

SPIRE MISSOURI – COST ALLOCATION MANUAL

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1. Purpose and Background

The purpose of this Cost Allocation Manual (“CAM”) is to support Spire Missouri Inc.’s (“Spire MO”) compliance with the Missouri Public Service Commission (“Commission”) Affiliate Transactions Rules (“Rules”) as established in 20 CSR 4240-40.015 and 4240-40.016, which are intended to prevent regulated utilities from subsidizing their nonregulated operations and provide the public assurances their rates are not adversely impacted by Spire Missouri’s non-regulated activities. The Rules state the CAM should include the criteria, guidelines and procedures Spire MO will follow to be in compliance with the Rules, including cost allocation, market valuation and internal cost methods related to its transactions with affiliates (except with regard to HVAC services as defined in 20 CSR 4240-40.017). Such methods and requirements are designed to ensure no financial advantage or preferential treatment occurs between Spire MO and its unregulated affiliates, especially as it relates to its customers’ information. The CAM applies to those transactions between Spire MO and Spire Services Inc or between Spire MO and another affiliate but does not apply to transactions between affiliates that do not involve Spire MO.

The CAM should be viewed as an enduring document that establishes the broad allocation guidelines and costing principles to be used for the above-stated purposes. Typical changes in ongoing business operations may add or subtract affiliates, impact the need for a function to provide a certain service to an entity, or revise how a specific factor should be calculated, which will adjust how shared costs are allocated as a matter of “standard business”. Such changes should be accommodated provided they are identified in Spire MO’s annual CAM report and Service & Facilities Agreement (SFA), together with an explanation of why such changes were made, so Staff and OPC are afforded the opportunity to review the appropriateness of any such routine update. However, more fundamental shifts in the business, market conditions or other factors may affect the continuing

appropriateness or usefulness of a particular method or principle and require a change in the CAM itself. If such changes occur and are in compliance with the standards set forth in the Rules, then Spire MO may make appropriate adjustments to the allocation guidelines and costing principles in its CAM. In such event Spire MO will provide Staff and OPC with immediate notice of the change to afford them the opportunity to challenge the appropriateness of any such change. An affiliate transaction that does not comply with the standards set forth in section 2(A) of the Rules may also be made if Spire MO determines to the best of its knowledge and belief that compliance with such standards would not be in the best interests of customers receiving regulated service, provided Spire MO complies with the notice, documentation, justification and other procedures set forth in Section (10) of 20 CSR 4240-40.015 and Section (11) of 20 CSR 4240-40.016.

As background for this CAM, in 2001 Spire Inc.'s predecessor, The Laclede Group, was formed as a holding company to facilitate the separation between the regulated utility, Laclede Gas Company, Spire MO's predecessor, and its non-regulated operations. As part of the Stipulation and Agreement approving the holding company structure in Case No. GM-2001-0342, Spire MO agreed to conduct its affiliate transactions in accordance with a CAM submitted in that proceeding. Spire MO's affiliate transactions were ultimately made subject to the Commission's Affiliate Transactions Rules when those Rules were upheld upon judicial review.

Until more recently, Spire MO's most significant affiliate was Spire Marketing, previously Laclede Energy Resources. Because of various acquisitions made over the past five years; however, Spire Inc. is mostly composed today of regulated gas utilities, namely the western assets of Spire MO, previously Missouri Gas Energy, Spire Alabama, previously Alabama Gas Corporation, and the two utilities under EnergySouth Inc., Spire Gulf Inc., previously Mobile Gas Service Corporation, and Spire Mississippi Inc., previously Willmut Gas & Oil Company.

In 2013, Spire MO became the first regulated utility in Missouri to have its CAM specifically approved by the Commission. Partly in response to the multiple acquisitions described above, Spire Inc. developed a shared services organization. Its purpose is to leverage Spire Inc's larger scale and greater ability to develop more robust platforms, hire more capable employees and develop consistent best practice processes to reduce cost and increase capabilities, to the benefit of its customers. It is also designed to provide common corporate services across the various subsidiaries in a competent and cost-effective manner. Spire Services Inc. ("Spire Services") was formed in 2017 to better facilitate this approach. While underlying systems, personnel and processes have been maturing and improving, Spire Services strictly acts as an accounting pass-through and transparent mechanism by which shared services costs can be appropriately allocated across operating units of the organization. In the near future, however, Spire Inc. will further develop Shared Services Inc. into a more formal and populated organization that provides corporate support services to its regulated and unregulated affiliates. Such services will include corporate shared services, shared support facilities, joint purchasing and central cash management similar to those described in the Rules. Spire intends to implement its enhanced shared services organization at the end of calendar year 2022.

