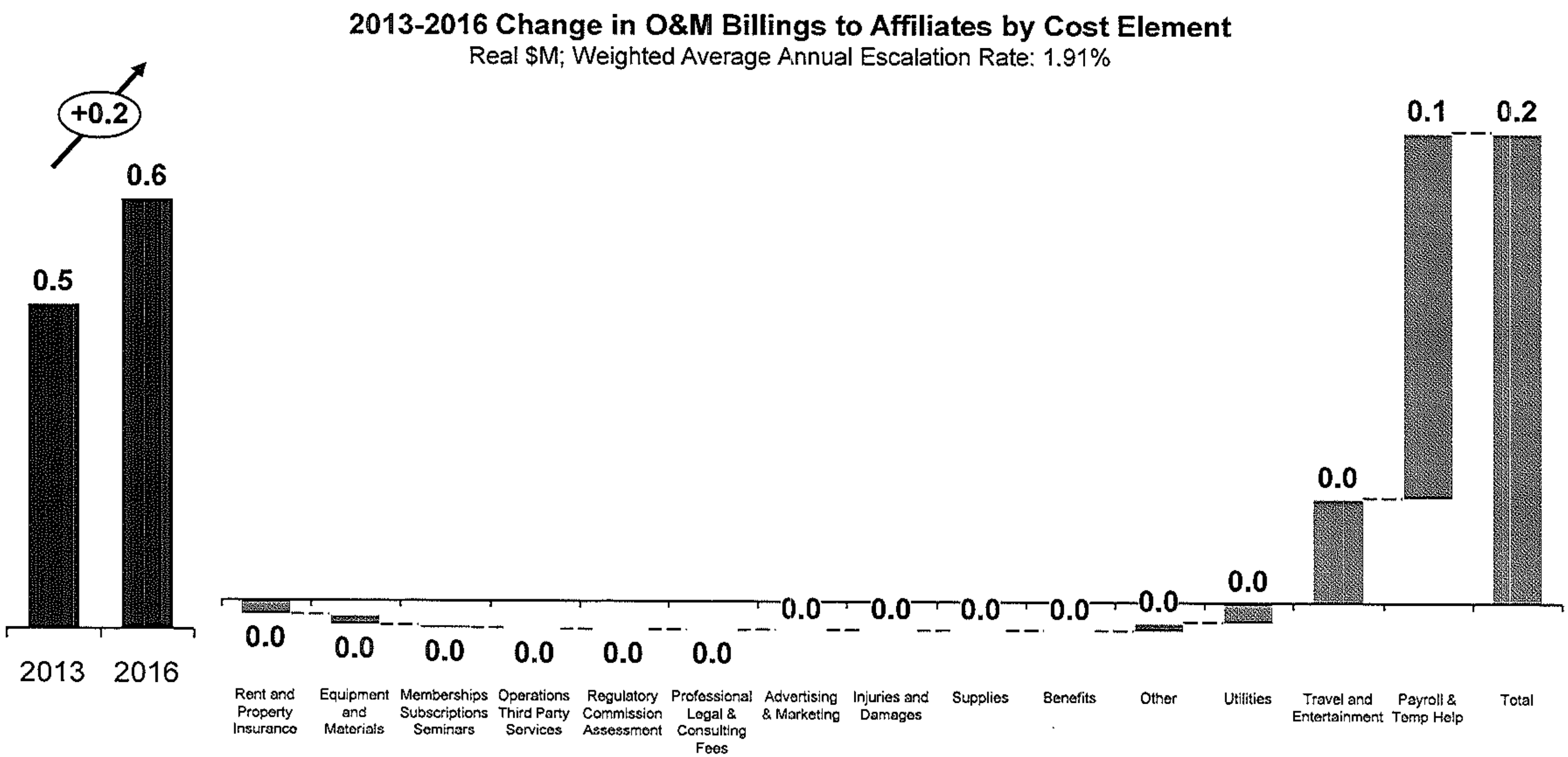
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Gas Supply by Cost element



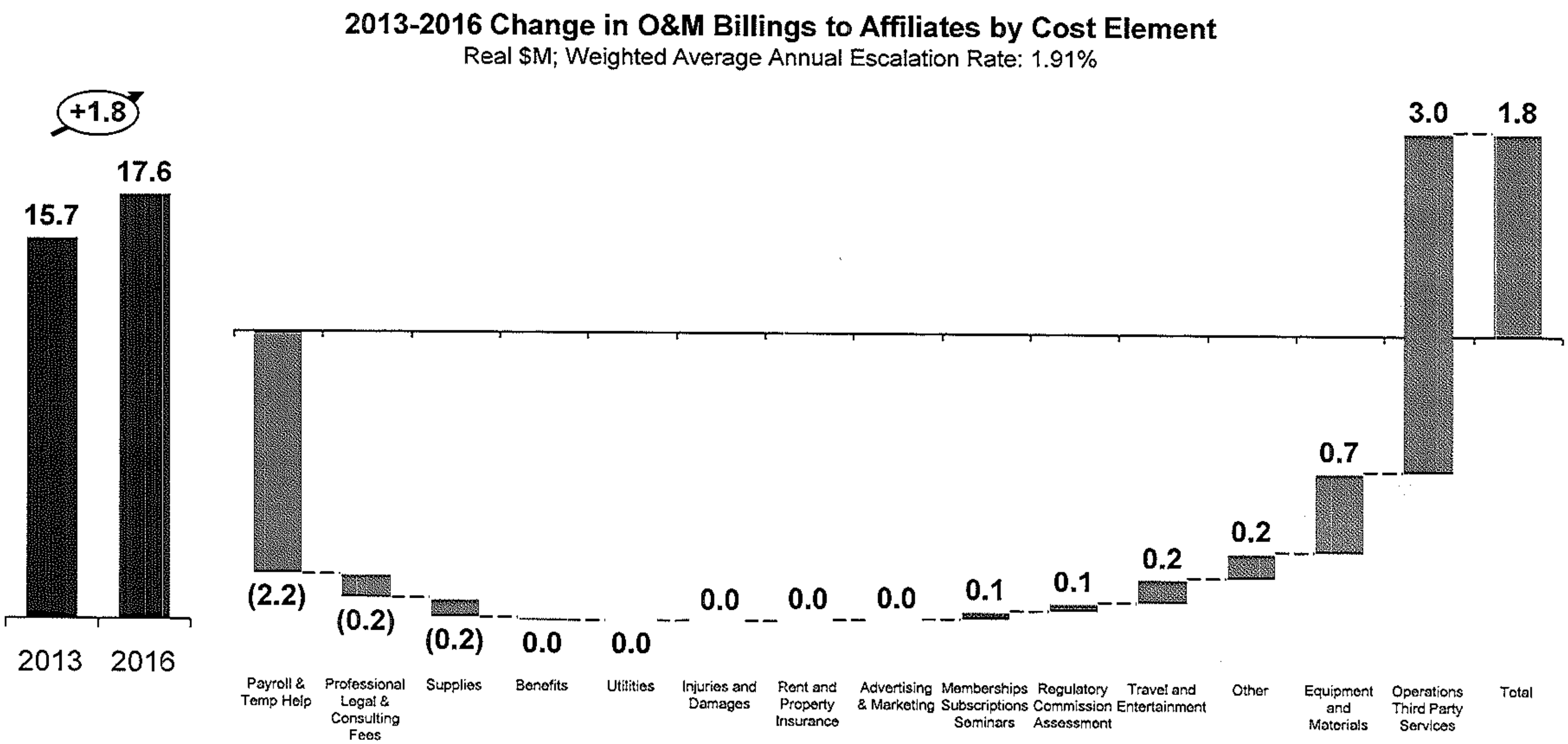
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Operations Controller by Cost element



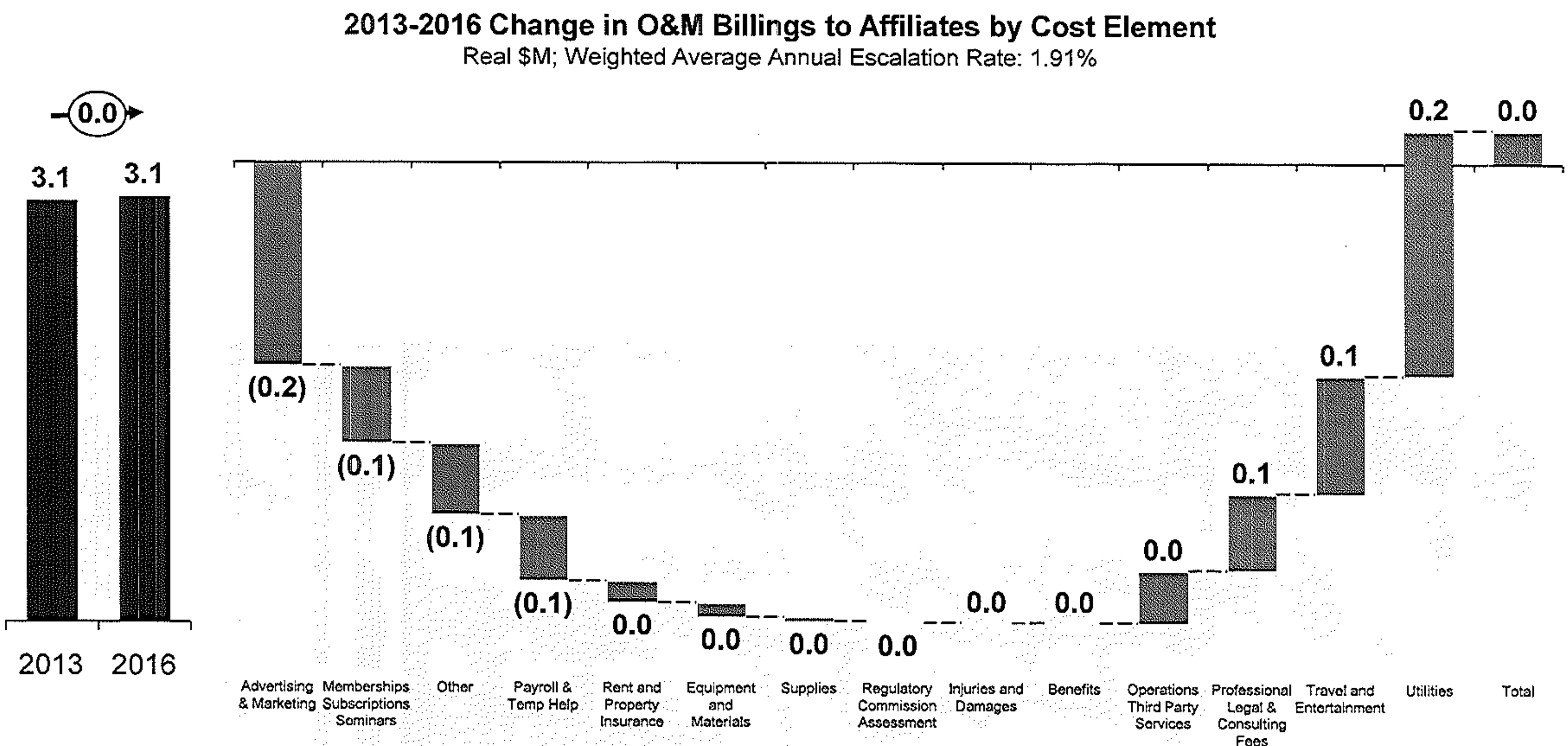
Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Operations Shared Services by Cost element



Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

Laclede 2013-2016 Real $ Change in Organic Growth by Cost element



Source: Spire Data, Strategy& Analysis
Note: Payroll benefits are rolled up into HR and are not reflected in functional roll-ups

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April 2017

Affiliate Transaction Cost Study

Schedule - TJF – D6

pwc

Laclede Gas

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Schedule 6 – Allocation Factors Analysis

2016 Spire O&M cost allocation overview

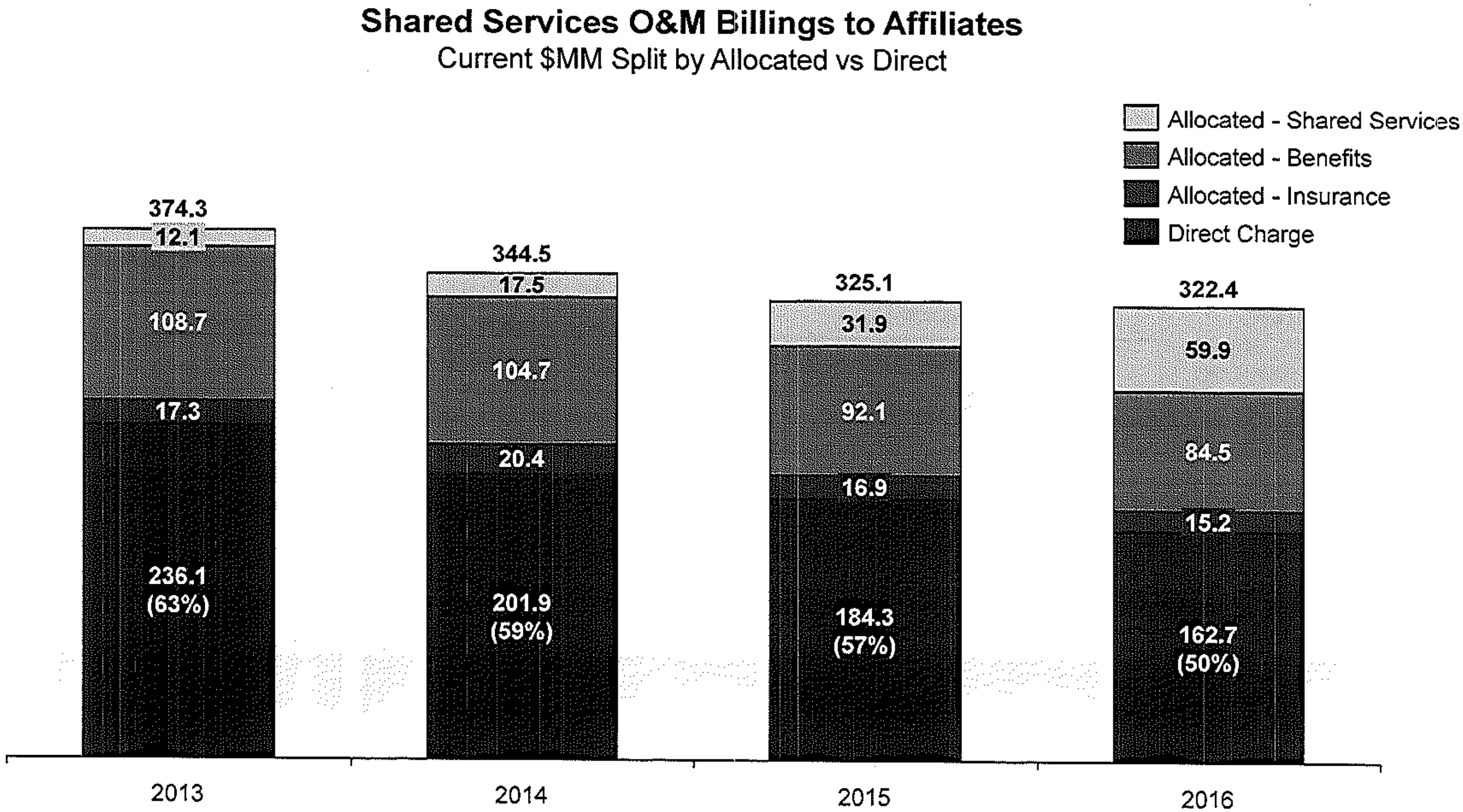
$ 322.4 M

Allocated - Shared Services	13.4 M (AGC)	30.0 M (Laclede Gas)	16.5 M (MGE)	$ 59.9 M
Allocated - Benefits	19.6 M (AGC)	64.9 M (Laclede)		$ 84.5 M
Allocated - Insurance	5.2 M (AGC)	10.0 M (Laclede)		$ 15.2 M
Direct Charge	71.0 M (AGC)	64.6 M (Laclede Gas)	27.1 M (MGE)	$ 162.7 M

Alagasco AN ENERGEN COMPANY | Laclede Gas | MGE MISSOURI GAS ENERGY

Source: Spire Allocation Document. Laclede refers to the Operating Company comprising of both Laclede Gas and Missouri Gas Energy Business Units.

Spire O&M Billings by Allocation Category



Note: In 2013-2014, shared costs were being allocated to the Holding Company. In 2015, the Shared Service function was set up to handle such costs

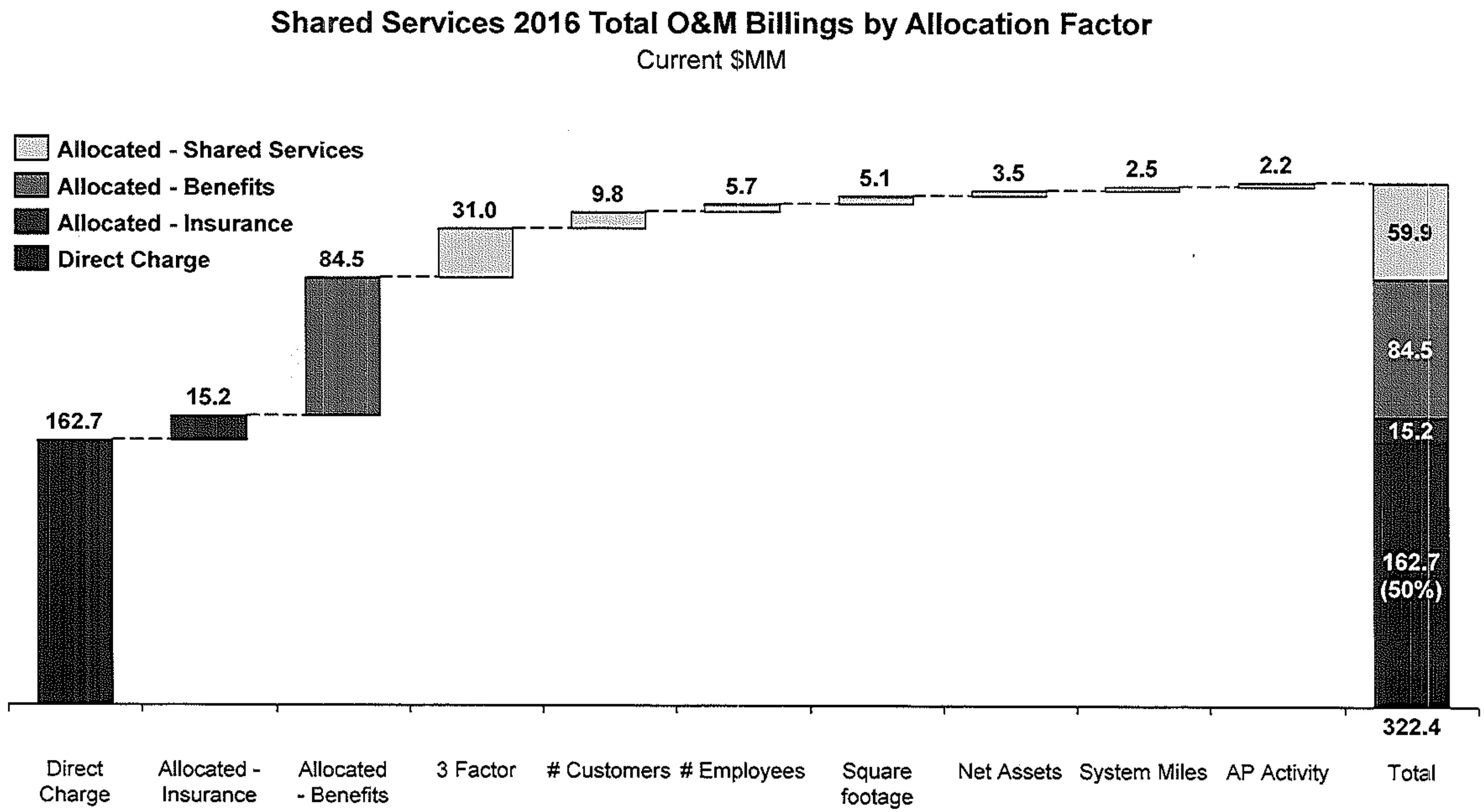
Shared Service Functional Area Allocation Factors

The purpose of this exhibit is to present the manner in which Spire Shared Service costs, not otherwise directly assigned, are allocated to affiliates. This exhibit identifies the primary allocation factor for each Shared Service function. Note that while total Laclede billings are included below for each area, only a portion of those billings are actually allocated while the balance is directly assigned. Refer to the report for overall conclusions.

Function	2016 Total Billings ($M)	2016 Billings to Laclede ($M)	Primary Allocation Method	Primary Allocation category
Corp. Communications & Marketing	7.6	3.8	3-Factor Allocation	Corp-wide
Customer Experience	46.3	37.0	# Customers	Gas utilities only
Executive & Governance	17.1	12.3	3-Factor Allocation	Corp-wide
External Affairs	6.9	5.1	3-Factor Allocation	Corp-wide
Facilities	15.0	8.0	Square Footage	Corp-wide
Finance	14.9	7.9	3-Factor Allocation	Corp-wide
Gas Supply	5.6	2.4	3-Factor Allocation	MO Gas utilities
Human Resources	100.2	71.9	# Employees	Corp-wide, MO-only, MO utilities, MO Gas utilities, Gas utilities only
IT Services	35.8	22.2	3-Factor Allocation	
Internal Audit & Cont. Improvement	3.4	2.1	3-Factor Allocation	Corp-wide
Legal & Claims	25.0	17.5	Net Assets	MO-only, Corp-wide
Operation Controller	0.9	0.6	# Customers	MO Gas utilities, Gas utilities only
Operation Services	28.1	17.6	System Miles	MO Gas utilities
Organic Growth	11.1	3.1	3-Factor Allocation	Corp-wide
Strategic Planning	1.2	0.9	3-Factor Allocation	Corp-wide
Supply Chain	3.2	0.9	AP Activity	Corp-wide
Total	**322.4**	**213.2**		

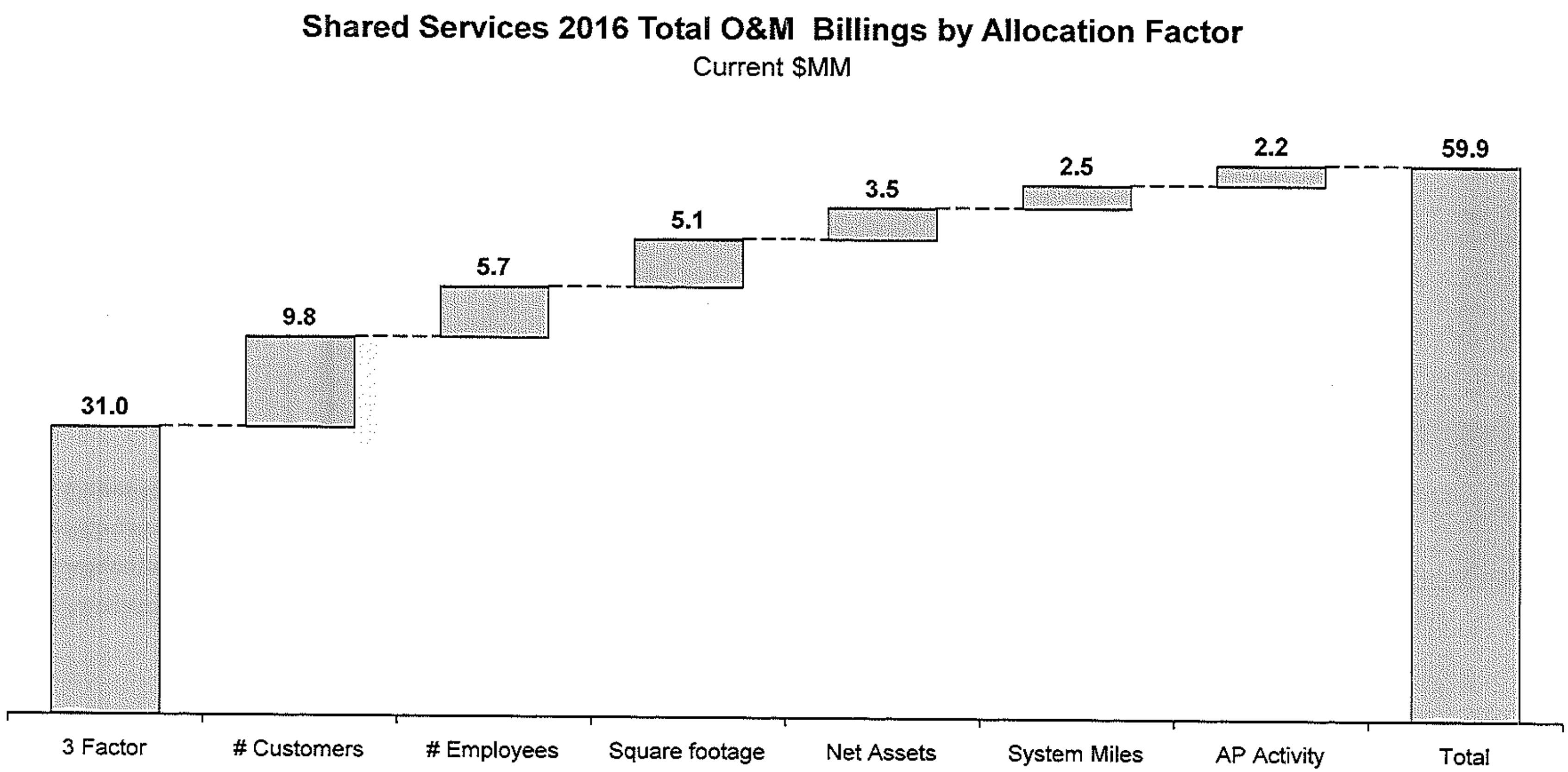
Source: Spire Allocation Document, Numbers may not sum due to rounding