In Spire MO's 2017-2018 rate case (Nos. GR-2017-0215 and GR-2017-0216) which concluded in early 2018, Spire Mo. and other parties to that case recognized that Spire MO's CAM should be revisited and updated in light of the multiple recent significant acquisitions. In response, the Commission determined that "...the best way to accomplish that rewrite is to authorize a working group, comprised of Spire Missouri, Staff, Public Counsel, and any other interested stakeholders, to draft a proposed CAM for the Commission's approval." Amended Order, pp. 59-60. In its Amended Report and Order in Case No. GR-2021-0108, issued on November 12, 2021, the Commission ordered that the working group file a draft CAM for Commission approval no later than six months from the effective date of its order (May 23, 2022).

Consistent with the Commission's Orders, Spire MO is providing this draft of an updated CAM for the working group to consider in hopes it will enhance the clarity of the CAM and address any necessary revisions brought about by the recent changes noted above.

2. Overview

The criteria, guidelines and procedures in Spire MO's CAM utilizes several related documents to provide additional details on how the CAM effectuates certain processes, activities and allocation factors to provide customers with the public assurances their rates are not adversely impacted by Spire Inc's non-regulated activities. One of those documents is the Services and Facilities Agreement ("SFA"), which defines the relationship between Spire MO and Spire Services Inc., as well as other affiliates that wish to participate in affiliate transactions, and the procedures, terms and conditions for the provision of corporate shared services. These include, among others, shared corporate support services, shared support facilities, joint purchasing and central cash management. Another is the Gas Supply and Transportation Standards of Conduct, agreed to and approved by the Commission in 2013. They define how various gas supply transactions of varying duration are to be conducted in a manner that complies with the purposes of the Rules, including the processes and procedures to be followed to ensure that purchases and sales of natural gas under contracts of different durations and types are made on a competitive basis. Finally, the annual CAM Report provides detailed and specific information relevant to the prior fiscal year in terms of the organizational structure, shared services functions, affiliate transactions, non-regulated activities of Spire MO, transfers of employees, and descriptions of any changes and adjustments to accommodate changes in business operations of Spire MO.

To ensure these goals are achieved, this CAM specifies in Section 5 the Costing Methodology

that is used to price goods and services in accordance with the Rules. It addresses the Rules' standards relating to Fully Distributed Costs (FDC) and Fair Market Price (FMP) and their implementation under the variances proposed herein, including when and under what circumstances these asymmetrical pricing standards are applied. Similarly, in Section 6, the CAM describes the charging/allocation guidelines that are used to direct charge or allocate costs (including both direct and indirect costs) between operating units in a manner that properly reflects cost causation and the relationship between work being performed and the assignment of costs to operating units.

This CAM is appropriately considered a living document designed to adapt with the Company as it pursues opportunities to provide benefits to customers through growth and the sharing of relatively fixed costs with the allocation of common goods and services. Any changes to the Commission-approved CAM or the SFA will be filed with the Commission for approval. This CAM, including all Appendices, and associated CAM Reports, will be submitted through the Commission's EFIS filing system in accordance with the timelines outlined in the Rules, including any waivers or variances to the Rules approved for Spire MO by the Commission. Upon official Commission approval of the CAM, any changes to the CAM will be submitted to Commission Staff ("Staff") and the Missouri Office of Public Counsel ("OPC"), with full explanation and any associated supporting documentation.

This CAM also provides for a variance from, or waiver of, the Rule's requirements as may be necessary to accommodate the contents and timing of certain filing requirements, the provision and allocation of shared corporate support services (i.e. the market study approach for compensation and purchasing), the asymmetrical pricing standards of the Rules, adjustments to the allocation guidelines and principles in the CAM, and the Gas Supply and Transportation Standards of Conduct. Spire MO will seek, through the process outlined in Section (10) of 20 CSR 4240-40.015 and Section (11) of 20 CSR 4240-40.016, any necessary variance in the event it determines, to the best of its knowledge and

belief, that making such a non-complying affiliate transaction is in the best interests of its customers who receive regulated service.

3. Services and Facilities Agreement (SFA)

Spire MO believes that the central management of certain services and the provision of certain services, facilities and other activities among Spire MO, Spire Services and other Spire MO affiliates is efficient and cost effective and therefore in the best interest of its customers. The purpose and intent of the SFA is to set forth procedures and policies to govern transactions involving corporate shared services, shared support facilities, joint purchasing and central cash management and other activities among Spire Services Company, other Spire MO affiliates and Spire MO, whether such transactions occur directly or indirectly. The SFA will establish the procedures, terms and conditions regarding the provision of services, facilities and other activities. To the extent the SFA specifies terms and conditions for providing corporate shared services, facilities and other activities relating to Spire MO's regulated services, the SFA shall comply with the Commission's Rules, as implemented in accordance with the provisions of this CAM and shall not provide a preferential service (as defined by 20 CSR 4240-40.015(1)(H)). A copy of the SFA is attached hereto as Attachment 1.