Spire 2016 O&M Billings by Allocation Factor



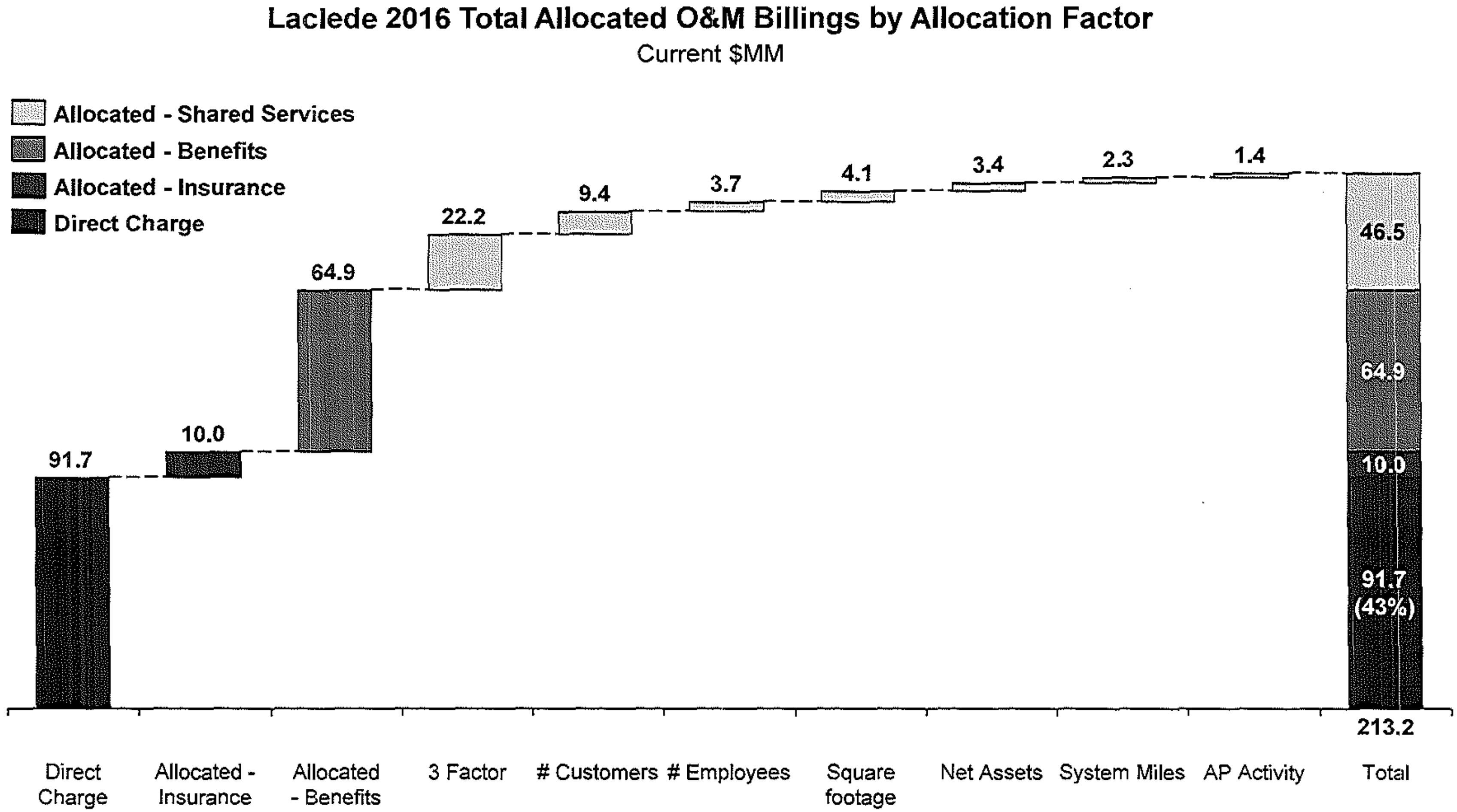
Source: Spire Allocation Document, Numbers may not sum due to rounding, Figures are approximate due to accounting for multiple allocation factors used within the same function

Spire 2016 O&M Billings by Allocation Factor (Excluding Direct Charge, Allocated - Benefits, Allocated - Insurance)



Source: Spire Allocation Document, Numbers may not sum due to rounding, Figures are approximate due to accounting for multiple allocation factors used within the same function

2016 O&M Billings to Laclede by Allocation Factor



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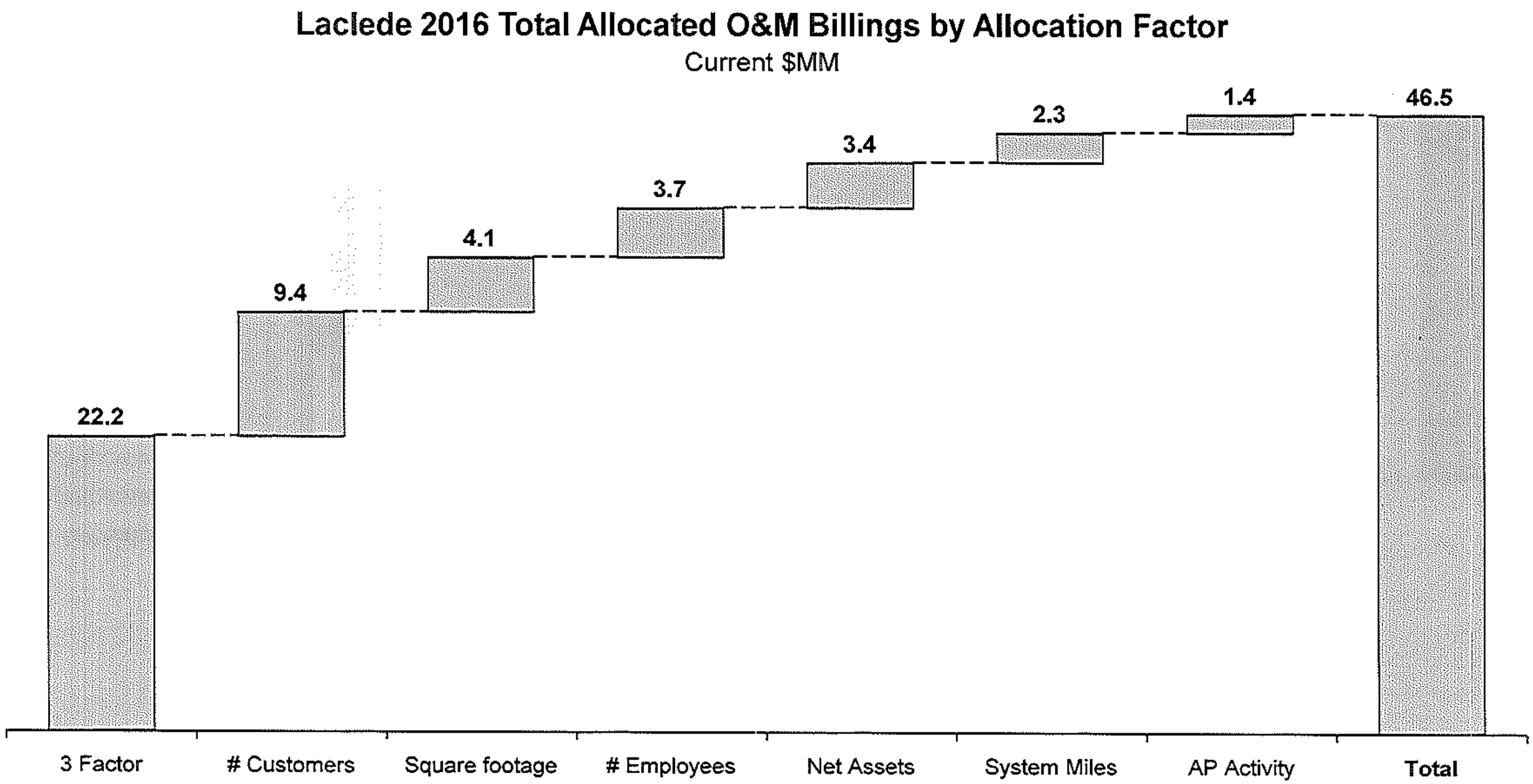
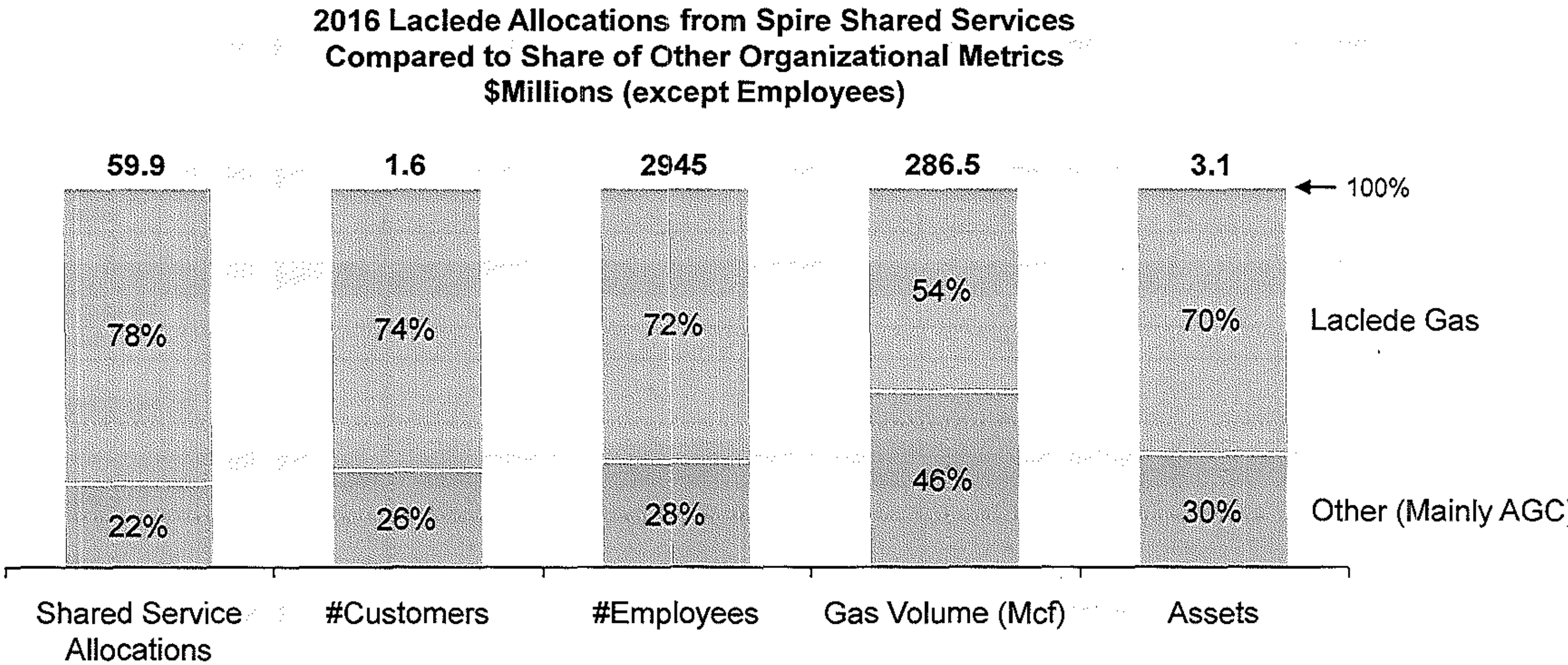
2016 O&M Billings to Laclede by Allocation Factor (Excluding Direct Charge, Allocated - Benefits, Allocated - Insurance)



Source: Spire Allocation Document, Numbers may not sum due to rounding, Figures are approximate due to accounting for multiple allocation factors used within the same function

Laclede Allocations from Spire Shared Services Compared to Other Organizational Metrics



	Shared Service Allocations	#Customers	#Employees	Gas Volume (Mcf)	Assets
Laclede	46.5	1.2	2118	154	2.1
Total	**59.9**	**1.6**	**2945**	**286.5**	**3.1**

Note: All costs, #customers, and #employees are as of CY 2016. Laclede refers to the Operating Company comprising of both Laclede Gas and Missouri Gas Energy Business Units
Source: SNL Data, Spire's 10-K

Figure IX-1 Allocation Factors of Service Companies for Spire Peers

Primary Factors	Black Hills	Dominion	NiSource	SCANA	TECO	WEC	SPIRE
General							
Direct	✓	✓	✓	✓	✓	✓	✓
Revenue – Related Ratios							
Revenues		✓		✓			
Sales – Units Sold / Transported	✓	✓			✓	✓	
Number of Customers	✓	✓	✓	✓	✓	✓	✓
Expenditure-Related Ratios							
Total Expenditures			✓	✓		✓	
Operations and Maintenance Expenditures		✓	✓		✓	✓	
Capital Expenditures					✓		
Service Company Billings	✓	✓	✓	✓	✓	✓	
Labor / Payroll-Related Ratios							
Labor / Payroll				✓	✓		
Number of Employees	✓	✓	✓	✓	✓	✓	✓
Unit-Related Ratios							
Usage	✓	✓	✓		✓	✓	✓
Capacity	✓	✓			✓	✓	
Other Units Related	✓	✓	✓		✓	✓	✓
Asset-Related Ratios							
Total Assets	✓	✓	✓		✓	✓	
Current Assets							
Gross Plant	✓	✓				✓	
Composite Ratios							
Other Composite Ratios	✓	✓	✓	✓	✓	✓	✓

Source: 2015 FERC Form 60's

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0216

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Thomas J. Flaherty, of lawful age, being first duly sworn, deposes and states:

1. My name is Thomas J. Flaherty. My business address is 2001 Ross Avenue, Suite 1800, Dallas, Texas 75201 and I am a Senior Vice President in the Power and Utilities Practice of Strategy&.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company and MGE.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Thomas J. Flaherty
Thomas J. Flaherty

Subscribed and sworn to before me this 29th day of March, 2017.

MARCIA A. SPANGLER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Sept. 24, 2018
Commission # 14630361

Marcia A. Spangler
Notary Public

Exhibit No:	
Issue:	**Allocations/Synergy Savings**
Witness:	**Thomas J. Flaherty**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Laclede Gas Company (LAC)** **Missouri Gas Energy (MGE)**
Case Nos.:	**GR-2017-0215** **GR-2017-0216**
Date Prepared:	**October 17, 2017**

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

REBUTTAL TESTIMONY

OF

THOMAS J. FLAHERTY

OCTOBER 2017

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REBUTTAL TESTIMONY OF THOMAS J. FLAHERTY

Q. PLEASE STATE YOUR NAME AND BY WHOM YOU ARE EMPLOYED.

A. My name is Thomas J. Flaherty, and I am now a Senior Advisor to the Power and Utilities Practice of Strategy&, a part of the PwC network. I was an active Partner at the time I prepared my direct testimony, but have since retired, but am still actively working as a consultant with PwC. My business address is 2001 Ross Avenue, Suite 1800, Dallas, Texas 75201.

Q. ARE YOU THE SAME THOMAS J. FLAHERTY WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I submitted direct testimony on behalf of both Laclede Gas ("LAC") in Case No. GR-2017-0215 and Missouri Gas Energy ("MGE") in Case No. GR-2017-0216.

I. PURPOSE OF REBUTTAL TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is to address issues raised by the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (OPC) related to two principal areas: 1) the reasonableness and reliability of the cost allocation process utilized by Spire Shared Services, Inc., and; 2) the financial effects of the acquisitions made by Laclede Gas Company (Laclede) and its parent corporation, since 2013. These include Laclede's acquisition of Missouri Gas Energy (MGE) in 2013, and the acquisition by Spire Inc. (formerly known as The Laclede

Group) of Alabama Gas Corporation (Alagasco) and EnergySouth Corporation (EnergySouth) in 2014 and 2016, respectively.

With respect to the cost allocations process, I will address a range of assertions and recommendations by Ms. Azad of OPC and Mr. Majors of the Staff related to: conformance with relevant standards; consistency between process design and execution; future cost allocations outcomes; Cost Allocations Manual (CAM) updating; adjustment to the Applicants' level of allocated costs; identified merger cost savings; and adjustment to the level of recognized merger cost savings and costs-to-achieve recovery.

With respect to financial outcomes from prior mergers involving MGE, Alasgasco and EnergySouth, I will address Mr. Majors' determination regarding certain synergies not being merger-related, and his basis for non-recognition towards Laclede's costs-to-achieve.

II. PRIOR EXPERIENCE WITH UTILITY ACQUISITIONS

Q. MR. FLAHERTY, IN ADDITION TO YOUR INDICATED EXPERIENCE WITH SERVICE COMPANIES AND COST ALLOCATIONS, WOULD YOU SUMMARIZE YOUR PRIOR EXPERIENCE WITH UTILITY MERGER AND ACQUISTION TRANSACTIONS?

A. I have evaluated hundreds of actual, proposed or potential transactions involving electric, electric and gas combination, gas, or water utilities since approximately 1988. I have experience working for both buyers and sellers and have assisted client managements in their assessment of a broad range of transactional issues, including the following:

- Target analysis
- Strategy comparison
- Market assessment
- Competitor review
- Synergies assessment
- Synergies allocation
- Transaction structuring
- Regulatory strategy
- Expert testimony
- Integration planning

The publicly announced transactions in which I have been significantly involved, other than the one that is the subject of these proceedings, are: Kansas Power and Light and Kansas Gas and Electric, IPALCO Enterprises and PSI Resources, Entergy and Gulf States Utilities, Southern Union and Western Resources (Missouri gas properties), Washington Water Power and Sierra Pacific Resources, Midwest Resources and Iowa-Illinois Gas & Electric, Northern States Power and Wisconsin Energy, PECO Energy and PPL Resources, Public Service Company of Colorado and Southwestern Public Service, Baltimore Gas & Electric and Potomac Electric Power, Delmarva Power and Atlantic Energy, WPL Holdings, IES Industries and Interstate Power, Puget Sound Power & Light and Washington Energy, TU Electric and ENSERCH, Western Resources and Kansas City Power & Light, Western Resources and ONEOK (Kansas, Oklahoma gas properties), Houston Industries and NORAM Energy, Ohio Edison and Centerior, ENOVA and Pacific Enterprises, Brooklyn Union Gas and Long Island Lighting, Allegheny Energy and DQE, LG&E Energy and KU Energy, NIPSCO Industries and Bay State Gas, American Electric Power and Central and SouthWest, BEC Energy and COM Energy, Northern States Power and New Century Energies, Dynegy and Illinova, DTE Energy and MCN Energy, ConEdison and Northeast Utilities, PECO Energy and Unicom, AGL Resources and Virginia Natural Gas, Energy East and RGE Energy, FPL Group and Entergy, PNM Resources and TNM Enterprises, Exelon and PSEG Enterprises, Duke Energy and Cinergy, USPowerGen and Boston Generating, WPS Resources and Peoples Energy, FirstEnergy and Allegheny Energy, Citizens Energy and Indianapolis Water, Duke Energy and Progress Energy, Laclede Gas and Missouri Gas Energy, AES and DPL, Inc., Exelon and Constellation Energy, TECO Energy and New Mexico Gas, Laclede Gas and Alagasco, NextEra Energy and Hawaiian Electric, United Illuminating and Iberdrola USA (New England gas properties), NextEra Energy and Oncor, Black Hills Energy and SourceGas, Southern Company and AGL Resources, Great Plains Energy and Westar Energy, AltaGas and WGL Resources, and, HydroOne and Avista.

Q. **HAVE YOU PREVIOUSLY TESTIFIED ON MERGER TRANSACTION TOPICS BEFORE FEDERAL AND STATE REGULATORY AGENCIES?**

A. Yes, I have filed direct or rebuttal testimony in numerous regulatory jurisdictions, including: California, Colorado, Connecticut, District of Columbia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Missouri, Nevada, New Jersey, New Mexico, North Carolina, South Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Washington and, Wisconsin. I have also filed direct and rebuttal testimony before the Federal Energy Regulatory Commission (FERC).

Q. HAVE YOU ALSO ASSISTED LACLEDE IN ITS PRIOR TRANSACTIONS WITH MGE AND ALAGASCO?

A. Yes, I have. In 2012 I supported Laclede with the evaluation of the MGE acquisition while I was employed at Booz and Company. The scope of this work included assisting Laclede with the identification and quantification of potential synergies areas, the evaluation of the nature and level of these potential synergies, the identification of potential areas of the costs-to-achieve the merger from evaluation through post-close integration, the evaluation of the nature and level of these costs-to-achieve, and the identification of actions to be undertaken by Laclede to enable attainment of identified synergies and minimization of costs-to-achieve. Subsequent to the announcement of this transaction, our team was engaged to support Laclede with the planning, execution and management of the actual integration process between the two companies and provide support to the regulatory process related to achieving approval for the acquisition.

For the Alagasco transaction, we were retained for a similar scope of pre-announcement work related to synergies and costs-to-achieve development.

III. REPRISE OF ACQUISITION BENEFITS ALREADY RECOGNIZED IN COMPANY'S COST OF SERVICE

Q. COULD YOU BRIEFLY SUMMARIZE WHAT EVIDENCE SPIRE HAS ALREADY SUBMITTED TO STAFF AND OPC REGARDING THE SYNERGIES IT HAS ACHIEVED IN ITS PRIOR MERGER TRANSACTION WITH MGE?

A. Spire has provided its 'Post-Close Tracking Model' as part of discovery in this case in response to Staff Data Request No. 0070. Spire provided the details of the synergies captured to-date, along with the business cases that supported synergies estimation.

The summary of achieved synergies from the Laclede – MGE merger is provided in the table below.

Table 1

Realized Merger Synergies

	FY2014	FY2015	FY2016	FY2017
Labor	$14,027	$25,359	$29,768	$29,768
Non-labor	$16,091	$14,009	$19,814	$19,814
O&M	$22,514	$29,148	$36,812	$36,812
Capital	$7,287	$9,444	$9,291	$9,291
Customer growth	$317	$777	$3,479	$3,479
Total	**$30,118**	**$39,369**	**$49,582**	**$49,582**

As shown, Spire and Laclede have been successful in realizing synergies and have been achieving them at an annual run-rate of approximately $50 million per year in total. To-date, these synergies total to more than $99 million of labor savings and $70 million of non-labor savings, or more than $140 million of total savings since 2013. In addition, these savings reflect approximately $37 million of annual run-rate O&M amounts and $9 million of capital avoidance or reduction, as well as customer growth of $3.5 million. It is important to note that these savings are not inflation adjusted, so the benefit of removing these costs from the business are even greater. These amounts, inflation adjusted or not, far exceed Spire's transition costs-to-achieve.

The above table reflects actual savings achieved to-date. It should be recognized that these savings will continue into perpetuity and will escalate at a blended inflation rate that reflects differences in composition between labor and non-labor components.

Specific comments related to Staff's review of these synergies and their composition will be addressed in the ensuing section.

IV. RESPONSE TO STAFF'S DIRECT TESTIMONY ASSERTIONS

Q. WHAT HAS THE STAFF ASSERTED RELATED TO THE LEVEL OF SYNERGIES AND TRANSITION COSTS-TO-ACHIEVE IN ITS DIRECT TESTIMONY?

A. Through Mr. Majors, the Staff has made several recommendations and adjustments related to the sufficiency of supporting information provided by Spire regarding synergies and transition costs, validity of several synergies categories, association of transition costs with achieved synergies, and treatment of multi-year unamortized costs for capital projects associated with integration of LAC and MGE. In the end, Mr. Majors does not recommend inclusion of any amortization or rate base treatment of transition costs because he asserts that Laclede has not demonstrated merger savings sufficient to justify recovery. Mr. Majors ultimately proposes that should the Commission allow amortization of transition costs-to-achieve, approximately $2.6 million should not be allowed for recovery. Finally, he proposes that no rate base treatment of one-time transition costs be allowed.

This recommendation results from the Staff's view that Laclede did not: 1) provide information related to how the achieved synergies would be distributed and reflected in FERC divisional accounts; 2) provide a comparison of actual pre-merger costs versus costs of the combined companies during the test year or update period during which transition costs are sought for recovery; 3) allow Staff to independently validate the level of claimed synergies; 4) demonstrate sufficient synergies to justify transition cost recovery, and; 5) limit its transition costs-to-achieve to transition-related items.

Q. FROM YOUR EXPERIENCE, DOES THE STAFF HAVE SUFFICIENT INFORMATION TO VALIDATE THE LEVEL OF MERGER SYNERGIES ACHIEVED?

A. Yes. The type of material provided by Spire through its 'Post-Close Tracking Model' is consistent with what I am familiar with in prior transactions and our team had direct involvement with the original design of this model. Additionally, I understand that Staff was provided further information on these savings through the data request process.

Staff has suggested that Spire has not provided detailed information to show how FERC divisional costs are impacted by the synergies realized, as specified in the Stipulation and Agreement in Case No. GM-2013-0254. In fact, as Mr. Buck demonstrates in his rebuttal testimony, the Company has provided such information to the extent it was practical and possible to do so. Accordingly, my comments will be limited to a discussion of whether such information is really helpful or relevant to the ability to identify and quantify merger synergies.

Q. DOES THE INFORMATION SOUGHT BY THE STAFF PROVIDE A NECESSARY LEVEL OF INSIGHT NOT ATTAINABLE FROM THE INFORMATION ALREADY PROVIDED BY SPIRE?

A. No. Further, I believe that any supposed shortcoming in the degree to which the Company has been able to tie specific synergies to specific FERC accounts should be viewed as the non-issue that it is. This is simply not an element that we have ever recommended in our prior synergies tracking work. For commissions that are tracking achieved synergies, the value of the actual realized synergies data lies in the nature of the savings itself and in the bases for quantifying that savings by synergies 'type', i.e., the cost element affected, e.g., position reduced, insurance or specific capital project, not in the FERC account distribution. The focus is normally on 'what changed, why and by how much' rather than to which FERC account the savings were distributed.

Q. PLEASE EXPLAIN WHY AN EVALUATION OF FERC ACCOUNTS FOR EVALUATING SYNERGIES IS EXTRANEOUS AND MISSES THE BIG PICTURE.

A. First, the key question to be addressed is whether Spire has produced sufficient synergies to offset the level of transition costs identified as related to the transaction.. From my experience, the additional level of detailed information cited as missing does not substantially supplement what has already been provided that already demonstrates this benefit – cost relationship. Second, my experience suggests that use of either primary or divisional FERC data is not insightful to what actually happens with reduced costs due to synergies. The purpose of the tracking and reporting of synergies is to enable review of what business changes have occurred, not which sub-accounts have been affected.

Third, my experience also suggests that distribution of savings by FERC primary or divisional account involves a high degree of judgement about how these reduced costs are apportioned by these FERC categories. It is certainly easy to assign direct costs into a FERC primary account, such as customer service or administrative and general (A&G). But it is much more art than science to distribute these savings at a lower level and utilities use a high degree of discretion in how they assign or distribute costs through the FERC accounts.

For example, the 900 series of FERC accounts for LAC A&G in 2016 contained 12 secondary accounts, net of contra-accounts. When the largest category shown as part of LAC A&G is salaries, no further insight on levels or basis is added by this distribution beyond what Spire has already filed regarding reduced positions at their proscribed value. What would be more valuable is to understand the resource level and cost impact in the affected function, e.g., how finance or distribution operations are affected, rather than a discrete cost level change to a lower level FERC account. Further, the A&G divisional category for insurance is defined as 'property insurance, which does not capture other addressable insurance categories such as Directors and Officers, Excess and General, Workers Compensation and, Fiduciary, among others. It is also interesting that the Staff would attribute value at a FERC divisional account level with these limitations when it does not attribute any to specific information that identifies the employee and position that have been reduced, which is directly relevant.

Perhaps more important is the inherent flawed premise that underlies Mr. Majors concerns about savings identification. It seems that Mr. Majors believes that a simple 'before and after' comparison of costs from pre-merger levels to post-close test year levels yields a deterministic result.

Comparing gross costs levels across two time periods can certainly identify very high level outcomes. And for certain types of comparisons, e.g., understanding simple cost trends, that can suffice. However, if the intent is to truly understand the direct impacts of a merger this comparision would be fraught with flaws. First, non-merger related drivers can cause changes in macro-level costs that are independent of items, such as synergies. Second, macro-level costs do not provide sufficient detail to fully understand the 'pluses and minuses' that contribute to a cost change and mask the identification of direct causation. Finally, macro-level cost levels are a poor substitute for direct synergies identification and quantification, which is what Spire has provided to the Staff.

For these reasons, it would not be dispositive to ascribe any claims of a lack of sufficient information to Spire and substitute a higher level of comparison than what would be appropriate.

Q. DO YOU HAVE ANY COMMENTS REGARDING STAFF'S OTHER

ASSERTIONS AS TO WHY IT CANNOT DETERMINE WHETHER THE COMPANY HAS ACHIEVED SUFFICIENT SYNERGIES TO COVER ITS CLAIMED TRANSITION COSTS?

A. Yes. The Staff also suggests that it cannot compare the level of synergies realized with the level of transition costs to be addressed for recovery. This is also not a problem for Staff, since Spire reports the actual savings and costs by type and timing. Thus, the Staff has the ability to directly compare, by period, savings and costs-to-achieve, so it has the ability to ensure that customers are not charged for….. "any amount of transition costs that exceed the level of cost reductions actually experienced by the Company". If alignment in a particular format is the issue, then I believe that this is not a direct rate case issue four years after the close of the MGE transaction.