The SFA will be reviewed by Spire MO on an annual basis to ensure that the policies and procedures in the SFA are designed and administered in a manner that, except as necessary or needed to provide corporate shared services as described in the SFA, ensures that no preferential service (as defined by 20 CSR 4240-40.015(1)(H)) is provided by Spire MO to any affiliate through its transactions under the SFA. In addition, the terms and conditions of the SFA will ensure that under no circumstances will the sharing of goods or services impair the reliability of the service provided by Spire MO. In the event that Spire MO desires to obtain any goods or services directly from an affiliate other than Spire Inc. or Spire Services, Spire MO will enter into an agreement with that affiliate

through the SFA.

Spire MO will determine annually the appropriate level of services, facilities or other activities it requires from Spire Services and will make such requests as it deems appropriate for corporate support for services, facilities or cash management. A Party to the SFA may evidence their agreement with respect to the availability, provision or use of the facilities, services and activities by entering into an agreement, lease, license or other written memorandum or evidence consistent with the terms of the specific SFA. By requesting the use of facilities, equipment, resources, capabilities and/or services, a party shall be deemed to have agreed to pay, and shall pay, to the provider or providers the charge determined therefore in accordance with Commission rules, the CAM and the SFA. Charges for the use of facilities, equipment, capabilities, services or other resources shall be determined in accordance with the section below regarding cost methodology, and shall include an appropriate allowance for related depreciation or amortization and a cost of capital (capital-related costs). Payment for such shall be accounted for monthly and shall accrue interest at the monthly average cost of short-term debt borrowing for that particular month if the payment is not made by the last day of the month following the month in which the service was rendered. The same interest rate will be applied to both payments to and from Spire Mo.

4. No Preferential Treatment

Spire MO will not provide preferential service to an affiliate. As used herein, preferential service means information or treatment or actions by the regulated gas corporation which places the affiliated entity at an unfair advantage over its competitors. Preferential service does not include the provision of shared corporate support services to affiliates through Spire Inc or Spire Services Inc. or services, facilities and other arrangement done in accordance with this CAM and the SFA.

A. ASSET SALES AND LEASES

Spire MO shall not sell, lease, assign or transfer to Spire Services or any affiliate or third party any of its utility assets that are useful and necessary in the performance of its public utility obligations without obtaining prior Commission approval.

B. ACCESS TO CUSTOMER INFORMATION

Spire MO shall ensure it prohibits access by affiliates, subsidiaries, and third parties to customer specific information (such as customer lists, customer usage, etc.) possessed by the utility unless specifically authorized by the customers in writing or unless the affiliated entity or third party is providing a good or service relating to Spire MO's utility related services, see 20 CSR 4240-40.015(2)(C). Spire MO shall maintain all documentation of such customer authorizations.

C. CUSTOMER REQUESTS ABOUT GOODS AND SERVICES

Where requirements relating to customer requests for information concerning the goods and services provided by an affiliated entity are applicable, Spire MO will provide customers receiving regulated services in Missouri with an oral or written disclaimer indicating that regulated services are not tied to the use of the affiliated entity and that other service providers may be available.

D. GAS SUPPLY AND TRANSPORTATION TRANSACTIONS

Where Spire MO purchases or sells gas or contracts for pipeline capacity, it will ensure that all providers and/or buyers of such goods and services are treated in a fair and non-preferential manner by following the competitive bidding and other requirements set forth in the Gas Supply and Transportation Standards of Conduct attached hereto and the applicable affiliated transaction rule.

5. Costing Methodology

As previously stated, the purpose of the Rules is to prevent regulated utilities from subsidizing their non-regulated affiliates and provide the public assurances that rates are not adversely impacted by the non-regulated activities. As such, transactions for services and facilities among affiliate companies are priced according to standards that do not result in preferential service or an unfair financial advantage for an affiliated entity. As per the Rules, financial advantage occurs in instances where the utility compensates an unregulated affiliate for goods and services at a price that is above the lesser of a Fair Market Price (“FMP”) or the Fully Distributed Cost (“FDC”) of the affiliate providing the goods or services, or in the instance the Company provides goods or services to an affiliated entity at a level below the greater of the FMP or the FDC. Prior to allocating costs, and subject to other pricing provisions like those contained in the Gas Supply and Transportation Standards of Conduct, Spire MO and its affiliates will ensure FDC reflects costs that are contained within any clearing accounts, as well as all appropriate overheads, and where applicable, capital-related costs, creating an “all-in cost” prior to the allocation of those costs among entities.