Further, while specific eliminated position information is available and was provided to the Staff in other ongoing reports, the Staff suggests that it required specific position salary data to validate the actual savings. This is specious and ignores another fundamental constraint that utilities have. The Staff can work with ranges of salary data to confirm the level of savings actually realized. The range of salary provides a very good indicator of the level of salary (and loaded benefits) for an employee within Spire. With this level of information, the Staff can easily test the results achieved and determine whether the 'cost per reduced position' is representative and reasonable. This is especially true given the overwhelming degree to which the value of these employee-related synergies exceed the value of the identified transition costs.

However, aligning specific employee information on a named basis with an actual reduction typically creates problems for a utility with respect to maintaining individual confidentiality of personal employee information. This is why companies either use proxies for the salaries, i.e., a range, or 'blind' the identity of the employee and simply use position titles. Nonetheless, the Staff has sufficient information between affected employees and functional salary ranges to validate the savings realized without opening Spire to unnecessary claims for violating personal confidentiality commitments.

Q. THE STAFF ALSO INDENTIFIES SEVERAL COST SAVINGS AND TRANSITION COSTS IDENTIFIED BY SPIRE THAT IT ASSERTS ARE NOT SUFFICIENTLY LINKED TO THE ACQUISITION OF MGE BY LAC. ARE THEY CORRECT?

A. No, I believe the Staff is far too limiting in their attribution of savings that have resulted from the merger. Mr. Lobser will address each of the identified savings and transition cost areas suggested as not being 'merger related'.

However, I believe it is important to delineate what typically is merger related and what is achievable by some other means, e.g., adoption of best practices. When I support companies with their synergies analyses, three categories are typically utilized to capture group potential synergies in terms of their relation to the merger: (a) created, (b) enabled and (c) developed. Savings defined as "created" would not exist 'but for' the merger, while "enabled" savings can be 'unlocked' by the transaction, that is accelerated or harmonized from the combination of the companies. Finally, the "developed" category typically refers to savings that could occur 'absent' the merger, i.e., adoption of best practices that would not have needed the transaction to achieve.

Mr. Majors identified 11 specific savings areas that he asserts are not related to the MGE transaction. These relate to custodial services outsourcing, security plans, call center outsourcing, field collection outsourcing, I&C synergies, transportation maintenance outsourcing, sales uplift, growth opportunities, Maximo enhancements, sales expansion and, MoNat office closings. If there are common themes in these areas, the first is the adoption of outsourcing as an integrated entity where one company had conducted the activity in-house and he second theme relates to top-line growth in the MGE service territory.

Q. IS OUTSOURCING A LEGITIMATE SOURCE OF MERGER-RELATED SAVINGS?

A. Yes, it can be. As I mentioned, there often are differences in how a company determines to best provide a service, i.e. internally or externally. The choice of outsourcing generally reflects some combination of an individual utility's cost level, scale, performance history and ability to effectively manage an outsourced relationship. If a company believes there is a better and cheaper option available than internal performance, it will outsource. Similarly, when internal performance is viewed as superior to outsourcing it will continue to execute with existing resources, all other things being equal. Each company will have made its determination based on its unique facts as stand-alone companies.

When a transaction occurs between two companies with different approaches, it forces the issue of how to integrate these two discrete models. In this situation, a choice is necessary to define a common model that will best meet the combined need of the larger business regardless of the individual starting point. The question is not whether outsourcing could have been accomplished without the merger. Rather it relates to whether the outsourcing situation provides even greater benefits on a combined basis than as a stand-alone entity.

When the acquirer is the outsourcer and has larger scale than the acquiree – as is the case with LAC and MGE for field collections – the use of a third-party has a high likelihood of continuing to be relied upon. However, converting the acquirer to the outsourced option also can be merger-related if the combined economics can be improved to a level beyond that enjoyed by the smaller, current outsourcer, as is the case with transportation maintenance and custodial services. And when an outsourced function has higher economies of scale then an external contract, it will make economic sense to outsource, as is true with respect to the call center and how rationalization across multiple companies can occur .

Q. ARE SAVINGS RELATED TO THE AVOIDANCE OF PRIOR OWNER JOINT AND COMMON COSTS LEGITIMATE SYNERGIES?

A. Yes, they are. These costs would have been incurred by the prior owner absent the transaction and reflected in the stand-alone financial forecast that Laclede's bid was based upon, i.e., future earnings would have been reduced by this additional O&M. Thus, MGE customers would have borne these costs in the absence of the acquisition.

From LAC's (and MGE's) perspective, avoiding these costs creates a direct benefit to MGE customers in lower costs than would have been borne by MGE customers. And as shown in my direct testimony, total Spire Shared Services costs have been significantly reduced from the acquisition, which benefits both LAC and MGE.

Q. ARE GROWTH RELATED REVENUES ALSO A LEGITIMATE SYNERGIES SOURCE?

A. Yes, they are. These opportunities particularly arise from LAC's ability to extend its existing sales programs to MGE which did not have similar programs in related areas in place or planned at the time of the acquisition. Thus, LAC brings an enterprise marketing and sales program to MGE which would not have been available absent the transaction as MGE had no plans for these programs and no investment earmarked for program stand-up. Conversely, LAC brought both a top-line focus and the inherent infrastructure, like the Salesforce CRM system to leverage to MGE. In this case, MGE would not have pursued a similar marketing and sales program on a stand-alone basis, and the potential for incremental revenues would have been foregone.

Q. WOULD PROCESS ENHANCEMENTS FROM INCREASED MAXIMO FUNCTIONALITY BE LEGITIMATELY CONSIDERED A MERGER SYNERGY?

A. Again, yes it would. This would be an enabled savings, since MGE was the beneficiary of Laclede's overall extension of its New Blue system to MGE and its continuing investment in integrated platforms that provide benefit to both entities.

These types of benefits resulting from information technology enhancement would not have been available to MGE unless it had definitive plans to conduct such investment for similar functionality on its own - which it didn't.

Q. **MR. FLAHERTY, DO CHANGES IN OPERATING MODELS FROM STAND-ALONE TO COMBINED AS A RESULT OF AN ACQUISITION CREATE MERGER-RELATED SYNERGIES?**

A. Yes, they do. The opportunity to realize savings from many operating areas, e.g., shared services or operations support services, often only arise due to the operating model change. When a combined company elects to operate its system in a different manner on a combined basis that it did before on a stand-alone basis, this has direct impacts to combined cost levels. And, when a company now leverages a transaction to think differently about aligning its total resources over an expanded service territory, this also gives rise to merger-related synergies.

Q. **ARE MR. MAJORS' ADJUSTMENTS TO LACLEDE'S COSTS-TO-ACHIEVE SIMILARLY UNFOUNDED?**

A. Yes, they are. Mr. Majors states that transition costs in the areas of MGE retired software, integration costs for MGE software, branding costs, and the Continuing Service Agreement (CSA) from Southern Union and ETE are not appropriate.

First, the unamortized costs of MGE's existing software is a legitimate cost-to-achieve, as it is a necessary and unavoidable expenditure incurred as part of the extension of LAC's information management system to MGE and the resulting integration of the LAC and MGE information technology applications. Second, as explained in the rebuttal testimony of Mr. Hyman, the software costs to integrate MGE with LAC's New Blue enterprise system is a legitimate cost of service, regardless of whether it is treated as transition cost or as simply a necessary, reasonable and prudent expenditure designed to implement a badly needed upgrade to MGE's aging information management system. Third, costs incurred to create a single corporate identity and culture, including "branding" costs, are a necessary transition cost that need to be incurred by merging companies to properly inform vendors, suppliers, customers and, the general public about how to do business with the new entity. While these costs are not directly related to synergies realization, they are part of bringing together multiple entities under a common culture, which is a critical aspect of providing consistent, quality shared services – those same shared services that provides significant cost reductions. They are also a legitimate cost-to-achieve in that they establish clarity about relationships with LAC and MGE as part of a new parent entity and enable the avoidance of separate and additional costs if no effort is made to communicate changes within the business. The rebranding of Laclede and unifying of the culture under a shared services business model was recognized at the time of the acquisition, though the actual name change occurred later. Finally, the costs related to the CSA are also a legitimate cost-to-achieve as these costs relate to ownership transfer, which by definition unlocked these synergies, and are a necessary element of transaction close and the transition from one owner to another, while still meeting the needs of customers despite different systems and business models. Transition costs are incurred because the transaction occurred and it is necessary to integrate the companies, not just to enable synergies capture, and the standard for inclusion relates to costs necessary to "integrate and merge the two entities into one organization".

Q. ARE MR. MAJORS' ADJUSTMENT TO THE LEVEL OF SYNERGIES AND COSTS-TO- ACHIEVE APPROPRIATE?

A. No, I do not believe so. As discussed above and by Mr. Lobserin his direct testimony, the savings identified and tracked by Laclede principally related to the created or enabled savings categories. Thus, they are either directly related to the transaction or the transaction acts as a catalyst for a fresh look at the manner in which the business operates across two companies versus one.

Mr. Majors' recommendation to not allow recovery of merger costs-to-achieve due to either a supposed insufficiency of information related to synergies capture or demonstration of merger savings in selected areas is inappropriate and does not pass the test of reasonableness given the data provided by Laclede and the nature of the savings themselves.

Ironically, Mr. Majors uses a very broad definition of transition costs when he seeks to disallow them on the theory that sufficient savings have not been achieved to offset them (see discussion of IMS costs by Mr.Hyman) but then uses a very narrow definition of such costs for other items, stating that they must be "....costs incurred in order to achieve synergy savings as a result of the transaction." He correctly recognizes that incremental expenses are incurred to integrate the operations of LAC and MGE, but he does not acknowledge how certain costs result from a transaction, e.g., branding, that are necessary expenditures to enable the combined company to operate seamlessly across its service territory. These types of costs are contemplated in the Stipulation and Agreement which states: "Transition Costs are those costs integrate and merge the two entities into one organization, and includes integration planning and execution, and "costs to achieve".

As noted above, transition costs are incurred because the transaction occurred and it is necessary to integrate the companies, not just to enable synergies capture. For example, merging companies will incur costs in areas like customer and vendor communications and information technology environment alignment that may not be related to specific synergies, but are necessary to enable effective business operation.

For all the reasons stated above, I do not believe Mr. Majors' adjustments are valid or well-reasoned and should not be accepted by the Commission.

Q. WHAT IMPACT WOULD ADOPTION OF MR. MAJORS RECOMMENDATIONS HAVE TO SPIRE AND LACLEDE AND WOULD THESE IMPACTS BE REASONABLE?

A. Mr. Major's adjustments have the effect of understating the level of legitimate savings realized, as well as the level of transition costs-to-achieve actually incurred. More importantly, his adjustments have the impact of reducing the recovery of out-of-pocket transition costs-to-achieve and confiscating value from shareholders in the form of diminished earnings and equity value.

It is clear that the level of total realized synergies well-exceeds the level of total transition costs-to- achieve that Spire has incurred. The Stipulation and

Agreement also clearly establishes the standard for recognition and recovery of transition costs-to-achieve on page 10 as: "Laclede Gas shall not include in customer rates any amount of transition costs that exceed the level of cost reductions actually experienced by the Company." As a result of Mr. Majors' incorrect assertions regarding the legitimacy of identified synergies and incurred costs-to-achieve, Spire is being inappropriately penalized for accomplishing exactly what it agreed to do, i.e., produce merger synergies at a level that are sufficient to create positive net benefits for customers. This is both bad public policy and an incorrect application of the standards set forth in the Stipulation and Agreement.

V. RESPONSE TO MS. AZAD'S DIRECT TESTIMONY ASSERTIONS

Q. WOULD YOU PLEASE SUMMARIZE THE ASSERTIONS AND RECOMMENDATIONS OF OPC WITNESS AZAD?

A. Ms. Azad makes a number of assertions in her testimony related to: the objectivity of my analysis of Spire's cost allocations; the sufficiency of evidence related to Spire's compliance with the Affiliate Transactions Rule (4 CSR 240-40.015) promulgated by the Commission; differences in underlying cost allocations amounts, and; differences in utilized cost allocation factors. She also recommends several actions be required by the Commission of Spire to improve the efficacy of the cost allocation process. Namely, Ms. Azad recommends that Spire be required to update and refile the current CAM with the Commission to reflect the most recent changes to Spire's business and cost allocations processes; improve the nature and level of training on cost allocation within Spire; and submit to a Commission-sponsored audit of Spire Shared Services

Inc.'s cost allocations approach. Finally, she proposes a downward adjustment of the level of allocated costs to be included in the cost of service to reflect prior-observed declining cost trends in underlying Spire Shared Services, Inc. costs.

I will respond to several of these assertions and recommendation. My rebuttal testimony should be read in conjunction of that of Mr. Krick and _______.

Q. MS. AZAD SUGGESTS THAT YOUR ANALYSIS DID NOT CONSIDER THE AFFILIATE TRANSACTION RULE OF THE COMMISSION (4 CSR 240-40.015), (THE "RULE") IS THAT CORRECT?

A. No, it is not. Ms. Azad asked whether I had reviewed the Rule prior to developing my testimony. My response to her data request indicated that while I was aware of this Rule, it had not been the basis for the specific analyses that I conducted in determining whether Spire costs were reasonable and consistent with this Rule. In fact, I conducted analyses of a number of areas not specifically referenced within the Rule and developed defined criteria across five specific areas of review: activity necessity and benefits, activity overlap, cost management, cost levels and trends and, allocation process. In my view, these additional areas provide additional context for evaluation of the reasonableness of Spire's cost allocations and are consistent with its intent. For my analysis, the Rule was simply a starting point and one element of the bases used to develop my analysis regarding the reasonableness of Spire's process and cost allocations.

As Ms. Azad is aware, Strategy& had conducted two prior assignments regarding cost allocations within Laclede or Spire. The first focused on comparing

Laclede's processes at the time and identifying recommendations for next stage evolution. The second focused more directly on the nature of changes that Spire could consider for adoption.

The Rule was reviewed in conjunction with the execution of this first assignment in 2015. Moreover, the Rule is similar to others in states that I have reviewed over the course of my involvement with stand-up or analysis of service company or shared services organizations. It focuses on standards, evidentiary needs and record-keeping requirements, among other areas, for regulated utilities in Missouri. While the Rule obviously has standing in Missouri, it reflects similar standards or requirements that exist in other states and / or have been promulgated by other authoritative agencies and bodies that address similar cost allocation challenges.

Q. WHAT OTHER AGENCIES OR BODIES ARE YOU REFERRING TO AND WHY ARE THESE STANDARDS ALSO RELEVANT?

A. Again, the Rule is controlling with respect to this matter, but additional complementary standards also exist that provide further perspective on the determination of the reasonableness of affiliate charges, and specifically, cost allocations. These standards are all relevant to the considerations in this case.

The agencies or bodies that I'm referring to include: the National Association of Regulatory Commissioners (NARUC); the Cost Accounting Standards Board (CASB), and; the FERC. Each of these entities has codified their perspectives regarding cost allocation efficacy.

These entities all embrace similar standards related to how costs are allocated, e.g., the guiding allocation framework and allocation factor selection, and certain entities address the topic of market tests. For example:

- **NARUC** – Their "Guidelines for Cost Allocations and Affiliate Transactions" has provided guidance since 1998 on cost allocation principles, CAMs, affiliate transactions, audit requirements, and reporting requirements, among other areas. One of NARUC's cost allocation principles that I use to guide my assessments includes: *"[Principle 2] The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates."* Moreover, NARUC provides guidelines for affiliate transactions in that, *"Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices."* NARUC defines "prevailing market price" as *"generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal."* NARUC's framework for cost allocations and affiliated transactions are complementary to the Rule. Moreover, a method of determining cost reasonableness that NARUC supports is benchmarking. In a "Transactions with Affiliates" overview, NARUC states, *"One way to determine if a cost is reasonable is to benchmark it to costs incurred for similar services. Benchmarking between utilities is possible because the utilities use the same Uniform System of Accounts allowing comparability."* In my previous testimony (pages 53-56), I note the relevance and importance of benchmarking in determining cost reasonableness and stated that this activity is utilized by Spire already and provides recurring comparability. In addition, Spire already procures a number of services from external parties that are conducted through formal requests for proposal, and also compares its internal wage and salary costs to the market. These processes both provide a direct comparison to what could be available in the market and are actually 'market tests' conducted in the normal course of business.

- **CASB** – The CASB has provided a number of Cost Accounting Standards (CAS) that serve as a basis for cost allocation evaluations. One of the relevant provisions includes CAS 418 "Allocation of Direct and Indirect Costs" which discusses a fundamental requirement that *"Pooled costs shall be allocated to cost objectives in reasonable proportion to the beneficial or causal relationship of the pooled costs to cost objectives..."* and specifically, *"The pooled cost shall be allocated based on the specific identifiability of resource consumption with cost objectives by means of one of the following* *allocation bases: (i) A resource consumption measure, (ii) An output measure, or (iii) A surrogate that is representative of resources consumed."* This serves as an example from another authoritative body of how it embraces similar cost allocation frameworks and standards. Spire utilizes a framework for cost allocation similar to that framed by the CASB. Moreover, in page 77 (Figure IX-1) of my testimony, I have provided how Spire's peers use similar cost allocation factors.

- **FERC** – In addition to the regulations set forth in Energy Policy Act of 2005, FERC provided further clarity on affiliate transactions with Order 707 in 2008, "Cross-Subsidization Restrictions on Affiliate Transactions." FERC highlighted that *"these restrictions will supplement other restrictions the Commission has in place to protect captive customers of franchised public utilities...from inappropriate cross-subsidization of affiliates."* One of the elements of the proposed rulemaking *"require(s) a franchised public utility with captive customers to provide non-power goods and services to a market-regulated power sales affiliate or a non-utility affiliate at a price that is the higher of cost or market price."* FERC's directive is similar to the Rule, which states that an entity *"compensates an affiliate entity for goods and services above the lessor of – A. The fair market price or B. The fully distributed cost."* FERC acknowledges that *"...defining a market price for general and administrative services is a speculative task,"* and *"As we have previously stated, the at-cost pricing standard for transactions for non-power goods and services from centralized service companies to franchised public utilities with captive customers benefits ratepayers through economies of scale, and eliminates the speculative task of defining a market price in these instances."* The rulemaking that has been set in place restricts cross-subsidization while avioding overly cumbersome cost allocation methods. Another issue that FERC addresses in Order 707 is the support of a centralized shared service model, similar to that adopted by Spire. FERC stated in its hearing that, *"we believe that centralized service companies can facilitate regulatory oversight and generally favor their use"* and further adds, *"The detailed accounting and reporting requirements applicable to centralized service companies greatly assists the Commission in regulating those entities in a multi-state context where individual states may have less authority to help oversee affiliate transactions."* The Commission noted that *"current reporting regulations are adequate to ensure compliance with the proposed restrictions on affiliate transactions"* and in the Order 707 rehearing *"that no additional reporting requirements are necessary at this time."*

As noted, these entities embrace similar standards for how cost allocations should be designed and executed. They each frame their perspectives in the same principles, i.e., 1) cross subsidization should be avoided; 2) a one-size-fits-all approach to allocations is inappropriate as differences to companies can exist, and 3) fully allocated or distributed costs provide a sound basis for aligning shared services costs with affiliate responsibility. Consequently, the entities recognize that the application of effective standards requires that multiple elements be assessed, which is consistent with my approach and testimony.

Q. HAS YOUR ANALYSIS BEEN CONDUCTED IN A MANNER CONSISTENT WITH BOTH THE COMMISSION RULE AND THE PRINCIPLES THESE ENTITIES PROSCRIBE?

A. Yes, it has. My analysis is consistent with the standards existing within the Rule and reflects its intent with respect to cost assignment and allocations. However, my analysis extends beyond the Rule as stated and specifically addresses several areas which directly relate to why and how costs are incurred, managed and distributed. From having conducted more than 20 assignments in this area, I believe that my approach provides significant rationale for Spire's Shared Services approach to service need and performance, establishes how shared services costs are planned and managed, compares costs to other similar entities, reviews how costs have been incurred, and reviews how cost allocations are executed. The sum of all of these analyses provides a substantial amount of additional data that both support the intent of the Rule and enable the Commission to view specific assessments that illustrate the reasonableness of Spire's costs.

Q. WHAT HAS MS. AZAD ASSERTED ABOUT YOUR OBEJCTIVITY AS AN ANALYST AND WITNESS FOR SPIRE?

A. Ms. Azad asserts that my involvement with Spire in the conduct of prior related assignments would suggest a lack of independence with respect to any assessment of related cost allocations in this case. She then attempts to buttress this assertion by suggesting that the lack of adjustment to either Spire's filed costs or in other assignments is somehow indicative of this lack of independence. On both counts she is incorrect and is making a false, inappropriate and unsubstantiated claim.

Q. WHAT HAS BEEN THE NATURE OF YOUR PRIOR CONSULTING INVOLVEMENT WITH SPIRE?

A. I have previously provided services to Spire or its operating companies in two primary areas: 1) the prior MGE and Alagasco acquisition transactions, and; 2) the conduct of an industry review of other utility shared services practices, and support for the design and development of the current Spire Shared Services, Inc. entity and related processes. In these assignments, Spire was interested in our independent perspective regarding the subject matter of these assignments and our development of recommendations that they could implement.

Q. HAVE YOU CONDUCTED SIMILAR REGULATORY ASSIGNMENTS THAT REQUIRED YOUR PROFESSIONAL OPINION ON CLIENT MATTERS WHERE YOU PREVIOUSLY PERFORMED RELATED WORK TO THE SUBJECT OF YOUR TESTIMONY?

A. Yes, I have. I have consulted regarding the utilities industry for over 40 years serving regulated companies, as well as state commissions and intervenor groups in earlier years. My prior experience with the provision of testimony has covered work performed on behalf of these clients related to capital project execution, merger transactions and other matters, including shared services organization stand-up and subsequent cost recovery. In each of these situations, the direct or rebuttal testimony I submitted reflected my best judgment and experience given the facts present in the specific matter.

Q. ON WHAT BASIS HAS MS. AZAD ASSERTED THAT YOU ARE NOT OBJECTIVE WITH RESPECT TO SPIRE IN THIS MATTER?

A. She has suggested that my prior involvement with Spire precludes my objectivity because I had direct involvement with the Company in design of the present cost allocation system. She then 'bootstraps' a passage from the Public Company Accounting Oversight Board (PCAOB) related to independence of an auditor to reinforce this assertion. Finally, she suggests that while I have conducted numerous reviews of shared services organizations and cost allocations, she believes that the absence of service company cost adjustments for inappropriately charged costs in these assignments is not reasonable.

Q. IS MS. AZAD CORRECT IN ANY ASPECT OF HER ASSERTIONS REGARDING YOUR OBJECTIVITY?

A. No, she is not. She is factually misinformed and offers a false premise upon which she makes her assertions, namely that prior professional involvement with a client leads to biased advocacy for that client. First, she incorrectly assumes that the work I performed for Spire was related to an analysis of transactions, i.e., an audit. To be clear, the scope of our work did not focus on transactions; rather, it focused on the reasonableness of the overall design and application of the cost allocation process. Ms. Azad thus starts her assessment with a fundamental misperception of what she thinks she is reviewing. Second, Ms. Azad cites a passage that provides an example that is not germane to me. I have no "….obligation to or interest in the client, its management, or its owners…." Strategy& consulted to Spire and has no direct or indirect constraint to our objectivity, like her Board of Director example would imply. Third, we were consultants to Spire, not management, i.e., we were not decision makers and accordingly are not reviewing our own decisions. We objectively provided our recommendations on how Spire could stand-up its shared services organization. Fourth, the services we provided to Spire were focused on *ex ante* shared services design, while my testimony addresses *ex post* adoption, processes and outcomes. These two focuses are uniquely different and individually or together do not create any impacts on objectivity. Fifth, Ms. Azad asserts that the lack of findings regarding inappropriate charges in prior work is illustrative of a further lack of objectivity. We were requested to review the manner in which Spire Shared Services Inc. was operating in support of the various entities within Spire as a whole and the consistency of application of the cost allocation process with its original intent. There should be no expectation that adjustments of that type would result since we were not reviewing 'charges' from transactions.

More problematic is the presumption that adjustments to affiliated charges should be expected from any review of material filed by a utility, regardless of the merit and structure of the process. While I have reviewed numerous shared services organizations and cost allocations results, my focus – and that of any objective reviewer – is on whether the process is well-defined, is working as it is intended and delivers reasonable results given its intent and application.

Q. DO YOU BELIEVE THAT MS. AZAD SIMPLY ASSUMES THAT COST ALLOCATION ADJUSTMENTS SHOULD BE NECESSARY TO SPIRE'S COST ALLOCATIONS?

A. The results of my prior cost allocation reviews did not result in the types of adjustments Ms. Azad believes must exist because: 1) utilities have been administering processes that have been consistently reviewed for decades by regulatory commissions and found to be consistent with relevant requirements; 2) the appropriate standard for review is whether the cost allocation process in place is yielding reasonable results in accordance with its design; and 3) Spire's cost allocation approach is similar when compared to that of other utilities and achieves reasonable outcomes

Ms. Azad does not appear to recognize or appreciate that utilities have been allocating shared services costs since before the adoption of the Public Utilities Holding Company Act of 1935 (PUHCA). This was a formative event with respect to intra-company alignment and payment for services provided between entities and established guidelines and restrictions on how service company costs should be addressed with subsequent establishment of Cost Allocation Manuals (CAMs) that still stand today.

Many state statutes and regulatory commission requirements subsequently reflected the principles within PUHCA in establishment of their own regulatory models. Thus, utilities have been allocating service company or shared services costs under stringent guidelines which reduce the potential for inappropriate charges requiring adjustment.

Ms. Azad's testimony – and her underlying bias – incorrectly assume that adjustments to cost allocation amounts are necessary to find that utilities have appropriately reflected their shared services costs.

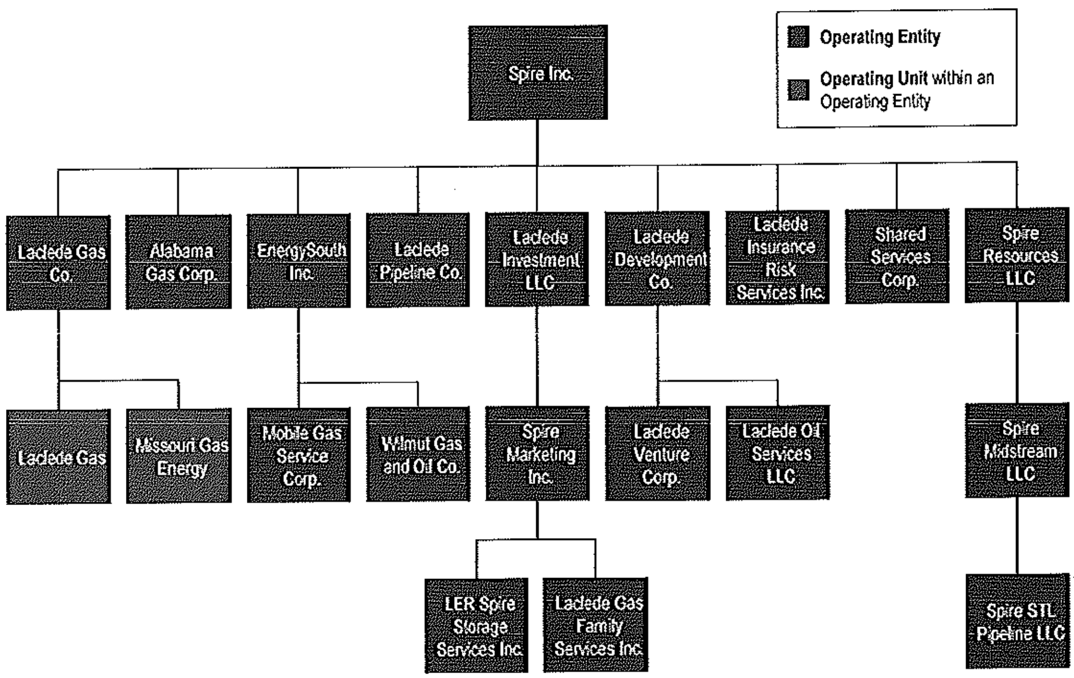
Finally, I would note that after having access for months to hundreds of pages and thousands of rows of data, Ms. Azad has not identified a single adjustment to any transaction charges from Spire Shared Services other than her incorrect reallocation of the New Blue information technology system which is further addressed by Messrs. Krick and Hyman.

Q. WOULD YOU COMMENT ON MS. AZAD'S ASSERTION THAT MANY AFFILIATES WITHIN SPIRE HAVE NOT BEEN RECEIVING ALLOCATIONS FROM SPIRE SHARED SERVICES, INC.?

A. Yes. Ms. Azad is both incorrect in her assertion that these affiliates do not receive cost distribution and ignores information available to her that explained Spire's rationale for cost assignment and allocations.

The Spire cost assignment and allocation system was established to enable the allocation of shared services costs among the operating utilities and to provide for direct cost capture and assignment to regulated and non-regulated entities, where appropriate. Ms. Azad notes that 12 of the 21 existing entities within Spire do receive direct charges or cost allocations and nine do not. We would note that within the current entity structure of Spire there are 19 entities and two operating units housed within the Laclede Gas Company entity, not 21 separate entities. Figure 1 below reflects the proper entity structure for Spire.

Figure 1



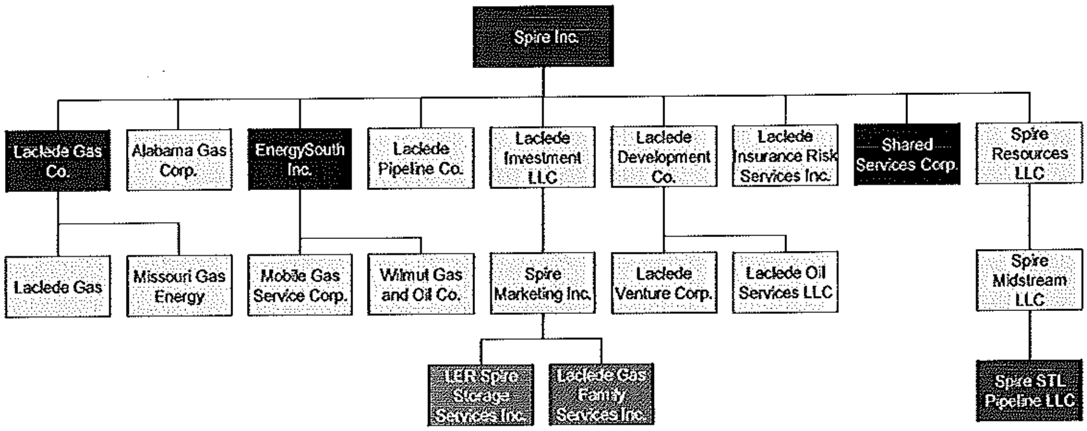
Ms. Azad also incorrectly indicates that Laclede Investment LLC does not receive any allocations from Spire Shared Services. Allocations to this entity can be seen in the OPC Calculation Support file on the "New Blue Derp Adj" (sic) tab row 27 (INV is the symbol for Laclede Investment LLC).

Of the 19 legal entities and 2 operating companies nine do not receive allocations, these are:

1. Spire Shared Services Company, Inc
2. Energy South, Inc
3. Laclede Gas Company (*Note allocations are shown under LGC however to allow for allocations the assets, revenue, and wages listed under LGC indicate Laclede Gas operating unit numbers, while MGE assets, revenue, and wages under MGE indicate Missouri Gas Energy operating unit numbers*)
4. Laclede Gas Family Services, Inc
5. Spire STL Pipeline LLC
6. Spire Inc
7. Spire Resources, LLC
8. Spire Midstream, LLC
9. LER Spire Storage Services, Inc

Figure 2 below provides the rationale for why these nine receive no allocations.

Figure 2



- Not intended to be cost centers. All costs are billed out to other entities → receives No shared service allocations. (EnergySouth Inc. and Shared Service Corp)
- For allocation purposes all assets, revenues, and staff are determined at the "Operating Unit" level → all allocations flow to Laclede Gas and Missouri Gas Energy "Operating Units." (Laclede Gas Co.)
- Entity was dissolved in September of 2016 and no longer receives shared service allocations. (Laclede Gas Family Services Inc.)
- Entities hold no assets, revenue or staff → receive not shared services allocations. (Spire Resources LLC and Spire Midstream LLC)
- Shared service costs that originate from or get allocated to the Spire, Inc. holding company are for the benefit of the subsidiaries and are allocated to the subsidiaries via direct charge or allocated through the Shared Services Corp. → No shared services allocations are held by the Spire, Inc. entity, there are however non-shared services costs held within Spire, Inc. (Spire Inc.)
- LER Spire Storage is a sub of Spire Marketing. Its portion of assets, revenues, and staff are held by marketing → shared service allocations charged to marketing. (LER Spire Storage Services Inc.)
- Start-up entity that will begin receiving allocations in FY 2018. Vast majority of costs to date have been direct charged, allocation would be minimal. (Spire STL Pipeline LLC.)
- Receive shared services allocations. (All Others)

Ms. Azad notes at page 14 of her testimony that almost 100% of Spire's revenues are generated from its gas utility and gas marketing business segments. These entities do receive allocations and direct charges except where noted above. For those entities not presently receiving cost allocation charges, the asset and resource based businesses, e.g., Spire STL Pipeline LLC, will begin to be allocated costs in FY2018 which will complement other direct costs during 2016. For the remaining entities, they are either shell ompanies or have no business activity. Ms. Azad's concern over these entities is misplaced.

Q. IS SPIRE'S APPROACH TO DEVELOPMENT OF ITS ALLOCATED COSTS CONSISTENT WITH THE RULE'S STANDARD FOR FULLY DISTRIBUTABLE COSTS?

A. Yes, it is. The Rule defines fully distributed costs to include ".... all costs incurred directly or indirectly used to produce a good or service." While the Rule does not definitively identify how to develop fully distributed costs, it does state that all the costs of the regulated utility should include all costs to complete the transaction, including appropriate allocation of joint and common costs. However, the language in the Rule – and the focus of the Rule itself – clearly is more directed at addressing the regulated entity's purchase of goods and services from affiliates, rather than the provision of goods and services to an affiliate.

In my view, Spire's cost assignment and allocation methodology is consistent with this standard. First, employees of Spire Shared Services are housed within the regulated utilities and thus original costs for these services initiate from the entity that is providing the service. Second, joint and common costs, i.e., for typical corporate center activities are identified and assigned or allocated to the affiliate that benefits from the activity or spread across the entities comprising the overall business. Third, the labor costs of Spire Shared Services include relevant loaders for benefits which further build total costs of performance. Thus, Spire Shared Services costs are fully distributed.

Q. DOES SPIRE ALSO UTILIZE MARKET INFORMATION TO TEST ITS COSTS AGAINST WHAT IS AVAILABLE FROM OTHER PROVIDERS?

A. Yes, it does this through the regular course of business execution. Spire utilizes third-party resources, i.e., market sources, for provision of various activities, such as for audit and tax services, construction management, call centers and, payroll. These outside service entities provide insight into comparative costs for performance and represent a market source for certain activities that best lend themselves to outsourcing.

As I mention with respect to Mr. Majors' asertions regarding certain synergies areas, LAC identified additional outsourcing opportunities related to either extending its current third-party arrangements across MGE or adopting existing MGE outsourcing across its similar activities. The use of third-parties in the normal course of business provides a useful view into the market for alternative service providers and therefore market costs.

My experience suggests that the incremental costs associated with reviewing internal costs for activities performed through a market comparison far exceeds its value, particularly when the appropriate assignment and allocation of costs captures these expenditures in a more useful manner and Spire already reviews market costs on an ongoing basis. In my view, adequare market test information already exists and Spire has met the requirements of the Rule.

The analysis I have conducted suggests that Spire's cost assignment and allocation methodology adequately enable it to effectively respond to the standards with the Rule regarding use of fully distributed costs and a market test.

Q. **DO YOU BELIEVE THAT MS. AZAD'S ADJUSTMENT FOR TRENDS IN**

ALLOCATED COSTS TO MISSOURI OPERATIONS IS APPROPRIATE?

A. No, I do not. Ms. Azad is 'cherry-picking' a single item for incorporation into the cost of service which amounts to single-issue ratemaking, which is not a generally accepted approach in historical test year rate cases. Further, Ms. Azad has mis-used the cost decline rate that was contained in my testimony and exhibits.

Ms. Azad has utilized a 3.3% compound annual growth rate (CAGR) to apply to 2016 shared services costs to the Spire Missouri Operations (including both LAC and MGE) to develop an estimate of what 'could' occur in 2017 if this trend continued. This is incorrect from several perspectives: First, the costs in 2017 are outside the test year and it is speculative to assume what those costs would have been, i.e., whether those costs could be higher or lower. Second, she is only addressing a single area of cost impacts in 2017 which ignores the impacts of inflation on all other costs and any changes to costs that occur as a result of non-escalation, e.g., regulatory mandates, new programs, operating requirements, etc. Third, Ms. Azad has assumed that an observed historical trend over three previous years (2014 – 2016) will continue at the same level into a succeeding year. Fourth, the predicate for changes into the cost base that underlies the declining CAGR is based on the impact of synergies from two large prior transactions that are not replicated in 2016 through EnergySouth. Fifth, she is mixing real and nominal dollars in her application of a declining real CAGR, i.e., inflation adjusted dollars to a nominal cost base, i.e., current dollars.

The shortcomings in Ms. Azad's overall approach reflect a flawed logic and cannot be relied upon. But, even if her logic were assumed to be reasonable, her calculation overstates the potential impact of the declining CAGR she observed in my testimony.

Ms. Azad utilizes the 2013 to 2016 3.3% CAGR real decline to Missouri operations in shared services charges, i.e., after adjusting for inflation, shown on my Figure VIII – 7 which resulted in a 2016 total of approximately $213 million. While the percent decline and Missouri operations 2016 baseline figures are correct, she applies an after inflation adjusted CAGR to a nominal dollar, i.e., unadjusted for inflation or actual dollars booked amount. This is an apples and oranges comparison, i.e., actual dollars versus deflated dollars comparison. Ms. Azad overstates the value of any adjustment by more than 100% even if her logic were correct, which it is not. To correct the record, if Ms. Azad were using the correct percent decline CAGR the adjustment would be $3.0 million, not the $7 million she proposes. This amount is approximate to the information provided by Spire for its updated results, although the purpose and bases for these calcualtions are different. But even this adjustment, as it is developed by her, is inappropriate.

Nonetheless, her errors do not stop at this calculation itself. The measured decline in shared services charges to Missouri operations reflects a single four year timeframe between 2013 and 2016. This timeframe reflected the realization of significant synergies from the Laclede and MGE transaction and modest synergies from the Laclede and Alagasco transaction. The significant early year impacts of these transactions cannot be assumed to continue at the same rate, particularly when Spire Shared Services costs are escalating overall at a 1.91% real rate, i.e., before inflation.

My testimony at pages 63 through 69 identify the changes in cost levels and types over this period and explains the impact of the mergers and other non-merger items on functional cost categories, i.e., reduction due to the mergers offset by other increases to business costs. The rate of decline in service company billings is driven by the realization rate of merger synergies versus the rate of growth in actual costs, including inflation. Ms. Azad assumes that the pattern of 2013 – 2016 will continue through 2017. This is entirely speculative and is incorrect for several reasons: 1) the merger synergies will be flat rather than growing; 2) the addition of EnergySouth at its small scale does not alter the shared services charges cost decline path in any meaningful way like the MGE and Alagasco transactions did; 3) 2017 as a year cannot be assumed to look like the 2013 – 2016 period, and; 4) escalation continues to grow at approximately 2% for general inflation, 4% for labor costs and 6% for medical benefits costs (based on a 30-year average growth rate)

These factors referenced above result in a declining rate of change in Spire Shared Services costs year-over year.

Table 2

	2013	2014	2015	2016
Total Shared Services Cost	$374,538,462	$344,329,196	$325,141,362	$322,368,740
Change in Cost Year-on-Year (Reduced Cost)		($30,209,267)	($19,187,834)	($2,772,622)

As the table indicates, real costs in 2013 of approximately $375 million decline to $322 million by 2016, but the rate of decline drops as continuing escalation offsets the level of synergies realized. And in fact, these costs are expected to increase in 2017 to approximately $344 million, which is completely opposite to what Ms. Azad assumes.

These factors – individually or taken together – would indicate that Ms. Azad's premise is false and her adjustment is without merit.

Q. DO YOU BELIEVE IT IS NECESSARY FOR THE COMMISSION TO ORDER AN EXTERNAL AUDIT OF SPIRE'S COST ASSIGNMENT AND ALLOCATION PROCESSES AND PRACTICES?

A. No, I do not. While the Commission has the prerogative and authority to order and undertake any investigation it considers necessary based on its observation of the facts and conditions, it is not justified in this circumstance.

As discussed in my direct testimony and exhibits, Spire Shared Services costs have declined on a real and nominal basis over the last four years which reflects prior expected merger impacts to cost levels. This decline also occurs notwithstanding several years of cost escalation at the levels I indicated above. Thus, there does not appear to be an adverse trend that needs to be investigated.

While the CAM could be enhanced by more fully reflecting specifics of the current cost allocation process and the evolution of Spire itself, the approach and processes in use today are still very much aligned with the CAM, but updated, as required, by the major events of needing to add the acquired entities so they are properly allocated costs in accordance with the CAM. The Company itself has acknowledged that the CAM will be enhanced as an outcome of this case and the maturing of its shared services model post-EnergySouth integration. While Ms. Azad calls into question several observed 'discrepancies' regarding baseline allocations, Spire entity allocations, and allocation factor utilization, these are directly addressed by Mr. Krick in his rebuttal testimony and would further suggest that an audit would neither be required nor productive in providing additional insight to the Commission regarding the Spire Shared Services model and its allocations process.

Q. **WHAT ISSUES HAS MS. AZAD RAISED RELATED TO THE MANNER IN WHICH YOU HAVE REVIEWED THE SHARED SERVICES COST FOR LAC AND MGE?**

A. Ms. Azad has asserted that LAC and MGE should be analyzed separately "...given that the two serve customers in distinct, separate areas of the state, and have their own employees." This is recommended "...to ensure that the charges recovered from MGE customers and LAC customers justly and reasonably represent the costs for providing services to those particular customers."

Q. **DO YOU BELIEVE THAT MS. AZAD IS CORRECT IN HER BELIEF THAT LAC AND MGE SHOULD BE EVALUATED SEPARATELY FOR PURPOSES OF ALLOCATIONS?**

A. No, I do not. While it is the case that the two utilities have non-contiguous service territories and distinct customer bases, this is not a relevant factor in determining the shared services costs allocated to each respective utility. Furthermore, the allocation of shared services costs to LAC and MGE is an output of the already established guidelines of Spire's Cost Allocation Manual, which already takes into consideration many of the distinct elements of the customer base and other cost causation drivers utilized for allocations.

An additional indication that these two operating units can logically be treated as one utility is the fact the Staff has deemed it appropriate in the past to approve a single CAM for both LAC and MGE, even while normal cost assignment and allocations would continue to apply to each operating entity to support their individual revenue requirements and customer rates. As stated in my testimony, total spend by Laclede dropped by $9 million in nominal dollars and $21.8 million in real dollars, representing a 1.4% and 3.3% decline per year, respectively (i.e., Compound Annual Growth Rate (CAGR) from 2013-2016). Overall, the decreases identified in Spire shared services billings represent its commitment to controlling the cost of its services to its affiliates. Further delineation of the utility into LAC and MGE would be of limited to no value in evaluating Spire's overall ability to control shared services costs.

Furthermore Ms. Azad offers no precedent or findings to support her assertion that LAC and MGE's allocated costs should be evaluated separately, with respect to the request of Spire. Ms. Azad only states that each operating unit 1) serves two distinct customer bases, without providing any discernable distinction, 2) operates in separate areas of the state, without providing rationale for why this would impact the cost of service, and 3) have their own employees, which while correct ignores the fact that these employees directly charge their costs to the operating unit for which they provide direct benefit or indirectly charge costs, which are then allocated as determined by the aforementioned CAM.

Given this lack of cited precedent and supporting rationale I see no meaningful distinction that requires LAC and MGE to be evaluated separately for the purposes of cost assignment and allocations when these costs are sourced from Spire Shared services for both entities.

Q. WHAT HAS MS. AZAD STATED REGARDING WHAT SHE CHARACTERIZES AS UNEXPLAINED INCONSISTENCIES AMOUNG SOURCE DOCUMENTS RELATED TO ALLOCATIONS?

A. Ms. Azad has stated that 14 of 25 allocation factors for Laclede, which were utilized during 2016 per the monthly allocations factors reports, were not listed in other sets of documents provided by the company for the same period. Further, Ms. Azad states that several other allocation factors differ yet from the allocation factors the company provided in response to discovery in the information presented to the PSC in the company's presentation in October 2016. And lastly, Ms. Azad asserts that these factors differ from Spire's response to OPC 1021.6. Based on this, Ms. Azad claims that the company's records present an inconsistent and incomplete listing that does not appropriately account for the figures in the testimonies of witnesses.

Q. DO YOU AGREE WITH MS. AZAD'S CONCLUSIONS RELATED TO ALLOCATION FACTOR INCONSISTENCIES?

A. No, I do not. We have tried to obtain workpapers or information related to this claim from Ms. Azad; however, at this point have not received any response, so we will reserve our right to circle back to this in surrbuttal. That said, from what I can see having reviewed the same material Ms. Azad used to arrive at this conclusion, it appears that she has taken an overly literal definition of allocation factors to claim there are several independent allocation factors across the documents she reviewed. In the cases where Ms. Azad sees 25 separate and independent allocation factors, I see seven primary factors most with slight variations depending on the scope of Spire business entities they support. This includes, for example, 3-factor allocations; where Ms. Azad sees four independent allocation factors (Corporate Wide (3-factor) Total, Gas Utilities Only (3-factor) Total, MO Gas Utilities (3-factor) Total, and MO Only (3-Factor) Total)[1], I see one allocation factor with four variations.

Ms. Azad further states that "The lack of unambiguous, consistent figures for the test year is an issue not addressed by Mr. Flaherty. This results in figures that do not appropriately reflect shared services charged and chargeable to Spire companies in the test year or known and measureable changes in charges reasonably anticipated to be allocated to LAC and to MGE for shared services for the period in which new rates would be in place." Again, the conclusion Ms. Azad reaches is based on an overly specific definition of an "allocation factor".

Ms. Azad also indicates in her tables on pages 32 and 33 that not all allocation factors were used consistently across calendar year 2016 and then uses these occurrences to support her claim of inconsistencies. This claim ignores the fact that

1 Spire leveraged payroll as a proxy for headcount prior to 2016.

five of the 25 allocations factors she notes are new to the shared services organization in FY 2017, therefore there should be no expectation of their consistent use across calendar year 2016. Additional allocation factors show sporadic use over the calendar year; however this is generally due to there being no allocated costs in these months that required allocations. This is at times the case for Field Ops HC related charges (these resources also charge directly when appropriate).

Ms. Azad further states at page 30 of her direct testimony that "The lack of unambiguous, consistent figures for the test year is an issue not addressed by Mr. Flaherty. This results in figures that do not appropriately reflect shared services charged and chargeable to Spire companies in the test year or known and measureable changes in charges reasonably anticipated to be allocated to Laclede Gas and to MGE for shared services for the period in which new rates would be in place." Again, the conclusion Ms. Azad reaches is based on an overly specific definition of the allocation factors that are utilized.

Q. **DOES MS. AZAD CITE ANY FURTHER ISSUES WITH YOUR ANALYSIS OF ALLOCATION FACTORS WITHIN YOUR TESTIMONY?**

A. Yes, Ms. Azad notes that my analysis was not representative of the changes to allocation resulting after to the company's acquisition of EnergySouth, which took place in 2016. Ms. Azad also cites that in 2016 Spire formed additional entities including Spire Resources LLC, Spire Midstream LLC, and Spire STL Pipeline, and that these entities were not included in my analysis.

Q. **WERE THERE REASONS THESE ENTITIES WERE NOT INCLUDED IN**

YOUR ANALYSIS?

A. Yes, these entities were not included due to their limited to no impact on allocated costs in the 2016 calendar year, as well as my focus on shared service related costs and cost trends from 2013 – 2016.

Spire Resources LLC and Spire Midstream do not hold any assets, revenues or resources and therefore did not receive direct or allocated shared services costs at any time from 2013 - 2016. For this reason they were not included in the analysis of shared services costs. In general Holding Companies receive no allocated costs from the Spire Shared Service Corp since no assets, revenue, or staff reside within the Holding Company. All costs that accrue to these entities are directly charged and always related to specific project work being conducted on behalf of these Holding Companies, e.g., M&A, special projects, etc. In these cases there are benefits costs that follow the directly charged resource costs, however these too get directly charged to the relevant Holding Company and do not flow through the Share Service Crop.

Spire STL Pipeline was excluded from the analysis due to the limited nature of allocated costs in calendar year 2016, Spire STL Pipeline was only included in Spire's FY2017 allocations and contributed only three months of data to the 2016 calendar year. Given the lack of data dating back to 2013 and the limited inclusion of allocated costs in calendar year 2016 these costs were not specifically called out in my analysis and represented limited dollars to allocated shared services cost in the 2016 calendar year.

Similar to Spire STL Pipeline, EnergySouth was excluded due to the limited impact on the 2016 calendar year shared services costs and the limited insight into historical costs dating back to 2013. At the time of my analysis Spire was still receiving transition services from Sempra who could not provide the required level of detail back to 2013. Furthermore due to inconsistancies between Sempra's and Spire's chart of accounts these costs could not be accurately mapped to Spire's shared services costs, even if they were available. Given this EnergySouth was excluded from my cost trending analysis as well as the overall shared service costs for calendar year 2016.

Q. **HAS MS. AZAD NOTED ANY ISSUES WITH THE ALLOCATED COSTS IDENTIFIED BY YOU IN YOUR TESTIMONY?**

A. Yes, Ms. Azad has noted perceived discrepancies between the allocated shared services costs from my testimony and the numbers provided by Spire through its monthly allocation reports. Specifically, she notes that the $57.5 million total from the monthly allocation reports represent less than half of the $121.4 million in allocated costs in my testimony. She further points out that the portion of the charges marked specifically as "shared services allocations" (excluding benefits and insurance) represents a perceived discrepancy of approximately $11 million between the two sources.

Q. **DID MS. AZAD SEEK TO CLARIFY THESE PERCEIVED DISCREPANCIES WITH YOU?**

A. Partially. Ms. Azad sought to understand the financial model that underpinned my assessment of allocated cost, but primarily focused on attempting to replicate the numbers provided in my testimony, apparently without an understanding of the foundational elements of how my analysis was conducted.

Q. **WHAT DRIVES THE DIFFERENCES BETWEEN THE $57.5 MILLION CITED IN MS. AZAD'S TESTIMONY AND THE $121.4 MILLION CITED IN YOUR TESTIMONY?**

A. It appears Ms. Azad's $57.5 million value is based on a summation of the allocated costs for LAC and MGE for the 2016 calendar year. In my original analysis, to support cost trending from 2013 – 2016, I separated benefits and insurance into their own distinct elements. The $121.4 million amount includes insurance and benefits to resources that charge to Spire's Shared Services entity, as well as benefits and insurance to all other resources within the Spire regulated utilities. Only shared service related charges that require allocation flow through Spire Shared Services, with all other costs related to shared services direct charged. For LAC and MGE the total Allocated Shared Services, Allocated Benefits, and Allocated Insurance total $121.4 million. Ms. Azad's total of $57.5 is a subset of these costs with the $63.9 million difference being Allocated Benefits and Insurance that are direct charged to LAC and MGE to cover these associated costs for non-shared services related operational staff.

Q. **MS. AZAD ALSO NOTES AN APPROXIMATELY $11 MILLION DIFFERENCE BETWEEN THE $57.5 MILLION IN ALLOCATED CHANGES FROM THE MONTHLY REPORTS AND $46.5 MILLION CITED AS ALLOCATED SHARED SERVICES IN YOUR TESTIMONY. WHAT**

EXPLAINS THIS DIFFERENCE?

A. There are two primary drivers for this difference. The first is related to the allocated benefits discussion noted above. Ms. Azad's $57.5 million total includes $8.3 million in benefits. These were included in the Allocated Benefits section my findings, not in the Allocated Shared Services costs Ms. Azad is directly comparing to.

An additional $2.1 million of this difference is related to payroll related clearing accounts Spire only recently incorporated into its allocations in 2016. For the purposes of my cost trending analysis these clearing account dollars were removed to permit an apples-to-apples comparison from 2013 through 2016. While these types of accounts are often used by utilities to capture costs on a temporary basis, they are not always recurring and are ultimately netted against other cost capture accounts.

The remaining $0.6 million is due to additional select eliminations related to indirect payroll items that were not consistently incurred across LAC, MGE, and Alagasco and therefore necessitated separation to ensure an apples-to-apples comparison for 2013 through 2016. These eliminations were maintained when evaluating LAC and MGE to ensure a consistent baseline of Spire Shared Services costs for comparison purposes. A summary reconciliation of cost differences are included in Table 3 below.

Table 3

Calendar Year Shared Services Total from monthly reports		$57.5 Million
Adjustment for benefits	–	$8.3 Million
Adjustment for clearing accounts	–	$2.1 Million
Adjustment to enable 2013 – 2016 cost comparison	–	$0.6 Million
Strategy& Allocated – Shared Services		**$46.5 Million**

Q. SHOULD THE ASSERTIONS AND RECOMMENDATIONS OF MR. MAJORS AND MS. AZAD BE ACCEPTED BY THE COMMISSION?

A. No, they should not. Neither Mr. Majors nor Ms. Azad are correct in their assertions and their recommendations are not justified.

Mr. Majors is incorrect in his claims that he did not have sufficient information to evaluate the LAC – MGE merger synergies and that LAC has not justified sufficient synergies to enable recovery of the level of costs-to-achieve described in the stipulation and agreement. His adjustments to both synergies and transition costs-to-achieve would adversely financially impact Spire and should not be accepted.

Similarly, Ms. Azad's assertions stem more from misunderstanding the information she reviewed than any incorrect information from Spire. Further, she has not shown that any benefits would be realized from the conduct of a separate audit of Spire shared services costs. Her recommendations should similarly be disregarded by the commission.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

COST ALLOCATION MANUAL

Annual Report
For the Fiscal Year Ending
September 30, 2018

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LIST AND DESCRIPTION OF ALL SPIRE MISSOURI FUNCTIONS THAT PROVIDE SUPPORT TO NONREGULATED AFFILIATES AND THE HOLDING COMPANY

Business & Economic Development

- Economic Development works with economic development organizations (EDOs) and public officials to draw new businesses into all Spire utility geographies.