For transactions between utilities regulated by any state public service commissions, it would not be reasonable nor appropriate to charge a price higher than cost to such regulated utility, as the other regulatory authorities, just like the Missouri Commission, would not allow profiteering at the expense of the utility they regulated. This also recognizes that such regulatory authorities, like the Missouri Commission, are assumed to be equally devoted to ensuring that such costs are prudent and are based on fully distributed costs. This is not a matter of first impression for the MoPSC. In 2018, the Commission determined that the application of asymmetrical pricing standards to transactions between regulated utilities would be counterproductive and not in the best interests of customers receiving regulated service. As the Commission stated in its May 24, 2018, Report and Order in Case No. EM-2018-0012 approving the merger of Great Plains and Westar Energy:

The Applicants have requested a limited variance from the Commission's affiliate transaction rule to facilitate transactions between the regulated operations of KCPL, GMO, and Westar by allowing all transactions to occur at cost except for wholesale power transactions, which will be based on rates approved by the Federal Energy Regulatory Commission. The purpose clause of the affiliate transaction rule, 4 CSR 240-20.015, states the "rule is intended to prevent regulated utilities from subsidizing their non-regulated operations". If the merger is approved and closes, KCPL and GMO will begin exchanging goods and services with Westar, which may constitute an "affiliate transaction" under the rule. As a result, the asymmetric pricing standards in 4 CSR 24-20.015(2), which prohibit a regulated electrical corporation from providing a financial advantage to an affiliated entity, may apply unless a variance is granted by the Commission. Without that variance, the Applicants' three regulated utility affiliates would be prevented from exchanging goods and services at cost post-merger and achieving savings that will ultimately benefit the customers of those utilities. The Commission finds that the Applicants have demonstrated good cause to grant the variance.

Similarly, shared services tend to result in more robust systems, capable personnel and lower costs. Under Spire MO's current CAM this concept that shared services should be allocated and charged based on fully distributed costs is already recognized. Spire MO's current CAM has an additional safeguard, however, that is designed to ensure that costs and charges for transactions between affiliates are reflective of fair market prices as well. Specifically, Spire MO and Spire Services engages in competitive bidding for any significant purchases over \$100,000 and takes other steps to ensure that what is being charged or allocated between affiliates is reflective of both fully distributed costs and prevailing market prices. Where competitive bidding is not necessary or appropriate, the Company may instead document the Company's reasons why it did not engage in competitive bidding.

In order to continue ensuring compensation for goods and services does not result in any unfair financial advantage, Spire MO, Spire Services and any of their affiliates will gather adequate and appropriate market survey information, perform relevant pricing research, and issue Requests for Proposal (RFPs) to ensure costs paid for goods and services and other activities between Spire MO and its non-regulated affiliates are aligned with those found in the relevant market.

A. *Fully Distributed Costs ("FDC")* includes all direct, clearing, overhead, indirect and capital-

related cost. The FDC of facilities, goods or services means:

1. Spire MO's cost of labor (including all clearings and labor overheads, such as pensions and OPEBs), the rent or capital-related costs associated with the facilities used by such employees, (the depreciation or amortization expense on facilities and/or assets used by such employees, and debt and equity costs associated with any investments consumed in the process of providing the asset or service that would be directly attributed and charged to the asset or service); and
2. A reasonable allocated share of Spire MO's indirect joint and common labor and administrative and general costs. The actual application of FDC cost allocations occurs through what is commonly called the “three-step” allocation method. This method begins with the premise that to the maximum extent practical, all costs which can be specifically attributed to a business segment are directly charged to that business segment. Secondly, indirect costs which cannot be directly charged are allocated to business segments based on a causal relationship. In the third step, any remaining costs which cannot be reasonably associated with a specific, identifiable, causal relationship shall be allocated using a general allocator as described below.
3. The FDC cost for services is thereby assigned to affiliates based upon the combination of direct and indirect costs, including clearings, overheads, non-productive time and capital-related costs, as well as allocated costs, to create an “all in” cost.

B. Fair Market Price (“FMP”). The FMP of facilities, goods or services means:

1. The price of an arms-length exchange for the same good or service for cash in the marketplace at or near to the date of the transaction. If there is evidence that the marketplace transaction was not conducted at arms-length (the amount at which facilities, goods or services would change hands between an unaffiliated willing buyer and seller, neither being under any

compulsion to buy or sell and both having reasonable knowledge of the relevant facts) or if there is evidence that the market price has changed materially between the date of the marketplace exchange and the date of the affiliate transaction, then the marketplace transaction cannot be used as the basis of determining the FMP in a transaction with an affiliate, unless appropriate adjustments are made to reflect such market changes.