- Business Development:
  - works with builders, developers, architects, and engineers to contract for natural gas service to newly constructed buildings;
  - administers multiple programs that incent existing customers to increase the efficiency of the existing appliance mix at their place of business or residence; and
  - works with existing homeowners and businesses to provide natural gas service where requested.
- Sales operations and analysis
  - Analysis and forecasting
    - Provide continual data support that measures business and economic development functions
      - Manages company-wide standard reporting of customers, new premise activations, renewals. Disaggregates reports to provide geographic and seasonal trending.
      - Develops ad-hoc reporting that identifies future areas of growth.
      - Manages Business and Economic Development core systems (e.g. Salesforce) and develops reporting to assist management in performance.
      - Develops forecasts for net customers and new premise activations across all Spire utilities to provide guidance on financial and operational planning.
  - New technology & efficiency engineering
    - Provide continual targeted engineering and technological support directly to customers to enhance their understanding of NG applications and expand use
      - Develops customized solutions for end-use customers that optimize their use and application of natural gas technologies. Support includes engineering analysis, technology recommendations, and operating costs analysis.
      - Identifies and evaluates new gas technologies for commercialization in utility geographies. Support includes engineering analysis, codes and standards, and cost structure.

Communications & Marketing

- Communications (employee & public)
  - Employee communications
    - Supports corporate and business unit initiatives pertaining to active and retired employees
      - Collaborates with customers to develop strategy for, and coordination of execution of, communications to active and retired employees, as well as supporting the coordination and execution of employee events with strategy, communications and creative services. Employee communications is also responsible for the following employee communications channels: inSpire, The Source, Spire TV, Bulletin Board fliers and posters, Communications Captains, Spire Connection, Spire app. Key internal partnerships are Human Resources, Real Estate & Facilities, Safety and Security.
  - Public communications
    - Supports corporate and business unit initiatives pertaining to the media, shareholders and other external stakeholders
      - Collaborates with customers to develop strategy for, and coordination of, media, PR and crisis communications; corporate citizenship (i.e. Spire Serves); regulatory and external affairs communications; investor communications; pipeline and safety communications; social media and the corporate website, with a emphasis on communication materials and brand management insights. Key internal partnerships are Regulatory & External Affairs, Corporate Development, Operations Services, Crisis Management and Investor Relations.
- Customer Engagement & Marketing
  - Supports corporate and business unit initiatives pertaining to business growth and retention, the brand experience and customer communications.

- Develops and executes strategic marketing plans to support growth and retention initiatives for all Spire businesses. Develops strategy and coordinates all avenues of customer communication, including (bill, My Account, IVR). Influences and strengthens the brand experience for all Spire businesses through communications, customer-facing technology and processes that impact customer service and field operations. Key internal partnerships are Business Development, Customer Service, Field Operations, Spire Storage and Spire Marketing.

- Creative Services
  - Supports corporate and business unit initiatives pertaining to brand strategy and standards
    - Upholds Spire's brand standards and is accountable for logos, voice and messaging, design, production, photography, videography, branded apparel, uniforms and merchandise, stationery, print collateral, signage, templates and fleet graphics. Also provides review of PowerPoint presentations on a case by case basis. Key internal partnerships are Executive, Investor Relations and the Shared Services functions.
    - Maintenance, application and continuous refinement of the Spire brand standards across the Spire enterprise.

Continuous Improvement

- Project Management – provides resources, resource planning, enterprise-wide prioritization, cross-project relationship coordination, status reporting, change management, and standards of quality, approach and work product. Project management services may vary in scope, from a dedicated full-time project management resource, to consulting/coaching others to lead projects. See appendix for greater detail.
- Continuous Improvement – provides value to the organization through initiatives that lead to earnings growth, enhanced quality, process efficiency, and metrics performance through a suite of methodologies and tools. Continuous Improvement will engage in both large-scale projects to identify and implement creative solutions, as well as lean "quick win," iterative efforts.
- Crisis Management – coordinates company response to any major emergency, accident, or incident that has threatened, or may threaten, the security, confidentiality, integrity or general operations of the Spire enterprise. All potential crises will be brought to Crisis Management's attention for awareness and to evaluate whether a greater response needs to be initiated. Crisis Management will work with all areas of the business to ensure preparedness, awareness and mitigation of potential risks that could lead to incident. Crisis Management will maintain the company-wide Crisis Management Plan (CMP), which outlines the structure, procedures and teams that respond to crises. Crisis Management will lend expertise in creating awareness and assisting departments in developing business continuity plans and evaluate completeness in Spire's overall business continuity profile.

Governance

- Project management will be required for GAIA projects and highly cross-functional projects. Projects will be proposed, prioritized and initiated through a structured process utilizing a project steering committee. Projects will be assigned project management support according to strategic priority, upon review by the project steering committee on an annual and periodic basis. Requests for project management of departmental budgeted projects (not rising to the level of high priority through the steering committee) will also be coordinated through Project Management, who will provide internal support or coordinate external resources as necessary. Project Management will partner with Supply Chain and HR to build external relationships and a pipeline of potential resources, so requests can be addressed as swiftly as possible. All project management shall be provided or coordinated through the Continuous Improvement department, with priority placed on strategic, cross-functional projects.

Corporate Development

- Supports evaluation of significant investment decisions and assists with the execution of strategic initiatives
- Support gas supply related initiatives, such as commodity, transportation, and storage contract and asset analyses and valuations. Support financial and cost-of-service for relevant FERC pipeline rate cases.
- Recommendations and presentations for potential acquisitions, investments, and other strategic initiatives, including new regulated and non-regulated businesses to Spire's Senior Management and Board of Directors.
- Assessment of strategic strengths, weaknesses, opportunities, and risks; creation of business cases and valuation models; performance of due diligence and coordination with outside advisors to evaluate potential business opportunities.
- Long term planning for the optimization of capital structure at regulated utilities and for the consolidated company; support for credit rating agency presentations and financing activities (both debt and equity).
- Analysis of key value drivers, market trends and peer performance for strategic planning process

External Affairs

- Regulatory:
  - Develop Regulatory Strategies (Utilities) – Monitor, research and assess the utility industry and regulatory updates in order to design strategies for enhancements to tariffs and rate design to better meet the needs of the utility businesses and its customers.
  - Advance Regulatory Relations and Awareness (Utilities) – Work on an ongoing and consistent basis with Commissioners, Staff, OPC/AG and consumer advocate agencies to provide updates and create mutual understanding of issues, address any concerns and maintain a proactive approach. Create a strong working relationship from which we are better positioned to advocate for or defend against opportunities and issues with which we are faced.
  - Administer Distribution and Commodity Rate Filings (Utilities) – perform necessary financial and operational data consolidation to manage periodic filings, required reporting and rate updates for PGA/ACA and WNA, ISRS and general rate cases, including any supporting design and forecast modelling. Develop innovative rate designs to meet the needs of customers and the business and create mutually beneficial mechanisms to further align the customer and company interests. Work with Finance, Operations Controller and Distribution Services to gather necessary data and have ongoing meetings with Customer Service/Community Relations and Business & Economic Development to better understand their needs and objectives/goals at each utility. On an as needed basis, provide support to Gas Supply for interstate pipeline rate cases and other gas supply portfolio issues that impact our gas utilities.
  - Administer Service Rules & Regulations (Utilities) – work with Legal, Distribution Services and Customer Service/Community Relations to administer tariffs and ensure required reporting is completed on a timely basis, and respond to inquiries, investigations and complaints in a way that resolves current elements and addresses any necessary changes to better serve customers going forward. Periodically meet with Customer Service, Business & Economic Development, Distribution Services and Distribution Operations to better understand their needs and objectives/goals at each utility.
  - Affiliate Transactions (Spire) – Manage the Cost Allocation Manual, related documents and annual reporting process in each jurisdiction and provide guidance to the business on the appropriate treatment of business activities and costs as they relate to cost allocation and the provision of shared services. Work with Finance, Gas Supply, Audit and Human Resources on an ongoing basis to ensure we're aware and can communicate any updates, advocate for and make updates and enhancements necessary to meet the needs of the business and comply with the Affiliate Transaction Rules.
  - Support/Advice (Spire) – on an as needed basis beyond those noted above, provide support to the other shared services functions related to regulatory treatment of projects/initiatives and new products/services or to the corporation for efforts that also extend beyond state regulation of the utilities.
- Governmental Affairs:
  - Advance Governmental Relations and Awareness (Utilities) – Work on an ongoing and consistent basis with other utilities, agencies and elected officials at the local, state and federal level to provide updates and create mutual understanding of issues, address any concerns and maintain a proactive approach. Create a strong working relationship from which we are better positioned to advocate for or defend against opportunities and issues with which we are faced. Develop a strategy for political contributions, attendance at events and awareness that supports such efforts with key elected officials across party lines and at the local, state and federal levels.
  - Address Constituent Issues (Utilities) – act as a liaison between the utility and local and state elected officials for constituent issues related to concerns and complaints impacting our customers and provide feedback on a timely basis. Work with Distribution Operations, Customer Service/Community Relations and Legal/Claims to respond to inquiries, investigations and complaints in a way that resolves current elements and address any necessary changes to better serve customers going forward.
  - Legislation & Policies Impacting the Business (Spire) – Develop and implement state and federal legislative strategies to advance the business and defend against detrimental activities by other stakeholders. Work with Company leadership and functional leadership to understand the goals and challenges faced and determine ways to change the statutory and governmental landscape to better meet the needs of the company and its customers, then work with state-level elected officials and other relevant stakeholders to best position the company before the legislature.
  - Support/Advice (Spire) – on an as needed basis beyond those noted above, provide support to the other shared services functions and the utilities and other business units related to legislative opportunities and challenges that may impact the corporation.
- Federal Regulatory Affairs:
  - Federal lobbying
  - Federal Energy Regulatory Commission matters

Finance

- Treasury - Primarily ensures that Spire has adequate liquidity and access to sources of longer term funding for both its day-to-day operations and investments to support the company's long-term growth strategies and targets through a consistent standardized process.
  - Managing the liquidity and funding of the enterprise and each entity
  - Maintains bank accounts across the enterprise
  - Issues and administers credit cards for the entire enterprise; policy owned by Supply Chain
  - Provides all inter-company funding
  - Manages short-term and long-term investments and borrowings, including working directly with Public Service Commission's Financing Authority.
  - Evaluates credit risk for the enterprise and each entity
  - Strategy and communication with credit rating agencies
- Accounting - Record and report financial transactions, as well as align business processes in key areas to reduce duplication of effort and improve efficiencies in the month-end closing process.
  - Recording, analyzing, and reporting operational and corporate financial transactions, internally and externally.
  - Manages, communicates, and oversees charging policy, which consists of giving capital and expense guidance for specific projects, financially approving capital work orders, managing the status of capital work orders and projects, as well as gatekeeping what initiatives meet the criteria to form an enterprise wide shared service initiative or what costs should be imbedded directly in the regulated utilities.
  - Ownership of Chart of accounts, including master data policy and strategy
  - Administers Corporate, Shared Services, & Operational Allocations as well as maintains all allocation factors, in conjunction with Financial Planning & Analysis.
  - Manages and files all SEC filings, in coordination with all affiliates and support functions across the enterprise.
- Tax - Manages the tax affairs of the Company. This includes managing tax risk and tax planning opportunities, while assuring all compliance matters are filed accurately and timely
  - Calculating, recording, and reporting the company's non-payroll tax expense, deferrals, and liabilities.
  - Income Tax provision calculation and budgeting
  - Administer franchise tax process and payments to municipalities
  - Filing various tax returns for all entities within Shared Services
  - Property tax administration
  - Support the organization in business development opportunities
  - Stay abreast of tax rules and regulations
- Investor Relations
  - Manages all investor communications and relationships.
  - Coordinates and oversees all shareholder communications (works with corporate secretary on governance communications)
  - Builds relationships with current and potential investors.
- Financial Planning & Analysis - Supports the overall enterprise, in collaboration with all the business units, stakeholders, and department heads, by creating and analyzing driver-based budgets, earnings targets, and communicate results to all levels of the enterprise.
  - Supports overall budgeting, forecasting, and long-range plan including management reporting and variance explanations.
  - Maintains centralized cost drivers, as well as allocation factors, to support budget, forecasting and reporting metrics.
  - Governs budget detail and collaborates with business units and department heads to build targets, owning standard analysis approach for all supporting functions
  - Oversees long-range plan targets and supports communication of these targets to external community, in collaboration with Investor Relations
  - Coordinates Board, Senior Management, and Management reporting packs to leadership.
  - Manages metrics for credit rating agencies, working along-side Treasury.
  - Models and provides business case support for Capital & O&M for the entire enterprise, staying aligned with the Strategy function.

Human Resources

- Talent Acquisition
  - Developing and executing strategic workforce development plans to attract, source, recruit, hire and onboard quality and diverse talent for full-time, contingent workforce, Co-op and Interns enterprise-wide. Collaborating with community based organizations and education institutions to develop a diverse and quality talent pipeline. Building partnerships with hiring managers for all Spire businesses.
  - Managing the process for Consultants/Contingent workers, providing the ability to leverage the entire workforce through providing data insight services to managers that will help streamline processes, providing solutions that will reduce non-productive time and assist with cost reductions.
- Talent Development
  - Providing employees easy access to a wide variety of development opportunities and learning resources, such as:
    - Spire Learning Center: provides a video library of courses that align to our Spire behaviors. These courses are offered free of charge to all employees.
    - Internally led training/developmental seminars and assessment testing – the Spire Talent Development team is certified to facilitate and lead training courses (some of which are eligible for Continuing Education Units (CEU)).
    - Externally led training/developmental seminars and workshops – Spire has partnered with organizations to provide developmental seminars and workshops for employees. Organizations include AAIM Employers' Association, Institute for Management Studies, and Southern Gas Association.
    - Partner with leaders and individuals to create succession and development plans.
    - Provide individual assessments and team workshops to build on individual and team strengths.
- Change Management
  - Applying structured processes and techniques using a defined set of tools to manage the people side of change to drive action and achieve desired results while minimizing the impact on the day-to-day business. These processes and techniques help individuals make successful personal transitions resulting in the adoption and realization of change. Change management works to maximize adoption and higher utilization by using the Prosci ADKAR change methodology.
- Diversity and Inclusion
  - Developing, implementing, and sustaining the strategic plan & direction of our company-wide D&I initiative. We will provide: guidance on how to cultivate and support a diverse and inclusive workplace; review of job descriptions for compliance with federal guidelines and other oversight entities: leadership and support of Employee Resource Groups (ERG's); staying abreast of best practices in D& I and adjusting our efforts where applicable; supporting in the creation of comprehensive recruiting materials that highlight our D&I commitment and developing/maintaining relationships with recruiting sources that will assist in our efforts to diversify our talent pipeline
  - Ensuring our selection process is non-discriminatory and comprehensive with targeted behavioral based questions administered by a panel of Spire employees to lessen the possibility of biased hiring decisions
  - Providing training on topics such as unconscious bias, cultural sensitivity and workplace anti-harassment/violence
  - Reviewing Equal Employment Opportunity (EEO) data to look for opportunities on how we can cultivate a workforce reflective of our diverse customer base through creation of programs and processes that support the growth and development of underrepresented groups
- Employee Engagement
  - Planning, designing, developing, implementing and evaluating employee engagement programs, events, and activities.
  - Researching and identifying opportunities to create consistency in various programs/events across the organization in an effort to provide positive employee experiences.
  - Identifying, analyzing and recommending solutions for various employee related issues surrounding new systems, training, change management and communications.
  - Managing employee service and retirement recognition programs.
  - Providing proactive support, advice, and guidance to managers and teams to help translate engagement and service results into meaningful actions and behavior change.
  - Working closely with Communications and Marketing to create materials that inform and communicate with employees using various communications channels.
  - Coordinating employee volunteer efforts and charitable giving employee campaigns.
- Employee Relations
  - Fostering Spire's "handshake at the door" culture throughout the employee's life cycle.

- Partnering with business leaders to attract, retain, and develop diverse leadership, talent, and technical capability pipeline.
  - Leading collective bargaining strategy and initiatives, assuring compliance with collective bargaining agreements and federal legislation, including contract preparation, negotiations, and interpretation.
  - Managing conflict resolution for all employees including grievance/arbitration resolution with respect to all collective bargaining agreements.
  - Consulting with leadership concerning issues that may have legal ramifications and significant risk to the organization, such as harassment claims and complex terminations.
  - Managing and advise on HR processes such as performance management, training, compensation philosophy and ensure administrative actions are executed on time.
  - Serving as a central contact for processing employee separations.
- HR Operations
  - Managing applicant tracking system and on-boarding processing.
  - Managing HCM system (Human Capital Management) and all data needed to identify an employee, including items such as salary data, personal data, work history data, education data, etc.
  - Managing payroll processes across entire enterprise, including employee timekeeping and payroll payments.
  - Managing generation and distribution of Form W-2 to all employees.
  - Maintaining all HR record retention in accordance with company policy.
  - Overseeing and managing employee drug testing processes and vendors.
  - Ensuring DOT driving compliance through management of driver's licensing throughout company.
- Total Rewards
  - Developing and implementing pay systems, practices, perquisites and processes that support and are aligned with Spire's compensation philosophy as approved by our Board of Directors.
  - Developing, designing and implementing health and wellness programs ensuring we provide competitive, comprehensive, and cost-effective solutions for our employees.
  - Designing and managing retirement and savings plans, tools, and expertise for employees to make informed decisions about their future during and after their working years.
  - Partnering with external service providers, internal communication expertise, and legal expertise to develop communication tools, educational seminars/webinars, and presentational materials with the objective of providing all employees the information they need to understand our compensation and benefit programs and make informed decisions.

Information Technology Services (ITS)

- Technology Strategy and Guidance
  - Research, discovery, and management of technology strategy and guidance to the overall enterprise and to specific business units
  - Strategic and tactical consultation and execution at the direction of the business units
- Infrastructure
  - Enterprise network, covering wired, wireless and cellular connections
  - Server administration and data storage, both at our data centers and in the cloud
  - Application hosting
- Information Security
  - Network security
  - Applications security
  - Access provisioning and management
  - Policies and Procedures
- Compliance
  - Software and hardware licensing management
  - Policies for all Information Technology services
- Communications

  - Phone systems/networks
  - Mobile devices and application management
- Core Application Systems
  - Customer Billing Systems
  - Processing and Scheduling Software
  - Customer Self Service Websites
  - Workforce Management Systems
  - Geographic Information Systems
  - Financial Accounting, Planning and Budgeting Systems
  - Enterprise Applications Interfaces
  - Asset Management Software
  - Human Capital Management Systems
  - Employee Intranet
- Enterprise Architecture
  - Systems Architecture and Design
  - Data Warehouse management and support
  - Data Analytics management and support
- Business Support Services
  - Project Management services for hardware and/or software implementations, development, enhancements and upgrades
  - Collaboration Software to facilitate collaboration across business units and the enterprise
  - Service Desk services, assisting users with all issues related to technology
    - Service Level Agreement – all issues submitted to the Service Desk through an incident in the ticketing system will be assigned and responded to within two hours of submission during regular business hours on business days
  - Asset acquisition services - purchasing technology related hardware, software and tools across the enterprise
  - Hardware/Software deployments to client devices
  - Enterprise Content Management, in a manner adhering to the policies and procedures

Internal Audit

- Engagement Scope
  - If significant consulting opportunities arise during an assurance engagement, a specific written understanding will be developed as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.
  - In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.
- Managing the Internal Audit Activity
  - The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.
- Policies and Procedures
  - The chief audit executive must establish policies and procedures to guide the internal audit activity.
- Coordination
  - The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

Legal and Corporate Secretary

- Legal Services
  - Provides all legal services required by the enterprise either through inhouse or outside counsel supervised by the Legal Department. Works with all affiliates, including Spire Inc. and all subsidiaries and all functions embedded within these affiliates, to provide guidance and assistance on all legal matters. All outside counsel will be employed through the Legal Department.
  - Develops and administers the standard forms for contracts and agreements across the enterprise; reviews all contracts and agreements (through either inhouse or outside counsel supervised by the Legal Department). The review and approval are evidenced by the initials of the reviewing lawyer on the signature page of the contracts and agreements.
  - Administers the Spire compliance program that applies to all subsidiaries.

- Corporate Secretary
  - Provides the governance support for all subsidiaries, including policy and procedure administration and will support the board of directors, members or managers, as applicable, of each entity.

Operations Services

- Engineering, GIS, System Planning and ROW
  - Engineering - leading, managing and coordinating construction services with operations that entails overseeing and directing the engineering aspects for natural gas transmission feeder and distribution mains and service lines. This includes replacement, reinforcement, relocation and economic development projects.
  - GIS - Lead, manage and coordinate the integrity of mapping and service records for Spire. It develops policies, procedures and standards related to GIS system maintenance, operations and services.
  - System Planning – development and management of the Master Plan Replacement Programs, as well as the planning and cost-effective expansion of Spire's natural gas systems. It oversees the planning and designing of system expansion into new territories focusing on the importance of economics and system design.
  - Right of Way – Create, track and secure the necessary easements and permits in a timely and cost-effective manner for Spire's construction activities. This includes the development and maintenance of positive working relationships with the municipalities, as well as state and county highway departments in our service territories.
- Pipeline Safety Compliance and Integrity
  - Pipeline Safety and Compliance -Develops, administers and monitors all pipeline safety related state and federal regulations and programs for distribution, transmission, hazardous liquid and storage operating functions at Spire. This group also functions as the liaison to state and federal pipeline safety regulatory agencies.
  - Damage Prevention - Develops, administers and monitors excavator and public educational activities to ensure the protection of pipeline infrastructure and investigation of excavation damages.
  - Operations Training, Standards & Testing - Develops, administers and monitors all operations training activities and manages all associated technical operating standards and procedures.
  - Employee Safety, Health and Environmental Compliance
  - Health and Safety - Ensures the health and safety of each entity's employees, contractors, customers and communities by working with local Spire Safety and Health Committees to confirm information, processes and better practices are shared. Major programs include SafeStart, Early Symptom Intervention, Nurse Triage, the Spire Safety and Health Summit, De-escalation and workplace violence programs and safe driver training.
  - Environmental Compliance - Develops, administers, and monitors all environmental local, state and federal regulations and programs for all of Spire's facilities. It functions as liaison to local, state and federal environmental regulatory agencies. It works with the Spire Corporate Social Responsibility Program.

Real Estate, Facilities, Records Information Management (RIM)

- Real estate procurement & disposition
  - Identifying and procuring properties, including land and building, to meet the identified needs of the various entities
  - Facilitate the negotiation of lease/purchase agreements (land and property) with Spire Legal support
  - Lease administration

- Disposition of excess property (land and buildings)
- Construction Management Services
  - Construction built on or attached to a company-owned or leased facility for its operations
  - Long-term planning needs and assessment
  - Coordinate design, build and construction management
- Maintenance & Custodial Services
  - Maintenance/Repair of any structure built/attached to an owned or leased facility
  - Grass-cutting, landscaping, snow removal, etc.
  - Janitorial services at all owned or leased facilities
  - Utilities Processing/Sustainability/Energy Management
- Workspace Management
  - Space Planning (including conference rooms/storage/warehouse space) for all facilities
  - Workspace moves/adds/changes at all facilities
  - Space utilization analysis at all facilities
  - Office furniture procurement/disposition for all furniture at all facilities
  - Design services for all facilities
- Hospitality Services
  - Main office meeting and specialty rooms set-up and coordination
  - Event support and set-ups at office and operating centers
  - Food & beverage service at office and operating center
  - Office supplies coordination at all facilities
  - Coordination of parking at all facilities
  - Mail and parcel delivery at all facilities
  - Records & Information Management
- Educating employees on RIM Policy and Procedures – The RIM team ensures training is current and ongoing. Efforts include:
  - Onboarding RIM training
  - RIM awareness via corporate communications
  - Record Coordinator training
  - RIM training classes through the Spire Learning & Development Center
  - Online education via the RIM website
- Maintaining the Records Retention Schedule – The RIM team works with Legal and businesses to determine the retention requirement for each entity's respective Records.
- Storing and ordering and tracking Records from Offsite Storage – The RIM team will contract for necessary offsite storage and order and track boxes from offsite storage.
- Onsite file space is assigned by the RIM team based on departmental needs.
- Managing the Company's historical artifacts – The RIM team inventories and securely stores Company artifacts.
- Managing large-scale imaging projects for businesses – The RIM manages imaging projects for the enterprise, coordinating the projects with departments and the enterprise's imaging vendor.
- Managing the secure shred service – The RIM team ensures secure shred service is available across the enterprise using a single service provider. Service levels vary between offices depending on their needs.

Security

- Access Control and Security Monitoring – Security has standardized access control and provides guidance by policy along with its requirements of the use of the building access request form, preferred vendors and visitor management programs at all facilities. We continue to utilize new technology and upgrade security infrastructure as part of process improvement in both access control and security monitoring at all facilities.

- Incident Reporting – Employees are required to report incidents by policy to the appropriate security operation enter in their regions. Incidents are investigated, followed up on and analyzed to resolution. Security uses this data to further develop strategies that keep employees safe and facilities secure.
- Off Duty Officer Program – The Off-Duty Police Officer Program is designed for the safety and security of our field workers. Certified police officers work patrolling high-crime areas where our workers are present. They also respond to incidents, such as shots fired, suspicious person(s), disturbances, and threats, when requested by crews. They are dispatched through our Security Operation Center via cell phones and monitored via GPS.
- Security Committee – Each region has a Security Task Force/Committee that works hand in hand with security, consisting of members from Legal, Human Resources, Customer Experience, Operations, Safety and Crisis Management. Each task force/committee meets to discuss safety or security issues that occurred previously. Each member brings their ideas and suggestions forward in a collaborative effort to solve issues that help our workers stay safe and enhance security.
- External Utility Task Force – An external Utility Task Force has been formed with local utility companies to combat crime against employees and help reduce risk to field employees. Meetings are held to discuss items that may affect each company; such as irate/threatening customers, crime trends in certain neighborhoods, information sharing regarding Off-Duty Police Officer patrols, and new state of the art technology that could potentially be used jointly by all utility companies.

Supply Chain / AP

- Procurement
  - Creation, maintenance and implementation of enterprise wide purchasing guidance that details governance to initiate purchases within defined limits and parameters utilizing a Spire credit card as well as the purchase order process
  - Coordinating the purchase of goods and services
  - Executing day-to-day purchase orders based on existing agreements
  - Resolving billing, invoicing, purchase order discrepancies
  - Issuing RFx for non-strategic purchases
  - Assisting Category Managers on strategic purchases
  - Expediting the delivery of goods and services, when requested
  - Maintaining positive relationships with vendors
  - Assisting and training end users on procurement and Oracle questions
- Strategic Sourcing
  - Creation, maintenance and implementation of enterprise wide, structured and formalized process to ensure fair and optimal sourcing outcomes
  - Development and implementation of enterprise wide, weighted criteria, such as cost, quality, efficiency, safety, risk and timeliness utilized in the purchase decision process
  - Leverage spend across the enterprise for best results
  - Coordinating with end users and departments to understand their needs and ensure they are met
  - Negotiating and executing contracts with vendors on strategic needs
  - Coordinating with Legal on master contract templates
  - Working toward standardization across all of the entities
- Accounts Payable
  - All AP core service requests for service delivery shall be managed by the Supply Chain/AP department except where indicated as follows:
  - Right of Way payments
  - Confidential claims & benefit payments (speak to Boyan for more possibilities)
  - Timely and efficient AP invoice entry and payment processing and reporting any AP-related refunds.
  - Batch invoice processing with integrated systems such as iExpense, CCB customer refunds, tax payments, and Ascent (legal claims).
  - Responding to inquiries from internal and external customers related to AP.
  - Resolving holds and workflow system issues related to AP invoices/payments.
  - Providing month end accrual reporting to Finance.
  - Assist with IRS 1099 and state escheat reporting as needed.
  - Adhering to Sarbanes Oxley controls related to AP.
- Supply Chain Performance

- All expense reporting expertise across the overall enterprise
- Exclusively supports the Supply Chain/AP department by delivering the following services for the department including:
- Reports and metrics that enable Supply Chain Management, and the overall enterprise, to better manage their areas
- Process and system efficiencies/improvements across Supply Chain
- Supplier master data management across the overall enterprise
- Supplier setup
- Ad hoc data analysis
- Spend analysis
- IT coordination and testing
- SOX management
- Monthly JE's and analysis

- Inventory
  - All inventory related activities for the enterprise, specifically:
  - Requisitioning inventoried items when necessary to support material demands.
  - Receiving incoming material shipments from suppliers.
  - Fulfilling material requests for field employees and contractors.
  - Packing and staging materials to be delivered to operating centers or job sites.
  - Maintaining and managing clean, organized storeroom facilities and pipe yards.
  - Performing regular cycle counting activities to ensure optimal accuracy levels.
  - Delivering/transferring materials between entity locations and job sites as necessary.
  - Maintaining and managing the enterprise's material catalogs, including the addition of new items and inactivation of obsolete materials.

Transportation and Claims

- Fleet Vehicles: Provides fleet support to the entire enterprise. All vehicles, equipment and fuel needs required by the enterprise are evaluated, purchased, maintained, repaired and monitored by Transportation. Determine functional requirements of all vehicle classes with respect to business groups. Standardizing where appropriate to optimize procurement, quicken delivery to business, and improve operational efficiency. Provide life cycle performance, review and determination for replacement cycles.
- Equipment: Determine functional requirements for all equipment classes with respect to business groups. Standardizing where appropriate to optimize procurement, quicken delivery to business, and improve operational efficiency. Provide life cycle performance, review and determination for replacement cycles.
- Vehicle and Equipment Services: Provide a standard approach to preventative maintenance (PM) on all vehicles and equipment. This includes determining PMs intervals, PM services, and analysis of PM program to improve reliability and reduce costly repairs. Provide inspections related to licensing, CNG systems and Department of Transportation (DOT). Maintaining inspections to meeting regulatory compliance and improve safety. Transportation provides emergency services through field visits by employee and/or vendor services and maintains two garages in St Louis, one in Birmingham, AL and one in Mobile, AL.
- Fuel Services: Fuel services are provided by three services available through-out the enterprise. Vendor provided wet fueling, fuel card and underground storage tanks. Transportation furnishes accountability for all fuel usage, which includes gasoline, diesel, E85 and natural gas. To the extent practical, to provide usage reporting by GPS data to assist in lowering fuel cost.
- Claims Support. Administers all claims made against Spire. Investigates, evaluates, and settles vehicle accidents, property damage to private parties, damages to other utilities, personal injury claims and any other claims.
- Auto Accidents: Administer a functional (eventually paper-free) system to enhance auto accident reporting.
- Personal Injury: Document non-employee injuries or possible injuries.
- Claims-property: Administer a standard approach for reporting all claims, including property damages.
- Assist Legal Department: Assist Legal Department with all litigation and investigations. This will include maintaining and collection of documents that may be needed.
- Auto Accidents; Personal Injury Vision; Claims-property
- Assist Legal Department

PROCEDURES USED TO MEASURE AND ASSIGN COSTS TO NONREGULATED AFFILIATES AND THE HOLDING COMPANY FOR EACH FUNCTION

Function	Procedure
♦ Salaries, fringe benefits, and payroll taxes (excl. charges to SSC)	♦ Salaries allocated on a fixed-percentage basis or actual tracked time. Benefits and taxes charged as a % of payroll dollars based on a ratio developed from actual expenses on a quarterly lag.
♦ Physical Space Rent	♦ Allocation based on square-footage by department. A secondary allocation applied for each department that estimates the % of time the department supports each affiliate.
♦ EDP System Expense	♦ Depreciation for EDP system is allocated as a % of payroll. Payroll and G&A expenses related to IT and system support are allocated through various shared service allocations.
♦ Contract wages, fringe benefits, and payroll taxes	♦ Direct charges for wages. Benefits and taxes charged as a % of payroll dollars based on a ratio developed from actual expenses on a quarterly lag.
♦ Outside Audit Fees	♦ Allocated based on 3-Factor Formula or direct charge
♦ Depreciation Expense	♦ Allocated based on percentage of payroll
♦ General and Administrative Expenses	♦ Direct charge or through various shared service allocations
♦ Directors Fees and Expenses	♦ Allocated based on 3-Factor Formula
♦ Property and Liability Insurance	♦ Allocated based on percentage of net plant and equipment
♦ Shared Service Company Costs	♦ See Appendix A

LIST AND DESCRIPTION OF EACH SERVICE AND GOOD PROVIDED TO SPIRE MISSOURI FROM EACH AFFILIATE AND THE HOLDING COMPANY

From Affiliate	Service and Good	Description
♦ Spire Marketing	♦ Natural Gas Supply	♦ Sale of natural gas and the associated transportation services.
♦ Spire NGL	♦ Propane Sales and Transportation	♦ Operation and maintenance of propane pipeline connecting Spire East propane storage facilities to propane supply terminal.

LIST AND DESCRIPTION OF EACH SERVICE AND GOOD PROVIDED BY SPIRE MISSOURI TO EACH AFFILIATE AND THE HOLDING COMPANY

Service and Good	Description
General & Administrative Expenses	Includes all expenses under FERC 921
ITS System Expenses	Wages and EDP Costs
Property & Liability Insurance	Property insurance Excess Liability insurance Workers' Compensation insurance
Rent	Physical office and storage space of primary location
Wages & Salaries	Includes wages, fringe benefits, and payroll taxes
Energy-Related Goods and Services	Sale or release of natural gas supplies and transportation capacity

DOLLAR AMOUNT OF EACH SERVICE AND GOOD CHARGED TO EACH AFFILIATE AND THE HOLDING COMPANY BY SPIRE MISSOURI, AND THE TOTAL COST RELATED TO EACH SERVICE AND GOOD LISTED

Service and Good	To Affiliate	$ Amount Charged	Total $ Cost
Annual Reporting [1]	Alabama Gas Co.		
	Laclede Energy Resources, Inc.		
	Spire Storage Inc.		
	Spire CNG		
	Laclede Development Company		
	Laclede Investment, LLC.		
	Laclede Insurance Risk Services, Inc.		
	Spire Oil Services, LLC		
	Spire NGL		
	Spire Inc. (Corporate)		
	Laclede Gas Family Services, Inc.		
Directors & Officers:	Spire Alabama Inc.	198,824.10	748,826.87
-Insurance	Spire Gulf Inc.	36,620.37	
	Spire Mississippi Inc.	6,433.95	
	Laclede Development Company	249.11	
	Spire Marketing Inc.	18,037.83	
	Laclede Insurance Risk Services Inc.	747.44	
	Spire Oil Services LLC	199.27	
	Spire NGL Inc.	573.07	
	Spire Storage West LLC	13,646.69	
	Spire STL Pipeline LLC	2,018.11	
	Spire CNG Inc.	946.71	
Corporate Costs	Spire Alabama Inc.	354,586.53	1,376,500.49
-Directors Pension Expense	Spire Gulf Inc.	65,246.12	
-Fees / Expenses	Spire Mississippi Inc.	11,424.95	
-Directors Stock Based Comp	Laclede Development Company	412.95	
	Spire Marketing Inc.	35,789.01	
	Laclede Insurance Risk Services Inc.	1,514.15	
	Spire Oil Services LLC	412.95	
	Spire NGL Inc.	1,101.20	
	Spire Storage West LLC	18,720.41	
	Spire STL Pipeline LLC	3,716.55	
	Spire CNG Inc.	1,651.80	

1 Charges included in G&A Expenses.

Spire Miscellaneous Expenses[2]		Alabama Gas Co. Spire Marketing Inc. Spire Storage Inc. Spire CNG Laclede Development Company Laclede Investment, LLC. Laclede Insurance Risk Services, Inc. Spire Oil Services, LLC Spire NGL Spire Inc. (Corporate) Laclede Gas Family Services, Inc.				
Outside Audit		Spire Alabama Inc. Spire Gulf Inc. Spire Mississippi Inc. Laclede Development Company Spire Marketing Inc. Laclede Insurance Risk Services Inc. Spire Oil Services LLC Spire NGL Inc. Spire Storage West LLC Spire STL Pipeline LLC Spire CNG Inc.		1,052,523.10 58,667.97 5,246.62 108.02 9,135.68 377.11 95.67 274.73 14,800.73 937.05 2,936.92		2,502,117.33
Depreciation Furniture & Fixtures		Spire Alabama Inc. Spire Gulf Inc. Spire Mississippi Inc. Laclede Development Company Spire Marketing Inc. Laclede Insurance Risk Services Inc. Spire Oil Services LLC Spire NGL Inc. Spire Storage West LLC Spire STL Pipeline LLC Spire CNG Inc.		- - - - 1,208.31 - 102.30 211.97 1,377.33 219.80 452.07		146,138.93

2 Charges included in G&A Expenses

General & Administrative Expense [3]		Spire Alabama Inc.		2,081,060.09		22,968,765.61
		Spire Gulf Inc.		385,404.88		
		Spire Mississippi Inc.		91,213.27		
		Laclede Development Company		7,198.38		
		Spire Marketing Inc.		442,987.93		
		Laclede Insurance Risk Services Inc.		12,677.20		
		Spire Oil Services LLC		40,019.17		
		Spire NGL Inc.		57,481.62		
		Spire Storage West LLC		262,467.50		
		Spire STL Pipeline LLC		60,340.06		
		Spire CNG Inc.		137,544.51		
		Spire Inc. (Corporate)		463,809.16		
Property & Liability Insurance		Spire Alabama Inc.		5,377,660.65		20,121,809.88
		Spire Gulf Inc.		817,645.97		
		Spire Mississippi Inc.		162,047.94		
		Laclede Development Company		17,113.67		
		Spire Marketing Inc.		1,316.43		
		Laclede Insurance Risk Services Inc.		-		
		Spire Oil Services LLC		5,265.73		
		Spire NGL Inc.		9,215.04		
		Spire Storage West LLC		495,584.89		
		Spire STL Pipeline LLC		408,900.84		
		Spire CNG Inc.		57,923.17		
Rent		Spire Alabama Inc.		793,307.86		4,085,760.82
		Spire Gulf Inc.		146,007.58		
		Spire Mississippi Inc.		25,377.51		
		Laclede Development Company		695.27		
		Spire Marketing Inc.		172,863.20		
		Laclede Insurance Risk Services Inc.		2,781.10		
		Spire Oil Services LLC		695.27		
		Spire NGL Inc.		2,085.82		
		Spire Storage West LLC		33,720.80		
		Spire STL Pipeline LLC		6,605.10		
		Spire CNG Inc.		25,919.91		

3 Does not include costs incurred for materials or services specifically attributable to goods or services provided to an affiliate, which are directly charged to the books of the affiliate using standard voucher account distribution procedures.

Personnel Costs -Wages & Salaries -Payroll Taxes -Pensions & Benefits -Other Employee Benefits		Spire Alabama Inc.		15,224,961.85		134,958,166.83
		Spire Gulf Inc.		2,687,491.50		
		Spire Mississippi Inc.		546,751.43		
		Laclede Development Company		14,243.24		
		Spire Inc. (Corporate)		1,416,238.35		
		Spire Marketing Inc.		5,233,443.66		
		Laclede Insurance Risk Services Inc.		37,803.29		
		Spire Oil Services LLC		311,071.20		
		Spire NGL Inc.		582,909.79		
		Spire Storage West LLC		2,615,386.75		
		Spire STL Pipeline LLC		2,474,391.58		
		Spire CNG Inc.		219,119.26		
EDP System Expense		Spire Alabama Inc.		-		13,564,205.06
		Spire Gulf Inc.		-		
		Spire Mississippi Inc.		-		
		Laclede Development Company		-		
		Spire Marketing Inc.		114,021.61		
		Laclede Insurance Risk Services Inc.		-		
		Spire Oil Services LLC		9,494.94		
		Spire NGL Inc.		19,714.45		
		Spire Storage West LLC		130,408.49		
		Spire STL Pipeline LLC		20,809.87		
		Spire CNG Inc.		41,276.44		
Energy-Related Goods and Services		Spire Marketing Inc.		-		34,310,301.14
		Laclede Oil Services, LLC		22,104.96		
TOTAL				**$ 46,248,128.83**		**$ 234,782,592.96**

DOLLAR AMOUNT OF EACH SERVICE AND GOOD PURCHASED FROM EACH AFFILIATE AND THE HOLDING COMPANY BY SPIRE MISSOURI, AND THE TOTAL COST RELATED TO EACH SERVICE AND GOOD LISTED

From Affiliate		Service and Good		$ Amount Charged		Total $ Cost
Spire Marketing		Natural Gas Supply and Transportation Services		71,690.016		68,165.746
Spire NGL		Propane Sales & Transportation		1,038,000		951,785
TOTAL				72,728,016		68,166,698

LIST AND DESCRIPTION OF EACH SUCH LINE OF BUSINESS ENGAGED IN BY SPIRE MISSOURI WITH NON-AFFILIATED THIRD PARTY CUSTOMERS FOLLOWING FORMATION OF A HOLDING COMPANY AND THAT WOULD NOT REASONABLY BE CONSIDERED AS A COMPONENT OF ITS REGULATED UTILITY BUSINESS

Non-Regulated Activity	Description
♦ Customer Service (HVAC, Home Sale Inspections, etc.)	♦ Repair and maintenance of HVAC systems; Performance of home sale inspections
♦ Propane Storage and Exchange	♦ Provide propane storage and exchange services

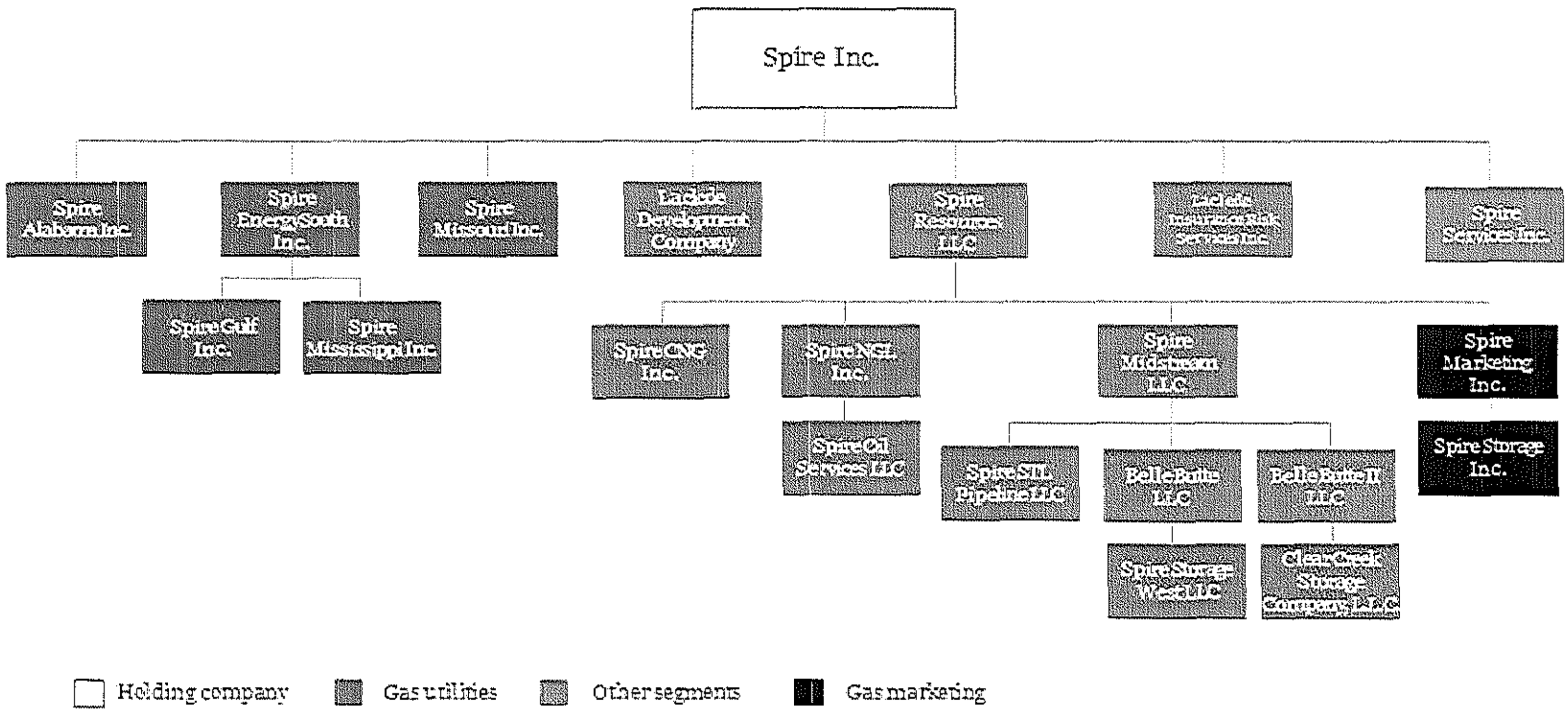
TOTAL AMOUNT OF REVENUES AND EXPENSES FOR EACH NONREGULATED ACTIVITY FOR THE LAST FISCAL YEAR

Non-Regulated Activity		Revenues		Expenses
Customer Service (HVAC, Home Sale Inspections, etc.)		$ 2,016,661		$ 2,444,300

LIST ALL JURISDICTIONS IN WHICH SPIRE MISSOURI, THE HOLDING COMPANY, AFFILIATES, AND SERVICE COMPANY, IF FORMED, FILE AFFILIATE TRANSACTION INFORMATION

- Missouri

ORGANIZATIONAL CHARTS FOR SPIRE. (CORPORATE STRUCTURE), SPIRE MISSOURI AND ANY OTHER AFFILIATE DOING BUSINESS WITH SPIRE MISSOURI



Organization by Function

Suzanne Sitherwood
President and Chief Executive Officer

Steve Lindsey
Executive Vice President
Chief Operating Officer of Distribution Operations

- CNG Vehicle Fueling Solutions
- Collections
- Compliance and Pipeline Integrity
- Construction Engineering
- Dispatch
- Economic Development
- Environmental
- Geographic Information System (GIS)
- Field Operations
- Gas Operations
- Gas Supply
- Gas Supply Portfolio Management
- Governmental Affairs
- Health and Safety
- Measurement
- Meter Reading
- Operations Controller
- Organic Growth
- Regulatory Affairs
- Transportation
- Workload Planning

Steve Rasche
Executive Vice President
Chief Financial Officer

- Accounting
- Business Process Improvement
- Call Centers
- Controllership
- Customer Billing
- Customer Experience
- Financial Planning and Analysis
- Information Technology Services
- Innovation of New Services and Businesses
- Internal and External Financial Reporting
- Investor Relations
- Project Management
- Supply Chain
- Tax
- Treasury and Capital Markets

Mark Darrell
Senior Vice President
General Counsel and Chief Compliance Officer

- Captive Insurance
- Claims
- Compliance
- Corporate Paralegal Support
- Corporate Secretary
- Corporate Security
- Enterprise Risk Management
- Federal Regulatory Legal Support
- General Corporate Law
- Human Resources Benefits/ERISA Compliance
- Incident Support
- Internal Audit
- Labor and Employment Law
- Litigation
- Mergers and Acquisition Legal Support
- Securities
- Shared Services Standards
- State Regulatory Legal Support
- Third Party Insurance

Mike Geiselhart
Senior Vice President
Strategic Planning and Corporate Development

- Enterprise Strategic Planning
- Gas Marketing
- Integration
- Midstream Gas Projects
- Strategic Mergers and Acquisitions Support
- Upstream Gas Projects
- Utility Acquisitions

Jessica Willingham
Vice President
Communications and Marketing

- Brand Strategy
- Corporate Social Responsibility
- Creative Services
- Crisis Communications
- Customer Communications
- Employee Communications
- External Communications
- Foundation Management
- Market Research
- Marketing and Advertising
- Website Management

Gery Gorla
Vice President
Human Resources

- Compensation
- Employee Business Partners
- Employee Engagement
- Employee Relations
- Facilities
- Health & Wellness Benefits
- Human Resources System Administration and Reporting
- Labor Relations Strategy and Negotiations
- Leadership Development
- Learning and Employee Development
- Organizational Design
- Payroll
- Performance Management
- Retirement Plans
- Succession Planning
- Talent Acquisition
- Training

11/21/18

George Godat was assigned to the role of VP of Gas Supply from Spire Marketing

APPENDIX A

Spire Services
Allocation Factors
Note: the allocation factors shown below are processed on a fiscal YTD basis, therefore percentages for FY2017 in September supersede the percentages in previous months

Allocation Type / Operating Unit	FY16 Sep YTD	FY17 Dec YTD	FY17 Jun YTD	FY17 Sep YTD	FY18 Dec YTD	FY18 Jun YTD	FY18 Sep YTD	Comments
S400: Corporate 3 Factor								
AGC	27.96%	27.96%	26.72%	26.72%	26.12%	25.76%	25.76%	
DEV	0.04%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%	
LER	2.77%	2.77%	1.15%	1.15%	2.63%	2.60%	2.60%	
LGC	45.33%	45.33%	42.72%	42.72%	41.75%	41.18%	41.18%	
LIR	0.02%	0.02%	0.02%	0.02%	0.11%	0.11%	0.11%	
MGE	23.51%	23.51%	22.86%	22.86%	23.21%	22.89%	22.89%	
MOB	n/a	0.00%	5.07%	5.07%	4.81%	4.74%	4.74%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
OIL	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	
PLC	0.08%	0.08%	0.07%	0.07%	0.08%	0.08%	0.08%	
VEN	0.26%	0.26%	0.29%	0.29%	0.12%	0.12%	0.12%	
WIL	n/a	0.00%	1.03%	1.03%	0.84%	0.83%	0.83%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
SPS	n/a	n/a	n/a	n/a	0.27%	0.27%	0.27%	
RCR	n/a	n/a	n/a	n/a	n/a	1.36%	1.36%	
S405: 3 Factor - Missouri Only								
DEV	0.06%	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%	
LER	3.65%	3.65%	1.67%	1.67%	3.65%	3.59%	3.59%	
LGC	63.12%	63.12%	63.66%	63.66%	61.38%	60.15%	60.15%	
LIR	0.02%	0.02%	0.03%	0.03%	0.15%	0.15%	0.15%	
MGE	32.63%	32.63%	33.99%	33.99%	34.01%	33.32%	33.32%	
OIL	0.05%	0.05%	0.04%	0.04%	0.04%	0.04%	0.04%	
PLC	0.11%	0.11%	0.11%	0.11%	0.12%	0.11%	0.11%	
VEN	0.36%	0.36%	0.44%	0.44%	0.19%	0.19%	0.19%	
SPS	n/a	n/a	n/a	n/a	0.41%	0.40%	0.40%	
RCR	n/a	n/a	n/a	n/a	n/a	2.00%	2.00%	
S410: 3 Factor - All Utilities								
AGC	28.80%	28.80%	27.13%	27.13%	26.93%	26.93%	26.93%	
LGC	46.80%	46.80%	43.41%	43.41%	43.18%	43.18%	43.18%	
MGE	24.40%	24.40%	23.25%	23.25%	24.06%	24.06%	24.06%	
MOB	n/a	0.00%	5.16%	5.16%	4.96%	4.96%	4.96%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
WIL	n/a	0.00%	1.05%	1.05%	0.87%	0.87%	0.87%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
S415: 3 Factor - MO Utilities								
LGC	65.79%	65.79%	65.18%	65.18%	64.27%	64.27%	64.27%	
MGE	34.21%	34.21%	34.82%	34.82%	35.73%	35.73%	35.73%	

Allocation Type / Operating Unit	FY16 Sep YTD	FY17 Dec YTD	FY17 Jun YTD	FY17 Sep YTD	FY18 Dec YTD	FY18 Jun YTD	FY18 Sep YTD	Comments
S420: Corporate Payroll / Headcount								payroll used as basis in FY16, Headcount in FY17 & FY18
AGC	26.77%	26.77%	25.93%	25.93%	25.79%	25.58%	25.58%	
LER	0.85%	0.85%	0.49%	0.49%	0.88%	0.87%	0.87%	
LGC	53.09%	53.09%	45.70%	45.70%	46.72%	46.35%	46.35%	
MGE	18.91%	18.91%	19.16%	19.16%	19.71%	19.52%	19.52%	
MOB	n/a	0.00%	7.02%	7.02%	5.62%	5.57%	5.57%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
VEN	0.38%	0.38%	0.27%	0.27%	0.03%	0.03%	0.03%	
WIL	n/a	0.00%	1.43%	1.43%	1.25%	1.21%	1.21%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
RCR	n/a	n/a	n/a	n/a	n/a	0.87%	0.87%	
S425: MO Payroll / Headcount								payroll used as basis in FY16, Headcount in FY17 & FY18
LER	1.16%	1.16%	0.74%	0.74%	1.31%	1.29%	1.29%	
LGC	72.50%	72.50%	69.64%	69.64%	69.37%	68.52%	68.52%	
MGE	25.82%	25.82%	29.20%	29.20%	29.27%	28.86%	28.86%	
VEN	0.52%	0.52%	0.42%	0.42%	0.05%	0.04%	0.04%	
RCR	n/a	n/a	n/a	n/a	n/a	1.29%	1.29%	
S430: Utility Payroll / Headcount								payroll used as basis in FY16, Headcount in FY17 & FY18
AGC	27.11%	27.11%	26.13%	26.13%	26.03%	26.04%	26.04%	
LGC	53.75%	53.75%	46.05%	46.05%	47.14%	47.18%	47.18%	
MGE	19.14%	19.14%	19.31%	19.31%	19.90%	19.88%	19.88%	
MOB	n/a	0.00%	7.07%	7.07%	5.67%	5.67%	5.67%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
WIL	n/a	0.00%	1.44%	1.44%	1.26%	1.23%	1.23%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
S435: MO Utility Payroll / Headcount								payroll used as basis in FY16, Headcount in FY17 & FY18
LGC	73.74%	73.74%	70.50%	70.50%	70.30%	70.36%	70.36%	
MGE	26.26%	26.26%	29.50%	29.50%	29.70%	29.64%	29.64%	
S440: # Invoices Processed								
AGC	36.20%	36.20%	30.46%	30.46%	27.12%	27.05%	27.05%	
LER	2.01%	2.01%	2.07%	2.07%	1.92%	1.91%	1.91%	
LGC	37.52%	37.52%	45.10%	45.10%	40.63%	40.51%	40.51%	
LIR	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	0.01%	
MGE	23.59%	23.59%	21.43%	21.43%	22.45%	22.38%	22.38%	
OIL	0.29%	0.29%	0.21%	0.21%	0.13%	0.13%	0.13%	
PLC	0.08%	0.08%	0.09%	0.09%	0.07%	0.07%	0.07%	
VEN	0.31%	0.31%	0.64%	0.64%	0.28%	0.28%	0.28%	
MOB	n/a	n/a	n/a	n/a	5.13%	5.12%	5.12%	
WIL	n/a	n/a	n/a	n/a	1.95%	1.95%	1.95%	
SPS	n/a	n/a	n/a	n/a	0.31%	0.31%	0.31%	
RCR	n/a	n/a	n/a	n/a	n/a	0.28%	0.28%	