2. In the absence of a cash transaction on which to base FMP, or in situations where the cash transaction cannot be used as described in number one above, Spire MO will determine and document the FMP established by the transactions of other unaffiliated entities that have bought or sold the same or similar items in recent cash transactions under comparable terms and conditions.
 - a. Spire MO's Human Resources Department or Procurement personnel will make reasonable efforts through market surveys or RFPs to ensure that the FDC allocated to affiliates for services provided by Spire MO falls within the range of prices charged for such services by outside companies or firms that engage in similar work. If the results of such surveys demonstrate that the costs charged by Spire MO for such services consistently fall below such range, then a prospective adjustment shall be made at the time of Spire MO's annual CAM Report filing to bring the amount allocated within the range. The results of the market surveys will be made available to the Staff and OPC as requested. The market survey performed by Spire MO will be updated in each rate case, but not less than every 18 months.
3. In the absence of cash transactions made by Spire MO in the marketplace (number one above) and a lack of data about transactions by other entities (number two above), Spire MO can use benchmarking practices (20 CSR 4240-40.015 (3)(D) and 20 CSR 4240-40.016 (4)(D)), if approved by the Commission in a later CAM filing or other type of filing.
4. For costs and revenues generally subject to PGA/ACA recovery as gas supply and capacity

release, refer to the requirements in Appendix A, Gas Supply and Transportation Standards of Conduct.

C. Evidentiary Standards: In all transactions with non-regulated affiliated entities involving the provision or receipt of information, assets, goods or services, Spire MO must demonstrate, unless a Commission approved variance or waiver applies, that:

- It considered and included all operating, capital-related and other costs incurred to complete the transaction in its FDC analysis;
- It calculated the costs at times relevant to the transaction in its FDC analysis;
- It allocated all joint and common costs (including Spire MO's cost of capital) appropriately in its FDC analysis;
- It adequately determined, documented, calculated and explained the FMP of the information, assets, goods or services, including a description of the methods and procedures used to determine the current prices of these or related services in the competitive market; and,
- The dollar amount of the FMP and FDC will be readily discernible upon a review or audit of the transaction.

D. Transfer Pricing/Costing Methodology for Energy-Related Goods and Services. Transactions between Spire MO and its affiliates for energy-related goods and services for gas supply and capacity release will be priced and conducted in accordance with the Gas Supply and Transportation Standards of Conduct, Appendix A to the CAM.

1. Gas Supply and Transportation Standards of Conduct.

Consistent with the Unanimous Partial Stipulation and Agreement filed on July 16, 2013, in Case No. GC-2011-0098, Spire MO shall rely on its Gas Supply and Transportation Standards of Conduct for its affiliated gas supply and capacity release (Gas

Transactions), including off-system sales .

2. Gas Supply and Transportation Standards of Conduct Documentation

Spire MO has included and shall continue to include its Gas Supply and Transportation Standards of Conduct as part of its CAM. For any updates to the Gas Supply and Transportation Standards of Conduct, Spire MO shall request Commission approval and copies of any change shall be provided to Staff and OPC by submitting both a copy of the modified version, with changes accepted, and a draft version that shows the additions and deletions (track-changes).

6. Cost Charging/Allocation Guidelines

As noted above, costs are charged to affiliate entities based upon 1) Direct Charge and Apportionment, as it relates to charges specifically attributable to a single entity or invoices that contain itemized amounts that can be assigned to a single entity, 2) Indirect Cost, which is an allocation of costs for the benefit of multiple entities and can be assigned through specific allocation factors based upon cost causation principles, and 3) General Allocator, which is used to ensure the remainder of costs are allocated to those entities for which shared services are provided.

1) *Direct Costs* are those charges specifically attributable to an entity and shall be charged directly to the books and records of the affiliate using standard voucher account distribution procedures. Such charges will be visible in the accounting records through cash vouchers, invoices, or other source documents. Such costs may be for facilities, goods or services.

Amounts for direct labor (and related overheads) used in providing a service to an affiliate shall be charged based on time-keeping records for labor hours at departmental or

organizational rates, with overhead rates applied. All charges for direct labor charges shall reflect a cost for nonproductive time. The cost for nonproductive time shall be based either on actual non-productive time incurred, or as adjusted on a departmental or organizational basis, to reflect estimated nonproductive time derived from a periodic review. The cost for nonproductive time reflects time incurred for vacations, holidays, and other paid absences. Overtime costs shall be reflected in the direct labor rates charged to a service. Direct labor shall be charged based either on the base and overtime pay amounts incurred or, as adjusted on a departmental or organizational basis, to reflect estimated overtime incurred based on an overtime review performed periodically. Many payroll-related costs are charged through separate journal entries via clearing account distributions that directly follow the payroll charged to the accounts of the affiliate and as described below.