Allocation Type / Operating Unit	FY16 Sep YTD	FY17 Dec YTD	FY17 Jun YTD	FY17 Sep YTD	FY18 Dec YTD	FY18 Jun YTD	FY18 Sep YTD	Comments
S445: 700 / 800 Market Combined - Sq Feet of Facilities								
AGC	15.45%	15.45%	17.92%	17.92%	18.34%	18.13%	18.13%	
DEV	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	
INV	0.01%	0.01%	0.00%	0.00%	n/a	n/a	n/a	
LER	4.74%	4.74%	5.38%	5.38%	5.16%	5.14%	5.14%	
LGC	56.09%	56.09%	47.35%	47.35%	46.21%	45.91%	45.91%	
LIR	0.01%	0.01%	0.01%	0.01%	0.06%	0.06%	0.06%	
MGE	21.23%	21.23%	23.42%	23.42%	25.18%	24.99%	24.99%	
MOB	n/a	0.00%	3.40%	3.40%	3.38%	3.34%	3.34%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
OIL	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	
PLC	0.04%	0.04%	0.04%	0.04%	0.05%	0.05%	0.05%	
VEN	2.39%	2.39%	1.75%	1.75%	0.84%	0.84%	0.84%	
WIL	n/a	0.00%	0.69%	0.69%	0.59%	0.58%	0.58%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
SPS	n/a	n/a	n/a	n/a	0.15%	0.15%	0.15%	
RCR	n/a	n/a	n/a	n/a	n/a	0.77%	0.77%	
S450: CNG Shared Services								
AGC	47.22%	47.22%	47.22%	47.22%	47.37%	47.37%	47.37%	
LGC	19.44%	19.44%	19.44%	19.44%	18.42%	18.42%	18.42%	
MGE	27.78%	27.78%	27.78%	27.78%	26.32%	26.32%	26.32%	
VEN	5.56%	5.56%	5.56%	5.56%	5.26%	5.26%	5.26%	
MOB	n/a	n/a	n/a	n/a	2.63%	2.63%	2.63%	
S470: 700 Market - Sq Feet of Facilities								
AGC	20.96%	20.96%	22.94%	22.94%	23.08%	22.82%	22.82%	
DEV	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	
INV	0.01%	0.01%	0.00%	0.00%	n/a	n/a	n/a	
LER	1.91%	1.91%	0.81%	0.81%	1.87%	1.84%	1.84%	
LGC	50.80%	50.80%	46.28%	46.28%	44.73%	44.33%	44.33%	
LIR	0.01%	0.01%	0.02%	0.02%	0.08%	0.08%	0.08%	
MGE	26.05%	26.05%	24.40%	24.40%	24.87%	24.65%	24.65%	
MOB	n/a	0.00%	4.36%	4.36%	4.25%	4.20%	4.20%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
OIL	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	
PLC	0.05%	0.05%	0.05%	0.05%	0.06%	0.06%	0.06%	
VEN	0.16%	0.16%	0.20%	0.20%	0.09%	0.09%	0.09%	
WIL	n/a	0.00%	0.89%	0.89%	0.74%	0.73%	0.73%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
SPS	n/a	n/a	n/a	n/a	0.19%	0.19%	0.19%	
RCR	n/a	n/a	n/a	n/a	n/a	0.97%	0.97%	

Allocation Type / Operating Unit	FY16 Sep YTD	FY17 Dec YTD	FY17 Jun YTD	FY17 Sep YTD	FY18 Dec YTD	FY18 Jun YTD	FY18 Sep YTD	Comments
S471: 800 Market - Sq Feet of Facilities								
LER	12.65%	12.65%	21.66%	21.66%	17.87%	17.87%	17.87%	
LGC	70.98%	70.98%	51.13%	51.13%	52.05%	52.05%	52.05%	
MGE	7.74%	7.74%	19.96%	19.96%	26.34%	26.34%	26.34%	
VEN	8.63%	8.63%	7.25%	7.25%	3.74%	3.74%	3.74%	
S472: 700 Market - Sq Feet of Facilities								
AGC	20.96%	20.96%	22.94%	22.94%	23.08%	22.82%	22.82%	
DEV	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	
INV	0.01%	0.01%	0.00%	0.00%	n/a	n/a	n/a	
LER	1.91%	1.91%	0.81%	0.81%	1.87%	1.84%	1.84%	
LGC	50.80%	50.80%	46.28%	46.28%	44.73%	44.33%	44.33%	
LIR	0.01%	0.01%	0.02%	0.02%	0.08%	0.08%	0.08%	
MGE	26.05%	26.05%	24.40%	24.40%	24.87%	24.65%	24.65%	
MOB	n/a	0.00%	4.36%	4.36%	4.25%	4.20%	4.20%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
OIL	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	
PLC	0.05%	0.05%	0.05%	0.05%	0.06%	0.06%	0.06%	
VEN	0.16%	0.16%	0.20%	0.20%	0.09%	0.09%	0.09%	
WIL	n/a	0.00%	0.89%	0.89%	0.74%	0.73%	0.73%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
SPS	n/a	n/a	n/a	n/a	0.19%	0.19%	0.19%	
RCR	n/a	n/a	n/a	n/a	n/a	0.97%	0.97%	
S473: 800 Market - Sq Feet of Facilities								
LER	12.65%	12.65%	21.66%	21.66%	17.87%	17.87%	17.87%	
LGC	70.98%	70.98%	51.13%	51.13%	52.05%	52.05%	52.05%	
MGE	7.74%	7.74%	19.96%	19.96%	26.34%	26.34%	26.34%	
VEN	8.63%	8.63%	7.25%	7.25%	3.74%	3.74%	3.74%	
S480/S482: Pension & Benefits % of SSC payroll allocated								Updated at least quarterly based on actual payroll distribution
AGC	21.11%	30.69%	19.84%	17.99%	17.99%	18.06%	21.56%	
DEV	0.02%	0.01%	0.02%	0.02%	0.02%	0.02%	0.03%	
LER	1.66%	1.23%	0.85%	0.82%	0.82%	1.51%	1.80%	
LGC	52.72%	47.01%	48.76%	47.63%	47.48%	41.63%	40.49%	
LIR	0.01%	0.01%	0.02%	0.02%	0.02%	0.05%	0.07%	
MGE	24.15%	20.80%	26.78%	30.08%	30.08%	33.62%	29.93%	
MOB	n/a	0.00%	2.71%	2.49%	2.49%	3.13%	3.66%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
OIL	0.03%	0.02%	0.05%	0.05%	0.05%	0.29%	0.36%	
PLC	0.04%	0.03%	0.06%	0.06%	0.06%	0.07%	0.08%	
VEN	0.26%	0.20%	0.36%	0.33%	0.33%	0.16%	0.19%	
WIL	n/a	0.00%	0.55%	0.51%	0.51%	0.72%	0.84%	In FY17Q1 allocated an estimated $ charge to approximate systematic calculation
SPS	n/a	n/a	n/a	n/a	0.15%	0.15%	0.81%	
RCR	n/a	n/a	n/a	n/a	n/a	0.59%	0.18%	

Allocation Type / Operating Unit	FY16 Sep YTD	FY17 Dec YTD	FY17 Jun YTD	FY17 Sep YTD	FY18 Dec YTD	FY18 Jun YTD	FY18 Sep YTD	Comments
S350: IT Services - All Entities								
AGC	n/a	n/a	20.38%	20.38%	18.56%	18.46%	18.46%	
DEV	n/a	n/a	0.06%	0.06%	0.07%	0.07%	0.07%	
LER	n/a	n/a	1.72%	1.72%	1.88%	1.88%	1.88%	
LGC	n/a	n/a	53.71%	53.71%	50.07%	49.88%	49.88%	
LIR	n/a	n/a	0.08%	0.08%	0.11%	0.11%	0.11%	
MGE	n/a	n/a	22.76%	22.76%	23.09%	22.99%	22.99%	
OIL	n/a	n/a	0.29%	0.29%	0.27%	0.27%	0.27%	
PLC	n/a	n/a	0.28%	0.28%	0.28%	0.28%	0.28%	
VEN	n/a	n/a	0.72%	0.72%	0.54%	0.54%	0.54%	
MOB	n/a	n/a	n/a	n/a	3.75%	3.73%	3.73%	
WIL	n/a	n/a	n/a	n/a	1.10%	1.09%	1.09%	
SPS	n/a	n/a	n/a	n/a	0.28%	0.28%	0.28%	
RCR	n/a	n/a	n/a	n/a	n/a	0.42%	0.42%	
S486: IT Services - Missouri Only								
DEV	n/a	n/a	0.07%	0.07%	0.08%	0.08%	0.08%	
INV	n/a	n/a	0.00%	0.00%	n/a	n/a	n/a	
LER	n/a	n/a	2.11%	2.11%	2.39%	2.38%	2.38%	
LGC	n/a	n/a	54.55%	54.55%	65.39%	64.98%	64.98%	
LIR	n/a	n/a	0.08%	0.08%	0.11%	0.12%	0.12%	
MGE	n/a	n/a	41.70%	41.70%	30.48%	30.29%	30.29%	
OIL	n/a	n/a	0.33%	0.33%	0.30%	0.30%	0.30%	
PLC	n/a	n/a	0.29%	0.29%	0.30%	0.30%	0.30%	
VEN	n/a	n/a	0.87%	0.87%	0.61%	0.61%	0.61%	
SPS	n/a	n/a	n/a	n/a	0.34%	0.33%	0.33%	
RCR	n/a	n/a	n/a	n/a	n/a	0.61%	0.61%	
S485: IT Services - Utilities Only based on Customers								
AGC	n/a	n/a	26.69%	26.69%	24.97%	25.04%	25.04%	
LGC	n/a	n/a	41.07%	41.07%	38.54%	38.52%	38.52%	
MGE	n/a	n/a	32.24%	32.24%	30.34%	30.25%	30.25%	
MOB	n/a	n/a	n/a	n/a	5.04%	5.06%	5.06%	
WIL	n/a	n/a	n/a	n/a	1.11%	1.13%	1.13%	
S487: IT Services - Utilities Only								
AGC	n/a	n/a	20.82%	20.82%	18.96%	18.96%	18.96%	
LGC	n/a	n/a	55.62%	55.62%	52.07%	52.09%	52.09%	
MGE	n/a	n/a	23.56%	23.56%	24.01%	24.00%	24.00%	
MOB	n/a	n/a	n/a	n/a	3.83%	3.83%	3.83%	
WIL	n/a	n/a	n/a	n/a	1.13%	1.12%	1.12%	
S488: IT Services - MO Utilities Only								
LGC	n/a	n/a	70.01%	70.01%	68.20%	68.21%	68.21%	
MGE	n/a	n/a	29.99%	29.99%	31.80%	31.79%	31.79%	
Equity Compensation								
AGC	28.54%	30.54%	30.54%	30.54%	28.40%	28.40%	28.40%	
LER	5.17%	3.10%	3.10%	3.10%	4.00%	4.00%	4.00%	
LGC	43.46%	39.34%	39.34%	39.34%	37.40%	37.40%	37.40%	
MGE	22.41%	22.65%	22.65%	22.65%	22.60%	22.60%	22.60%	
MOB	n/a	3.35%	3.35%	3.35%	4.10%	4.10%	4.10%	
SPR	0.42%	0.31%	0.31%	0.31%	0.20%	0.20%	0.20%	
WIL	n/a	0.71%	0.71%	0.71%	0.70%	0.70%	0.70%	
SPS	n/a	n/a	n/a	n/a	2.60%	2.60%	2.60%	

Exhibit No.:	
Issue:	**Uncollectible Expense; Cost Allocation Mechanics**
Witness:	**Timothy W. Krick**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Laclede Gas Company; Missouri Gas Energy**
Case No.:	**GR-2017-0215; GR-2017-0216**
Date Prepared:	**April 11, 2017**

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

DIRECT TESTIMONY

OF

TIMOTHY W. KRICK

APRIL 2017

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DIRECT TESTIMONY OF TIMOTHY W. KRICK

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Timothy W. Krick, and my business address is 700 Market Street, St. Louis, Missouri 63101.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am Managing Director, Controller for Spire Inc. and Controller for the Laclede Gas Company ("Laclede" or "Company").

Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.

A. I was promoted by the Company into my present position in January 2017. In this position, I am responsible for accounting, financial reporting, tax and external financial reporting.

Q. WILL YOU BRIEFLY DESCRIBE YOUR EXPERIENCE AT LACLEDE PRIOR TO BECOMING CONTROLLER?

A. In 2014 I was hired as Director of Accounting. In that capacity, I was responsible for Missouri utility accounting and corporate financial reporting.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE PRIOR TO JOINING LACLEDE.

A. I started my career in 1996 in the accounting department of the Dana Corporation, an automobile parts manufacturer. After serving as an internal auditor, I was promoted to Plant Controller for one of the company's largest plants, in Pottstown, PA. In 2000, I relocated to St. Louis and joined Sigma-Aldrich Corporation to help develop its newly formed internal audit department. Shortly after joining the company, I was given a special assignment to overhaul the inventory management and cost accounting of a troubled division. Subsequently, I was promoted to Global Cost Accounting Manager and worked in that capacity until 2006. In that role, I was responsible for developing and implementing the company's cost accounting strategy, policy, and underlying methods to allocate costs in the manufacturing process. In 2007, I was promoted to Director of Finance, Global Supply Chain and Cost Accounting. While managing the Company's cost accounting function, I also served on a cross functional strategy team that developed and executed an improved approach to global supply chain management. In 2009, I earned the Certified Management Accountant (CMA) certification. In 2012, I was promoted to Director of Finance North America, and Global Cost Accounting. In this role, I had regional controller responsibility for a dozen reporting locations and corporate financial reporting. I also worked closely with the shared services team on implementation of roles into the newly formed structure. At the same time, I continued to maintain responsibility for Global Cost Accounting which included the strategy, communication, and successful execution of the company's cost accounting approach globally. I served as the company expert for cost allocations with internal management and external auditors for the large majority of my career with Sigma-Aldrich.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated from the University of Missouri-Columbia with a degree in Accounting in 1996. I earned my Certified Public Accountant (CPA) certification in 1997.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?

A. No.

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present evidence to the Commission concerning the following items as they pertain to both Laclede's operating unit in Eastern Missouri ("LAC") and its operating unit in Western Missouri (Missouri Gas Energy or "MGE"):

1. Level and treatment of uncollectible accounts expense;
2. Methods used for allocation of costs among Laclede and its affiliates.

Q. ARE YOU SPONSORING ANY ADJUSTMENTS?

A. I am sponsoring adjustments listed on Schedule H-9 Bad Debt on Schedule MRN-D1 for MGE and MRN-D2 for LAC. Specific items are detailed later in my testimony.

UNCOLLECTIBLE EXPENSE

Q. PLEASE DESCRIBE YOUR CALCULATION FOR DETERMINING UNCOLLECTIBLE EXPENSES.

A. To determine a reasonable allowance for uncollectible expense for inclusion in base rates, I calculated the average annual level of uncollectible expense experienced by the Company for the three years ended August 2015.

Q. IS THIS CALCULATION BEING USED FOR BOTH LAC AND MGE?

A. Yes.

Q. HAS STAFF USED A THREE-YEAR AVERAGE IN THE PAST TO ESTIMATE UNCOLLECTIBLE EXPENSE?

A. Yes, the Staff used a three-year average to estimate uncollectible expense in MGE's last two rate case, Case Nos. GR-2014-0007 and GR-2009-0355.

Q. DOES THE COMPANY NORMALLY AGREE WITH THE USE OF A THREE-YEAR AVERAGE TO ESTIMATE UNCOLLECTIBLE EXPENSE?

A. We agree that using a three-year average is one of several valid methods for estimating uncollectible expense. Historically, LAC estimated uncollectible expense by multiplying an estimated percentage loss factor times normalized Company revenues, which is also a relevant method of estimating uncollectible expense.

Q. WHY THEN IS LACLEDE CHOOSING TO ESTIMATE UNCOLLECTIBLE EXPSENSE IN THESE CASES USING A THREE-YEAR AVERAGE OF ACTUAL UNCOLLECTIBLES RATHER THAN THE LOSS FACTOR RATIO?

A. In fiscal 2016, the Company made a significant change to its write-off policy for both LAC and MGE. This change precludes a comparison of net write-off levels in 2016 to those experienced before 2016.

Q. WHAT CHANGE DID LACLEDE MAKE TO ITS WRITE-OFF POLICY?

A. Laclede decided to expand its gross write-off period to 360 days, or approximately one year, for both LAC and MGE. The previous write-off period for LAC was 180 days from final billing following disconnection of service. The previous write-off period for MGE was 30-45 days. This means that LAC would consider a debt to be uncollectible if it was not paid within six months after the final bill was issued following disconnection, while MGE would consider it uncollectible after 30-45 days. The policy change results in the past due accounts not going to gross write-off for 360 days after final billing.

Q. WHY DID LACLEDE MAKE SUCH A SUBSTANTIAL CHANGE TO ITS WRITE-OFF POLICY?

A. The Company's experience has been that customers who are disconnected in the spring and summer months frequently make a payment and reconnect during the upcoming winter period. However, a customer whose service has been off for a year has gone through an entire heating season without gas service, and is very unlikely to pay the debt. Accordingly, Laclede believes its write-offs will be less volatile and more reflective of bona fide bad debt by filtering out the effects of those customers who bounce back-and-forth between uncollectible and receivable.

Q. WILL THE CHANGE IN THE COMPANY'S WRITE-OFF POLICY PRODUCE ANY OTHER BENEFITS?

A. In addition to providing more accurate and predictable write-off levels, the new policy will also reduce administrative burdens and costs by eliminating many unnecessary transactions. It will also create efficiencies by standardizing write-off practices between LAC and MGE. Finally, it will enhance our ability to serve customers by providing service representatives with a better and more complete view of the customer's account history by eliminating the impact that write-offs have on reducing the scope of the information available for them to readily view. However, until Laclede has more experience under the new policy, the results in 2016 cannot reliably be compared to prior years.

Q. WHY DID LACLEDE CHOOSE THREE YEARS ENDING IN AUGUST 2015 FOR ITS ESTIMATE OF UNCOLLECTIBLES?

A. In September 2015, Laclede converted MGE from its legacy billing system to Laclede's Customer Care & Billing ("CC&B") system. The disruption that accompanies such an event can affect the comparability of data such as uncollectible expense. Since Laclede had already determined not to use fiscal 2016 because of the write-off policy change, I decided that ending the write-off period prior to the CC&B conversion produced the cleanest results.

Q. BY BASING UNCOLLECTIBLE EXPENSE ON A THREE-YEAR AVERAGE RATHER THAN ON NORMALIZED REVENUES, IS LACLEDE FOREGOING AN INCREASE IN UNCOLLECTIBLE EXPENSE RESULTING FROM HIGHER REVENUES ASSOCIATED WITH THIS RATE REQUEST?

A. Although the Company is entitled to recognition of increased bad debt expense from the higher revenues associated with this rate request, it has chosen to use the three-year average for the reasons set forth above.

Q. ARE YOU AWARE OF ANY OTHER FACTORS THAT COULD AFFECT LACLEDE'S UNCOLLECTIBLE EXPENSE IN THE FUTURE?

A. In general, the Commission's rules regarding service disconnection and restoration can have a significant impact on the level of uncollectible expense incurred by the Company. Experience has shown that more lenient disconnection and restoration rules will result in greater uncollectible expense to the Company and its paying customers. Other factors include the economy in the service area, the collection policies of the Company, and the level of energy assistance (heat grant) payments. A major cut in heat grant payments, or a shortfall between the level of energy assistance available and the amount required by customers, would have a significant adverse impact on the level of uncollectibles experienced by LAC and MGE. All of these factors, in addition to increases and decreases in gas prices, have historically caused significant volatility in uncollectible accounts.

Q. PLEASE EXPLAIN THE IMPACT OF THE FEDERAL LOW-INCOME HOME ENERGY ASSISTANCE PROGRAMS ("LIHEAP") ON LACLEDE.

A. LIHEAP funds meaningfully impact the net write-offs and overall bad debt expense for LAC and MGE. The LIHEAP funding for LAC peaked in recent years at $12.2 million in 2009, and for MGE at $11.3 million, or a combined total of $23.5 million. Since that high mark in 2009, it has decreased by -53% to a combined total of $11.1 million in fiscal year 2016. And now, President Trump has proposed to cut LIHEAP from the budget altogether.

Q. WHAT EFFECT WOULD ELIMINATING LIHEAP HAVE ON LAC AND MGE CUSTOMERS?

A. A decision like that is likely to wreak havoc on our lower income customers and severely impact their ability to pay heating bills and maintain or restore gas service. A corresponding reduction to the State-funded Utilicare program, as currently proposed, would further exacerbate such a troubling situation.

Q. HOW WOULD THIS AFFECT LAC AND MGE?

A. An adverse event of this magnitude would result in a significantly higher level of uncollectible expense than estimated using any type of average of past performance. The Company would likely need to request an Accounting Authority Order ("AAO") to defer these expenses for later recovery, in order to more fairly match the cost of uncollectible expense in rates with the actual experience. In the end, an elimination or severe reduction of federal and state heat grant assistance would simply shift the cost of assisting lower income customers to maintain or restore utility service from the government to the utility and its customers.

Q. WHY WOULD AN AAO BE APPROPRIATE UNDER THESE CIRCUMSTANCES?

A. Because in contrast to other costs, factors beyond the Company's control impact the level of uncollectible expense it ultimately incurs to a far greater degree than any actions or policies the Company could possibly undertake within the relatively narrow confines of the Commission's rules. While Laclede certainly understands the important public policy considerations underlying the Cold Weather Rule, and supports a variety of programs aimed at helping customers to maintain service, the fact remains that the Rule has a significant impact on Laclede's ability to control bad debt. Among other things, the service restoration requirements and the temperature threshold for disconnection prevent the Company from both collecting arrearages and from stopping the snowballing of debt during high use periods. The Company is also unable to condition restoration of service upon full payment, to collect a deposit, or to disconnect service during cold spells. As such, the Company's uncollectible expense is largely hostage to the vagaries of weather, natural gas prices, the economy, the amount of energy assistance provided to those in need, and regulatory restrictions affecting its ability to limit its exposure to such factors. Given all of these considerations, special accounting treatment would be appropriate should such events occur.

COST ALLOCATION MECHANICS

Q. PLEASE DESCRIBE THE COMPANY'S OVERALL PHILOSOPHY FOR RECORDING AND ALLOCATING COSTS.

A. Consistent with its Commission-approved Cost Allocation Manual ("CAM"), the Company's goal is to directly assign costs to the utility operating companies and affiliates to the extent it is possible and practical to do so. For costs that are not direct charged, the Company utilizes cost causation factors that most closely align with the business driver of the costs and the benefiting entities. In the absence of direct charge or cost causation, the Company commonly uses a general allocator known as the Modified Massachusetts Formula ("MMF"), which allocates costs based on an average of fixed assets, revenue, and payroll.

Q. WHAT LED TO THE DECISION TO CREATE THE SHARED SERVICES COMPANY?

A. The Shared Services Company ("SSC") was created as the result of an assessment of Spire's shared service functions, activities and organizational structure. The assessment was performed in coordination with PwC's consulting company, Strategy&, which included a comparison of the existing structure and approach to cost allocations with industry peers. As a result of this analysis, the Company decided to create a shared services entity and adopt a more formal shared services model for the allocation of shared costs.

Q. WHEN WAS THE SSC CREATED?

A. The SSC was incorporated in the State of Missouri on July 15, 2015, and is a wholly owned subsidiary of Spire Inc.

Q. WHAT IS THE PURPOSE OF THE SSC?

A. The initial purpose of the SSC was to adopt a more formal shared services model to facilitate, simplify, and provide transparency to the allocation of shared costs between operating companies and affiliates. This was the first step of an ongoing, longer-term initiative to evaluate, design, and implement a mature shared service model.

Q. ARE ANY SPIRE EMPLOYEES FORMALLY EMPLOYED BY THE SSC?

A. No, not at this time. All employees are employed directly by the operating companies or other affiliates, and only charge time and expenses to the SSC for shared costs and activities. In short, the SSC is primarily used at this point as an accounting vehicle to ensure costs are properly tracked and allocated to each entity in an appropriate manner.

Q. PLEASE EXPAND ON THE EVOLUTION OF THE SSC FROM ITS INCEPTION TO HOW IT IS USED FOR COST ALLOCATIONS TODAY.

A. Shortly after deciding on the creation of a shared services entity in 2015, a cross functional team was organized to develop the initial implementation of the entity and scope of use for allocating FY2016 costs through a four-step process. The first step was creation of the entity in our accounting systems prior to the beginning of FY2016.

Q. WHAT WAS THE SECOND STEP OF THE PROCESS?

A. The second step involved the design, scoping, and planning of the new approach, which began as part of the annual budget process. The Finance team met with all the shared service department heads, communicated the new approach for cost allocations to be used in FY2016, and interviewed relevant employees to understand the type of work activities being performed with the goal of determining the most appropriate and practical technique for allocating the department costs and expenses. Included in the evaluation were shared service functions and activities performed by employees outside of Missouri for the benefit of Spire, primarily in Alabama.

Q. WHAT WAS THE THIRD STEP?

A. The third step involved the development of an approach to systematically collect costs in the shared services entity through use of the existing work order management process, and then allocate those costs to operating units and affiliates. A few of the guiding principles followed throughout this step were:

- Adherence to existing regulatory requirements while striving for added transparency, traceability and simplicity.
- Development of cost allocation processes that are scalable across multiple jurisdictions.
- Flexibility for growth and creation of tighter integration to minimize manual effort and increase adherence.

Q. WHAT WERE THE RESULTS OF THIS STEP OF THE PROCESS?

A. Based on the analysis performed we determined the allocation types needed for FY16 were a general allocator (MMF), # of customers, # of employees or payroll, square footage, net assets, system miles, and accounts payable activity. Additionally, we created a second tier/category for each scenario specifying the operating units and affiliates benefitting from the service. In instances where an employee does not direct charge, the employee charges a project for the most relevant cost driver and the entities. The majority of shared service projects established for allocations were setup to charge specific entities (*e.g.*, all entities, all Missouri entities, all Missouri utilities, all utility companies). For example, a Human Resources employee that supports recruiting for Spire in total will charge a project that allocates costs to all subsidiaries based on headcount/payroll, while a Human Resources employee that supports organized labor negotiations in all our utility service territories would charge a Utility Company allocator, and an employee who supports only one utility will direct charge. Of note, because of the significant amount of work that is done that relates to both LAC and MGE, we have created shared service projects for those operating units as an allocator for employees to charge costs for activities performed for the benefit of both operating units. One example is a Human Resources employee who trains employees for both LAC and MGE at the same time. A project can be charged that automatically allocates costs between the two operating units based on a causal or general factor.

Q. WHAT WAS THE FOURTH STEP OF THE PROCESS?

A. The fourth step of the process involved the re-design of the allocations process utilizing the SSC entity as the primary collector of costs that would then be pooled into allocation buckets for re-distribution to operating units and affiliates. We carefully planned the architecture and design of this initial process over 6 months, and fully implemented the automated solution in April 2016. In the interim period, manual allocations were calculated outside of the system to replicate what was being designed for the automated solution. Results of the calculation were recorded monthly to operating companies and affiliates. In FY2017 we added additional enhancements to the allocations process to integrate EnergySouth (Mobile Gas and Willmut Gas) into the process. I should note that in addition to these four steps, we have ongoing reporting and analysis to ensure everything is working as intended.

Q. HOW WERE SHARED SERVICE EXPENSES ALLOCATED PRIOR TO THE CREATION OF THE SSC?

A. Expenses were charged to Spire Inc. (previously The Laclede Group), and allocated primarily using the MMF general allocator with few exceptions.

Q. WHAT FUNCTIONS CHARGE COSTS TO THE SSC?

A. Functions generally fall into two categories: Corporate shared services and Operations shared services. Corporate shared services include: finance, legal, strategic planning, supply chain, facilities, human resources, corporate communications and marketing, internal audit, enterprise risk & continuous improvement, executive, and IT services. Operations shared services include customer experience, external affairs, gas supply & operations, operations controller, operations services, and organic growth & sales.

Q. HOW IS THE DETERMINATION MADE REGARDING WHETHER THE COSTS OF A PARTICULAR DEPARTMENT OR FUNCTION SHOULD BE DEFINED AS DIRECT OR ALLOCATED?

A. Each year during the budgeting process we evaluate actual results for the current year and plans for the next year with department heads. During this review it is determined if any department functions or activities have significantly changed and whether the allocation factors and approach are appropriate for the following year. On an ad hoc basis, employees may perform a significant amount of work supporting a specific project or an entity that is outside their typical ongoing work, and would then charge that project or entity for those costs.

Q. HOW ARE COSTS MONITORED TO ENSURE INDIVIDUALS ARE CHARGING THE CORRECT PROJECTS SO THAT EXPENSES ARE NOT BEING ERRONEOUSLY ALLOCATED?

A. The Company provides instruction to employees on how to enter payroll information so that time is charged to the proper allocator or operating unit. In addition, payroll and other expenses are budgeted at the project level in Shared Services, and as part of the budget process we run through the allocations process that is similar to the actual process, which sets the primary basis for comparison and variance analysis throughout the year. As noted above, each month a rigorous process is performed to review expenses incurred to date versus budget, forecast, and prior year for all shared service functions with department heads in coordination with the Financial Planning & Analysis ("FP&A") team. During this review, variances and trends are analyzed and discussed as well as projects and activities planned for the remaining months of the year and the impact on expenses. Each month department heads in coordination with the FP&A re-forecast expenses and spend for the remaining months of the year, and the cycle repeats in subsequent months. The variances and future forecasts are presented and discussed in monthly business review meetings for each operating unit that include participants from finance and operations management, including the CFO and COO. Additionally, reporting that includes explanations for relevant variances are distributed to executive management and the BOD monthly.

Q. HOW ARE CAUSAL AND GENERAL ALLOCATION FACTORS CALCULATED, AND HOW OFTEN ARE THEY UPDATED?

A. The factors used for allocations are set at the beginning of the year based on budget, and monitored periodically throughout the year. If business circumstances have resulted in a significant change to allocation factors during the fiscal year, management will review and determine if a prospective change is needed based on materiality.

Q. HOW ARE OPERATING COMPANIES REIMBURSED FOR THE COST OF SHARED SERVICES PROVIDED TO OTHER OPERATING COMPANIES AND AFFILIATES?

A. During the financial closing of each month the accounting teams reconcile the amounts due from and payable to the SSC. In total, the SSC will have inter-company accounts receivables and accounts payables with affiliates that, in total, fully offset each other. Balances are fully settled with cash payments in each subsequent month. The shared services entity holds no cash at the end of each month, as 100% of the amount received by affiliates is fully distributed to others through the inter-company settlement process.

Q. WHAT ACTIONS HAS SPIRE TAKEN TO ENSURE THAT ITS SSC IS OPERATING AS DESIGNED AND THAT COSTS ARE BEING APPROPRIATLY ALLOCATED?

A. Spire continually evaluates the performance of its SSC to ensure that it is facilitating and simplifying the appropriate allocation of shared services costs between operating companies. Company witness Flaherty from Strategy& has provided testimony substantiating that the practices of the SSC are necessary, appropriate, effective and in line with industry standards, and which has also resulted in overall cost savings through the implementation of a shared services model.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0216

<u>AFFIDAVIT</u>

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Timothy W. Krick, of lawful age, being first duly sworn, deposes and states:

1. My name is Timothy W. Krick. I am Managing Director, Controller for Spire Inc. and Controller for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company and MGE.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

[signature]
Timothy W. Krick

Subscribed and sworn to before me this 3rd day of April 2017.

Marcia A. Spangler
Notary Public

MARCIA A. SPANGLER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Sept. 24, 2018
Commission # 14630361

Exhibit No:	
Issue:	**Cost Allocation Mechanics; Uncollectible Expense**
Witness:	**Timothy W. Krick**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Laclede Gas Company (LAC) Missouri Gas Energy (MGE)**
Case No.:	**GR-2017-0215 GR-2017-0216**
Date Prepared:	**October 17, 2017**

MISSOURI PUBLIC SERVICE COMMISSION

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
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REBUTTAL TESTIMONY

OF

TIMOTHY W. KRICK

OCTOBER 2017

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REBUTTAL TESTIMONY OF TIMOTHY W. KRICK

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Timothy W. Krick, and my business address is 700 Market Street, St. Louis, Missouri 63101.

Q. ARE YOU THE SAME TIMOTHY W. KRICK WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I submitted direct testimony on behalf of both Laclede Gas Company ("LAC") in Case No. GR-2017-0215 and Missouri Gas Energy ("MGE") in Case No. GR-2017-0216.

I. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is twofold. First, I will to respond to the direct testimony and proposed adjustments from Public Counsel witness Ms. Azad and Staff witness Mr. Majors related to Shared Service Cost Allocations, and address the recommendations and findings outlined in the testimony. Second, I will respond to the direct testimony and proposed adjustments sponsored by Staff witness McClellan related to uncollectibles.

II. COST ALLOCATIONS

Q. WERE THERE SIGNIFICANT DELAYS AND INADEQUACIES IN YOUR DIRECT REPONSES TO DISCOVERY REQUESTS?

A. While some of the requests were delayed within the allowed extension period, I attempted to answer each request by the deadline and provided the level of detail available to satisfy the request. I was unaware until reading her testimony that Ms. Azad felt there were significant inadequacies in our responses. It seemed to me the level of detail we provided, particularly given the volume of requests we received from her, was more than adequate.

Q. DO YOU BELIEVE IT IS NECESSARY FOR THE COMMISSION TO ORDER AN EXTERNAL AUDIT OF THE COMPANY'S COST ASSIGNMENT AND ALLOCATION PROCESSES AND PRACTICES?

A. No, I do not. While the Company has grown significantly over the past several years and advanced the maturity of its shared services accounting structure and allocation processes, we have carefully implemented the changes and enhancements in a way that follows industry practices, and we have updated metrics for significant events, like acquisitions. We have also applied the most relevant allocation drivers in a way that fairly and accurately allocates costs throughout Spire, and does so in a cost-effective and administratively manageable manner. We have also been careful to ensure the enhanced process of cost allocations were compliant with our existing cost allocation manual ("CAM").

Q. MS. AZAD INDICATED THAT AN EXTERNAL AUDIT IS NEEDED BECAUSE IT WOULD ADDRESS ISSUES RELATED TO COSTS AT A GREATER LEVEL OF DETAIL THAN IS APPROPRIATE OR FEASIBLE IN THE COURSE OF A RATE CASE PROCEEDING. DO YOU AGREE?

A. No, I do not. I believe that a rate case proceeding does allow the time needed to review the cost allocation procedures and validate the accuracy of the calculations, but it depends on the scope, objective, and purpose of the review. Ms. Azad also noted that the purpose of her testimony was to "address the LAC and MGE cost allocations issues." Statements like this lead me to believe that her approach is focused on reviewing pre-conceived "issues" rather than gaining an understanding of the existing process related to cost allocation procedures.

Q. DO YOU AGREE WITH THE RECOMMENDATION THAT LAC/MGE SHOULD FILE FOR A NEW COMMISSION-APPROVED CAM TO REFLECT CHANGES THAT HAVE OCCURRED AT SPIRE, INCLUDING THE CREATION OF THE SPIRE SHARED SERVICE COMPANY?

A. No, I do not agree that there is a need to file an entirely new CAM, but I do support reviewing the current CAM to determine if there are better ways to reflect the changes in the organization and allocation of shared service costs in the near future, perhaps after the conclusion of the current rate case proceedings.

Q. DO YOU AGREE WITH THE CLAIM THAT SPIRE'S WRITTEN COST ALLOCATION TRAINING MATERIALS ARE INADEQUATE AND ITS CAM IS NOT ENFORCED?

A. No. While the "written" materials could benefit from updating, which we plan to do in FY 2018, that does not mean that employees have not been trained and received communication regarding cost allocation processes and the importance of charging time correctly. As noted in my direct testimony, there are analysts who have a thorough understanding of the cost allocation process that work with each department to analyze costs including payroll charges and variances to budget. In addition, forecasts are monitored monthly to assess compliance and identify potential issues.

In support of her contention that the CAM is not enforced, on page 40 of her testimony, Ms. Azad quotes from the Commission approved CAM in what she feels is an inconsistency with positive time reporting; however, this is merely a misunderstanding on her part. Her concern dwells on the words "direct labor shall be charged to the service under an exception time reporting methodology" but then she doesn't square this with the related part of the quote she also notes, which shows this is related to departments that "provide a recurring, predictable level of services to a Party." Essentially, these quotes mean that employees who work in an area with a consistent type of work that has been captured in an allocation, should direct charge for exceptions to that recurring work, say for a significant project. In this case, both times are reported using positive time reporting – one set of hours is entered using positive time reporting for hours related to the recurring work, and one set of hours is entered using positive time reporting to a different account for the exception work.

Q. **WOULD YOU COMMENT ON MS. AZAD'S ASSERTION THAT NEARLY ONE-HALF OF THE CORPORATE ENTITIES WITHIN SPIRE'S HOLDING COMPANY STRUCTURE DO NOT RECEIVE SHARED SERVICES COSTS?**

A. The cost allocation process was established to enable the allocation of shared service costs to entities that benefit from those services. There are entities in the organization that are holding companies and therefore do not receive any measurable incremental benefit from the shared service organization beyond what their subsidiary receives as they act primarily as a wholly owned parent company of other subsidiaries. These entities are Spire Resources LLC, Spire Midstream

LLC, and EnergySouth Inc (now Spire EnergySouth Inc.). These companies are direct charged for any costs where applicable. The other entities that were noted as not receiving allocations are set forth below, together with an explanation of why charges were or were not allocated to them:

a) Laclede Investment LLC – this entity did receive allocations. Note that this entity was subsequently dissolved as of September 30, 2017.

b) Laclede Gas Family Services, Inc – this entity was dissolved effective September 30, 2016.

c) Spire Storage Services, Inc – this entity is wholly owned by Spire Marketing, and is already included in allocations to Spire Marketing.

d) Laclede Gas Company (now Spire Missouri) – has two operating units, LAC and MGE, but it is only one corporate entity; and both operating units within that entity receive allocations. There are not three separate entities.

e) Spire Inc – the holding company has no Property, Plant, and Equipment, no revenue, and no employees, which are the primary basis of the allocations utilized for shared services. Costs that occur for the direct benefit of Spire Inc are direct charged.

f) Spire STL Pipeline LLC – although originally planned for integration into the allocations process mid-year 2017, this entity will begin receiving allocations effective October 2017. While this entity has been ramping up throughout FY 2017 it has received direct charges by employees involved in business activities of the operations, and has received limited shared service support to date.

Q. DO YOU AGREE WITH MS. AZAD'S CONCLUSIONS RELATED TO ALLOCATION FACTOR INCONSISTENCIES?

A. No, if I understand how she arrived at her conclusion, I do not agree with her conclusion that 7 of the 25 allocation factors were used inconsistently. Five of the factors she noted were new to FY 2017, and therefore were obviously not used in the months prior to the establishment of these factors. Two other allocation factors on her schedule are depicted as not being used in the month of October 2016, Corporate Wide Payroll and Gas Utility System Miles. She is incorrect, however, as both factors were used, as shown by the reports provided through data requests.

Q. ARE 25 ALLOCATION FACTORS ACTUALLY USED BY THE COMPANY, AS NOTED BY MS. ASAD?

A. Her claim is misleading and implies more complexity in the cost allocation processes than exists. In my direct testimony, I explained how a second tier/category for most primary allocation factors is used to streamline how costs are allocated for functions that support multiple entities within one state, jurisdiction, or a combination of both. This second tier ensures that only the benefiting organizations are charged, rather than simply broadly spreading costs to entities whether there was any benefit or not. The example provided in my testimony explains that we have multiple secondary factors for Human Resources based on the primary allocator of headcount. I characterize the primary allocation method of headcount as one allocation factor, not multiple when accounting for all of the secondary charge codes that utilize headcount.

Q. DO YOU AGREE WITH THE FINDING THAT SPIRE FAILED TO ALLOCATE THE COSTS OF THE COMPANY'S ENTERPRISE MANAGEMENT SYSTEM AMONG THE ENTITIES THAT BENEFIT FROM THE SYSTEM?

A. No, Ms. Azad is apparently unfamiliar with which of Spire's businesses actually use this system. As explained by Company witness Ryan Hyman, the system is used for its Missouri entities, but not for its utility operations in Alabama and Mississippi which utilize their own systems. A copy of the worksheet that shows the monthly allocations of depreciation is provided as part of this rebuttal testimony, (Schedule TWK-R2). One point of clarification worth noting is that the allocation of the depreciation for these costs does not flow through the shared service company, rather it is a direct allocation from LAC to MGE and other Missouri entities that benefit from the system. This allocation was in place prior to the implementation of the shared service company, and since it does not impact entities that are not operating on the system, there was no need to re-design the flow of this allocation through the shared service company.

Q. WILL YOU EXPLAIN WHY LAC AND MGE WERE ALLOCATED COSTS FOR SHARED SERVICES IN ALABAMA?

A. Yes, just as there are shared services performed by Missouri employees that benefit Alabama customers, there are also shared services performed by employees in Alabama for the benefit of Missouri customers. One example is the accounts payable function which is performed for the entire company by employees based in Alabama. There are eighteen departments to date that provide some level of shared service support to Missouri customers. A detailed schedule of these charges for each department was provided through data requests.

III. UNCOLLECTIBLES EXPENSE

Q. DO YOU AGREE WITH STAFF'S OPINION THAT IT IS APPROPRIATE TO USE ONLY THE MOST CURRENT DATA AVAILABLE TO

REPRESENT ONGOING LEVELS OF UNCOLLECTIBLE EXPENSE FOR LAC AND MGE?

A. No, a twelve-month period is not long enough to fairly represent bad debt write off trends and fairly project future expense. An average over at least three-years normalizes unusual variances that can occur in a shorter period such as twelve-months. The Staff used a three-year average to estimate uncollectible expense in MGE's last two rate cases, Case Nos. GR-2014-0007 and GR-2009-0355 and it should do so here.

Q. **DO THE CHANGES IMPLEMENTED TO WRITE-OFF POLICIES IN SEPTEMBER 2015 PREVENT THE CALCULATION OF A MULTI YEAR AVERAGE OF UNCOLLECTIBLES USING THE MOST RECENT DATA?**

A. No. Data is available that can replicate the timing of the gross write off under the policy prior to September 2015 for both LAC and MGE.

Q. **WHY DID THE COMPANY ELECT TO USE A THREE-YEAR AVERAGE BASED ON DATA UP THROUGH AUGUST 2015 RATHER THAN NORMALIZING WRITE-OFFS FOR THE CHANGE IN POLICY AND USE THE MOST RECENT DATA?**

A. Given the timing of the significant change in uncollectible policy, we believed that a sensible and practical solution was to use the three-year average for the period immediately prior to the change. We had every reason to believe that such a three-year average would provide a representative view of uncollectible expense, and would be similar to an overlapping period. Therefore, we originally elected to use an approach that would be easily understood and did not require providing detailed and complex workpapers to reconcile and normalize the post-change data to be comparable to the historical policy.

Q. HAVE YOU NORMALIZED THE WRITE-OFF DATA IN A WAY THAT IS COMPARABLE TO PERIODS BEFORE THE CHANGE IN POLICY?

A. Yes, see Rebuttal Schedule TWK-R1. Normalizing the data up through September 2017 results in a three-year (fiscal year) average of $9.7M for LAC and $4.3M for MGE.

Q. DID YOU CONSIDER ANY SCENARIOS OTHER THAN A THREE-YEAR AVERAGE?

A. Yes, I calculated normalized averages for two, three, four, and five years for both LAC and MGE. Of these calculations, in my opinion a five-year average is the best predictor of future write-offs because it includes the most data points, which reduces the standard deviation in statistical terms. Likewise, a three-year average is certainly superior to using a single year's worth of data. Since using three years was also consistent with the approach taken by Staff in MGE's two prior rate cases, I chose to use it.

Q. CAN YOU EXPLAIN HOW YOU NORMALIZED THE WRITE-OFF DATA

A. Under the historical LAC policy after disconnect and final billing, a customer account balance was assigned a systematic write-off date 180 days in the future. If the customer did not pay the balance or make other arrangements, the systematic write-off occurred in the future based on the established date. Under the new policy, the systematic write-off date is set to 360 days in the future. To normalize the write-off data in historical terms, I generated a list of all customer balances that currently have write-off dates scheduled on or after 10/1/2017. For each record, I subtracted 180 days to estimate when the balance would have systematically been written off under the old policy. For LAC there are $4.4M of customer balances that would have been written off in FY17 under the historical method. (Reference Rebuttal Schedule TWK-R1).

Q. HOW ABOUT FOR MGE?

Under the historical MGE policy after disconnect and final billing, a customer account balance was typically written off systematically within 30 days. Following the same process as above for LAC, I generated a list of each record and subtracted 330 days to estimate when the balance would have systematically been written off under the old policy. For MGE there are $8.1M of customer balances that would have been written off in FY17 under the historical method. Reference Rebuttal Schedule TWK-R1.

Q. THE ADJUSTMENTS TO NORMALIZE THE DATA SEEM LARGE RELATIVE TO ANNUAL WRITE-OFFS, IS THERE OTHER DATA YOU CAN POINT TO THAT HELPS EXPLAIN THE VARIANCE?

A. Yes, using MGE as an example, in FY 16 the net write-offs were negative -$4.2M because activity for the year primarily consisted of recoveries and payments of amounts previously written off, the gross write-off activity that would have occurred that year was delayed for approximately 330 days, which is the new policy (360 days) less the historical policy (30 days). Therefore, when calculating an historical average logically the delay must be accounted for to perform an "apples to apples" comparison. The calculation of the two-year average with this adjustment of $4.1M is further evidence that this adjustment is valid when calculating the historical average, as it is in line with historical annual levels.

Q. HOW HAS THE CUSTOMER BEEN IMPACTED BY THIS CHANGE?

A. The customers were not impacted by the change in this policy, it was transparent from their perspective.

Q. DID THE CHANGE IN POLICY IMPACT THE EXPENSE RECORDED FOR U.S. GAAP PURPOSES?

A. No, this was simply a delay in the gross write-off of the customer level balance in the Company's Customer Care & Billing (CC&B) system.

Q.. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes it does.

LAC
Uncollectibles Historical Data

Fiscal Year 12-mos ending September 30th

Month	2013	2014	2015	2016	2017
October	1,849,471	(242,659)	2,711,475	2,805,768	654,132
November	326,923	(781,075)	1,183,864	967,005	(161,657)
December	(194,316)	(456,650)	2,202,940	776,704	50,820
January	(107,844)	(420,619)	314,442	237,991	167,784
February	24,802	5,245,431	383,616	(1,154,072)	309,789
March	(76,498)	(249,017)	1,190,817	(578,038)	942,346
April	47,693	401,369	506,221	(193,920)	825,763
May	197,368	537,367	394,477	(177,636)	1,628,135
June	115,345	621,165	396,446	(211,286)	1,095,015
July	(61,962)	460,775	503,408	(192,220)	984,614
August	(84,126)	482,559	782,109	1,214,953	884,297
September	3,185,163	1,589,655	2,084,423	784,090	478,854
Total	**5,222,020**	**7,188,301**	**12,654,239**	**4,279,340**	**7,859,892**

Adjustment for change in policy[1]	4,436,691
Total including policy change impact	12,296,583
2 year average	8,287,962
3 year average	9,743,387
4 year average	9,104,616
5 year average	8,328,097

[1]Subsequent to final bill after disconnect LAC scheduled a gross write off in the AR system historically after 180 days of final billing, this policy was changed to 360 days effective 9/1/2015

Spire - LAC Scheduled Bad Debt Gross Write-Offs from AR System
Timing under Old vs. New Policy

	Under Old Policy	Under New Policy
2017Apr	$ 553,529.11	$ -
2017May	$ 521,640.94	$ -
2017Jun	$ 682,302.67	$ -
2017Jul	$ 584,316.18	$ -
2017Aug	$ 1,006,300.80	$ -
2017Sep	$ 1,088,601.52	$ -
2018Oct	$ 1,347,540.75	$ 655,982.23
2018Nov	$ 1,649,810.38	$ 443,365.31
2018Dec	$ 2,020,195.06	$ 658,125.18
2018Jan	$ 2,149,405.59	$ 728,982.82
2018Feb	$ 1,417,762.76	$ 903,444.93
2018Mar	$ 544,778.67	$ 1,046,790.75
2018Apr	$ -	$ 1,532,398.63
2018May	$ -	$ 1,608,277.70
2018Jun	$ -	$ 1,876,869.86
2018Jul	$ -	$ 2,192,772.09
2018Aug	$ -	$ 1,559,730.88
2018Sep	$ -	$ 359,444.05
Total	$ 13,566,184.43	$ 13,566,184.43

Amount to included in FY17 to normalize average with prior years	$ 4,436,691.22

MGE
Uncollectibles Historical Data

Fiscal Year 12-mos ending September 30th

Month	2013	2014	2015	2016	2017
October	(496,788)	(415,805)	(294,421)	(583,093)	192,584
November	(1,267,359)	(1,272,390)	(1,635,684)	(1,240,868)	(6,625)
December	(603,280)	(729,649)	(439,556)	(883,602)	22,008
January	(203,884)	(204,662)	(199,304)	(494,201)	142,826
February	(201,507)	(295,891)	(249,375)	(474,674)	272,144
March	107,445	25,500	290,513	(288,835)	525,160
April	356,762	761,259	1,533,470	(164,702)	729,819
May	1,894,886	2,480,180	2,640,746	(94,330)	951,013
June	1,948,214	2,222,149	1,942,976	(136,122)	469,925
July	1,347,320	1,616,913	1,061,241	(77,551)	492,956
August	1,030,821	813,397	38,829	285,812	202,718
September	599,324	255,166	25,339	(5,222)	232,810
Total	**4,511,954**	**5,256,168**	**4,714,774**	**(4,157,387)**	**4,227,338**
				Adjustment for change in policy[1]	8,131,764
				Total including policy change impact	12,359,101
				2 year average	4,100,857
				3 year average	4,305,496
				4 year average	4,543,164
				5 year average	4,536,922

[1]Subsequent to final bill after disconnect MGE scheduled a gross write off in the AR system historically after 30 days of final billing, this policy was changed to 360 days effective 9/1/2015

Spire - MGE Scheduled Bad Debt Gross Write-Offs from AR System
Timing under Old vs. New Policy

	Under Old Policy	Under New Policy
2017Oct	$ -	$ -
2017Nov	$ 292,683.49	$ -
2017Dec	$ 159,750.98	$ -
2017Jan	$ 232,755.59	$ -
2017Feb	$ 282,987.55	$ -
2017Mar	$ 453,009.08	$ -
2017Apr	$ 860,121.41	$ -
2017May	$ 1,227,374.41	$ -
2017Jun	$ 1,114,478.21	$ -
2017Jul	$ 1,400,545.60	$ -
2017Aug	$ 1,098,252.29	$ -
2017Sep	$ 1,009,805.09	$ -
2018Oct	$ 524,833.91	$ 333,655.33
2018Nov	$ -	$ 159,867.53
2018Dec	$ -	$ 191,745.98
2018Jan	$ -	$ 405,147.82
2018Feb	$ -	$ 525,277.66
2018Mar	$ -	$ 799,998.33
2018Apr	$ -	$ 1,215,268.25
2018May	$ -	$ 1,434,497.68
2018Jun	$ -	$ 1,003,036.64
2018Jul	$ -	$ 1,293,509.99
2018Aug	$ -	$ 1,090,830.20
2018Sep	$ -	$ 203,762.20
Total	$ 8,656,597.61	$ 8,656,597.61
Amount to included in FY17 to normalize average for change in policy at 9/1/16	$ 8,131,763.70	

CAM DEPRECIATION ALLOCATION FY2016

Apply percent of payroll (non-LGC) factor to each affiliate or line of business

Company	% of Payroll		Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	TOTAL
GRP	0.00%		-	-	-	-	-	-	-	-	-	-	-	-	-
INV	0.00%		-	-	-	-	-	-	-	-	-	-	-	-	-
SSV	0.00%		-	-	-	-	-	-	-	-	-	-	-	-	-
OIL	0.07%		771.13	768.94	765.87	769.56	770.26	766.77	772.72	777.74	774.85	768.21	759.30	-	8,465.35
LIR	0.00%		-	-	-	-	-	-	-	-	-	-	-	-	-
DEV	0.00%		-	-	-	-	-	-	-	-	-	-	-	-	-
VEN	0.56%		6,169.06	6,151.51	6,126.96	6,156.51	6,162.05	6,134.19	6,181.73	6,221.89	6,198.81	6,145.72	6,074.39	-	67,722.82
PLC	0.13%		1,432.10	1,428.03	1,422.33	1,429.19	1,430.48	1,424.01	1,435.04	1,444.37	1,439.01	1,426.68	1,410.13	-	15,721.37
LER	0.14%		1,542.26	1,537.88	1,531.74	1,539.13	1,540.51	1,533.55	1,545.43	1,555.47	1,549.70	1,536.43	1,518.60	-	16,930.70
LGC - Propane	0.00%		-	-	-	-	-	-	-	-	-	-	-	-	-
MGE	26.37%		290,496.49	289,670.29	288,513.97	289,905.83	290,166.69	288,854.74	291,093.16	292,984.48	291,897.46	289,397.34	286,038.56	-	3,189,019.01
LGC	72.73%		801,206.27	798,927.59	795,738.37	799,577.22	800,296.67	796,678.25	802,851.93	808,068.30	805,070.23	798,174.77	788,911.07	-	8,795,500.67
TOTAL	100.00%	Total Depr Subj to CAM	1,101,617.31	1,098,484.24	1,094,099.24	1,099,377.44	1,100,366.66	1,095,391.51	1,103,880.01	1,111,052.25	1,106,930.06	1,097,449.15	1,084,712.05	-	12,093,359.92
		Depr Trf'd to Affilates	300,411.04	299,556.65	298,360.87	299,800.22	300,069.99	298,713.26	301,028.08	302,983.95	301,859.83	299,274.38	295,800.98	-	3,297,859.25

Schedule TWK-R2

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0215
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase its Revenues for Gas Service	)))	File No. GR-2017-0216

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Timothy W. Krick, of lawful age, being first duly sworn, deposes and states:

1. My name is Timothy W. Krick. I am Managing Director, Controller for Spire Inc. and Controller for Laclede Gas Company. My business address is 700 Market St., St Louis, Missouri, 63101.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony on behalf of Laclede Gas Company and MGE.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Timothy W. Krick

Subscribed and sworn to before me this 17th day of OCTOBER 2017.

Marcia A. Spangler
Notary Public

MARCIA A. SPANGLER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Sept. 24, 2018
Commission # 14630361