For most employees, direct labor shall be charged under a positive time reporting methodology under which an employee shall enter hours each pay period for the amount of time incurred in performing the service. Some departments or organizations are expected to provide a recurring, predictable level of services to a party or parties. For these departments or organizations, annual reviews shall be performed and documented to determine a normal distribution of time to such services. The distribution percentages derived from such reviews shall then be used to allocate time with respect to each pay period. For these departments or organizations, direct labor shall be charged to the service under an exception time reporting methodology. That is, significant deviations of actual activity from these predetermined percentages shall be reported and shall result in adjustments to the predetermined distribution of direct labor charges to the affiliate functions. Spire MO will document all such deviations and provide such documentation to Staff and OPC upon request. Based on the time reported each pay period, any regular, pre-determined account distribution for the employee shall be adjusted

to reflect the distribution of direct labor charges to the service. The predetermined distribution of direct labor charges will only be adjusted in the event there are ongoing changes to employees' distribution of time among affiliates.

2) *Indirect Costs.* As part of its annual CAM report, Spire MO will provide a list and description of the specific allocators to be used and will fully detail any instances in which an individual allocator has been determined to no longer be appropriate for use when allocating an expense and has been modified, added or eliminated. When costs benefit more than one entity, or when costs cannot be specifically associated with a particular activity, the costs shall be allocated as set forth in the details provided in the annual CAM report

3) *General Allocator.* Some expense items that cannot reasonably be directly assigned and cannot also be reasonably allocated using any cost-causation allocation factor, it is common to combine three financial components to determine an allocation factor referred to as a general allocator (also known as a Massachusetts Formula or Three-Factor Formula). This three-component allocation factor is derived by calculating the percent of each affiliate's share of the total of each financial component. The three components which are included in the allocation factor are to be selected as the most reasonable factors on which the specific costs should be allocated. Spire MO currently uses a general allocator based on 1) fixed assets and investments, 2) revenues, and 3) direct payroll. These factors should be continuously monitored for fairness, relevance, reasonableness and appropriateness and, if the business or operational considerations supporting the propriety of the general allocator computation change materially and continued use of the allocation method results in an inequitable allocation of costs, Spire MO shall change one or more of the component factors, or add a new factor or factors, as soon as practicable, to ensure that the costs are being allocated on the most equitable and appropriate

basis. Spire MO shall document the reason for the change and the reasons for the selection of new factors and provide information for the updated general allocator in its annual CAM Report so Staff and OPC are afforded the opportunity to review the appropriateness of any such routine update.

A current list of services shall be included as an appendix to the SFA, and a list of current functions providing shared services and specific allocation factors for their services shall be provided with each Annual CAM report. If the Company determines an allocation factor is no longer appropriate it will provide an explanation for its determination and detail how the allocator was modified or adjusted in its annual CAM Report so Staff and OPC are afforded the opportunity to review the appropriateness of any such a routine update. Each party shall be free at any time to propose changes to the calculation of the components used in Spire MO's FDC determination or the financial metrics to be included in the general allocator.

7. Annual Reporting

On an annual basis, Spire MO will submit a CAM report demonstrating the Company's compliance with the Rules. Spire MO and its affiliates shall adhere to reporting requirements of the Rules and maintain records of all procedures, allocation methods, and transactional data relating to sales and purchases of goods and services between Spire MO and its affiliates. Spire MO will provide a detailed monthly transactional ledger spreadsheet to Staff and OPC on a quarterly basis. Spire MO shall maintain the following information in a mutually agreed-to electronic format regarding affiliate transactions on a fiscal year basis and consistent with the waiver approved in Case No. GE-2011-0171.

Specifically, Spire MO shall submit:

1. A full and complete organization chart depicting the total family of all affiliated entities as defined by the Commission's Affiliate Transactions Rules within the Spire Inc. structure.

2. For each non-regulated activity engaged in by Spire MO:
 - A description of all Spire MO functions that provide support and directly or indirectly assign costs to non-regulated affiliated business units, including Spire Inc.
 - The positions and number of employees providing each function (a requirement that may be satisfied by submission of the employee affiliate time allocation database).
 - The total dollar amount of revenues, expenses and investment for each non-regulated activity.

3. Where applicable, for each good and service provided to Spire MO by all affiliated entities or provided to all affiliated entities by Spire MO, Spire MO shall provide on a fiscal year basis:
 - The procedures to be used to measure and assign costs to non-regulated units for each function provided by Spire MO.
 - The transactional detail with monthly and annual dollar amount charged to each affiliate by Spire MO and the transactional detail with monthly and annual dollar amount of each service and good purchased by Spire MO from each affiliate.
 - A list and description of each good and service and the dollar amount, including the FERC USoA account charged (a requirement that may be satisfied by submission of the general ledger).
 - A full and complete list of each contract entered by Spire MO with all affiliated entities, for which complete copies of contracts will be provided to Staff and OPC upon request.
 - A full and complete list of each affiliate transaction undertaken by Spire MO with all affiliated entities without a written contract together with a brief explanation of why there was no contract.

4. Where applicable, the basis used (e.g., FMP or FDC) to record each type of affiliate transaction:
 - For all FDC calculations, a description of the cost allocation process employed for each service and good and justification for the allocation method used unless otherwise

- addressed in this CAM.
- For all FDC calculations, how direct, indirect and common activities are assigned for each service and good unless otherwise addressed in this CAM.
 - How the fair market price or value for each service and good is determined unless otherwise addressed in this CAM.
 - A description of the criteria employed to determine whether volume discounts or other pricing considerations were provided by Spire MO to affiliates.

Recitation of the annual reporting requirements listed above is not intended to preclude the Staff or OPC from seeking additional information from Spire MO and its affiliates regarding any aspect of its compliance with the rules and the CAM at any time or to preclude Spire MO or its affiliates from objecting to the provision of such additional information.

8. Record Keeping & Access Requirements

Spire MO and its affiliates shall maintain adequate books and records with respect to the transactions addressed by this CAM and the SFA in order to record the costs, payments and receipts to be assigned to Spire MO Services and other affiliates. Spire MO shall be responsible for ensuring that all costs, payments and receipts associated with transactions covered by this CAM are properly and consistently assigned in accordance with the terms and provisions of the CAM and SFA. All contracts and agreements between Spire MO, Spire Services, and all other affiliates will be maintained and made available to Staff and OPC on mutually agreeable terms, during their effectiveness and for at least six years afterwards. Spire MO will maintain records supporting its affiliated transactions for at least six years or such longer period as might otherwise be required by other rules or laws.

In addition, Spire MO shall maintain on a fiscal year basis books of accounts and

supporting records in sufficient detail to permit verification of compliance with the Rules and to substantiate the Annual CAM Report, and shall provide access to all information and personnel necessary to audit individual transactions between it and its affiliates for purposes of ensuring Spire MO complies with the pricing and costing standards set forth in this CAM.

9. Training

Spire shall conduct training with all Spire MO and Spire Services supervisors and employees that allocate time and resources to or from Spire MO on the applicable provisions of the CAM that relate to their activities, including the policies and procedures that ensure compliance with the provision of this CAM and the SFA. Spire will utilize its training resources to create online training with mandatory annual review for the above noted employees to help further ensure compliance with this CAM and the Rules. Such training shall describe the basic purpose and goals of the affiliate transactions rules, the role of the CAM in complying with the Rules, allocation and pricing principles applicable to such transactions under the CAM, and what specific measures the employee should take to ensure the Company is in compliance with the CAM and Rules.

10. Tests/Reviews, Updates and Audits

Spire MO will ensure its Accounting function performs its requirements to make and review allocations, update organizational structure and allocation factors as necessary, and generate annual CAM Reports. As stated above, Spire MO will provide annual reporting containing the list of items more fully described above. Spire MO will update its allocation factors and the annual CAM Report as necessary for any material changes to Spire's businesses.

All material contained within the report will be subject to review by all parties and will detail and explain all changes to organizational structure or adjustments to cost allocation policies and procedures. As appropriate, Spire MO will update its CAM to reflect changes to the criteria, guidelines and procedures it follows to be in compliance with the Rules and any changes will be filed with the Commission for approval.

Spire MO will ensure the Human Resources function of Spire Services Inc. performs its responsibilities, conducts market compensation surveys, provides a list of employees assigned or transferred, and assesses and reviews time studies/recurring allocations. Spire MO will have its market survey research updated in each rate case, but not less than every 18 months, as described above.

Spire MO will ensure the Internal Audit function of Spire Services Inc. conducts audits concerning its compliance with the Rules, CAM, SFA and Gas Supply and Transportation Standards of Conduct and the affiliate transactions done pursuant thereto. Such audits shall be done no less often than every other calendar year. Audit results shall be provided to Staff and OPC when issued. Spire MO shall also file with its annual CAM submission, the internal audit plan for affiliate transactions.

If there is a dispute between Spire MO and any affiliate regarding a billing, representatives of all involved parties will meet to resolve the issues. Managers and other executives of the affected parties may also be consulted. If a resolution cannot be reached, the issue will be referred to senior management for final resolution. Documentation of disputes and resolutions will be maintained by Spire MO and provided to Staff and OPC upon request, including recommendations for any changes to policies, procedures, and processes that may be necessary to assure adequate protections for Spire MO on a moving forward basis.

11. **Variances**

A. FISCAL YEAR REPORTING

Spire MO shall maintain its information regarding affiliate transactions in a mutually agreed-to electronic format and on a fiscal year basis. Consistent with the waiver approved in Case No. GE-2011-0171, Spire MO shall provide such information, in addition to the information required by 20 CSR 4240-40.015(4) to the Chief Staff Counsel, the Manager of the Auditing Department and to OPC on or before December 15th of each year by submitting an annual report to the non-case related portion of EFIS devoted to affiliate transaction submissions.

B. GAS SUPPLY & TRANSPORTATION STANDARDS OF CONDUCT

To assist in ensuring that gas supply and capacity release transactions between Spire MO and its affiliates are conducted in a manner fully consistent with the interests of the Company's utility customers, including their interest in having such transactions priced and accounted for in a reasonable and appropriate manner, Spire MO and other stakeholders have formalized standards of conduct and associated document requirements relating to such transactions. Such standards of conduct as previously approved by the Commission and modified herein, shall be used in the future, including the variance from the Affiliate Transaction Rule documentation requirements of FDC for such transactions.

C. ADJUSTMENTS TO ALLOCATION GUIDELINES & PRINCIPLES IN CAM

Spire MO may make adjustments to the allocation or pricing guidelines and principles set forth in the CAM in the event it determines to its best knowledge and believes that application of the methodologies or costing principles described herein would not be in the best interests of its customers receiving regulated utility service. Such adjustments may be due to events beyond

typical business matters, including major, fundamental shifts in the business, significant changes in market conditions or other factors affecting the continuing appropriateness or usefulness of a particular method or principle. If such events occur, and result in adjustments that comply with the standards set forth in the Rules, Spire MO will make appropriate adjustments to the allocation guidelines and costing principles in its CAM and provide Staff and OPC timely notice to afford them the opportunity to challenge the appropriateness of any such change provided the change does not affect the rates currently being paid by Spire MO's customers between rate cases.

All such adjustments to the CAM will be subject to review and challenge by Staff or OPC upon the filing of a notice with the Commission that Staff or OPC disagree with the adjustment. If the parties are unable to resolve their differences, the matter will be submitted to the Commission for its resolution. The failure by Staff or OPC to object to such an adjustment shall not preclude them from challenging the adjustment in a subsequent general rate case proceeding and proposing that the adjustment be modified or eliminated.

D. COST METHODOLOGY FOR CORPORATE SUPPORT SERVICES PROVIDED BY SPIRE SERVICES INC.

Spire MO will be provided corporate support services, by Spire Services, Inc., as noted in the SFA. The shared services model employed by Spire and effectuated through Spire Services Inc. permits all operating units, including Spire MO, to save on joint and common administrative costs and to benefit from access to more robust technology and process platforms. It also provides a greater opportunity to attract a more diverse and talented workforce, thus enhancing service capabilities at a lower cost, through the sharing of those joint and common costs over multiple entities under a growing organization. As such, use of FDC as described in this CAM and a waiver of the asymmetric pricing requirements should be granted to reduce administrative requirements

that would simply add cost and provide little if no benefit. However, Spire MO will use available market related information to the extent possible to verify the reasonableness of its FDC calculations for shared services. This market information is to be obtained through use of competitive bidding or benchmarking as feasible. Spire Services, Inc. was developed to reduce redundancies that were previously in the separate business, while maintaining or enhancing service levels to those businesses. As such, costs are incurred solely to ensure those services are provided capably and cost-efficiently without any additional margin added on top of the costs, whether an operating or capital-related cost.

12. Challenges

Nothing in Spire MO's CAM shall be construed as preventing the Staff, OPC or any other party from challenging whether the prices charged for specific transactions are consistent with the pricing methodology set forth in this CAM, or from suggesting changes in such methodology or in the allocation methodology used to assign costs between Spire MO and its affiliates during a general rate case proceeding before the Commission. Staff and OPC may also challenge any non-complying affiliate transaction at the time the Company notifies the Staff and OPC of such a transaction pursuant to the variance provisions of the Rules and any adjustment made by the Company to pricing, market value and allocation methodologies set forth in the CAM at the time such changes are identified in the Company's annual CAM filing.