
PURCHASED GAS COST ADJUSTMENT
PGA

D. Gas Supply Incentive Plan (continued)

Natural Gas Pipeline Co. of America - Mid-Continent	3%
Rex Zone 3	45%
Panhandle Eastern Pipe Line Co. ("PEPL")	9%
EGT-West- EGT-East index less \$0.035	26%
Southern Star Gas Pipeline Central	13%
Enable Mississippi River Transmission - West leg-Henry Hub less \$.07	4%

Second, the Annual Benchmark Price will then be calculated by taking the monthly FOM composite price as calculated above for each month and weighting said price by each month's associated actual purchase volumes for on-system customers.

The Company shall notify Staff and OPC promptly upon any individual changes to its pipeline capacity equal to or greater than 10% of existing subscribed capacity, and shall work with OPC and Staff to set a new GSIP benchmark.

(c). Incentive Compensation - The Company will be eligible for incentive compensation if the Net Commodity Gas Price falls in either Tier 1 or Tier 2, is below the Annual Benchmark Price per MMBtu, and the Annual Benchmark Price per MMBtu is in either Tier 2 or Tier 3. If those conditions are satisfied, the Company will receive incentive compensation of 10% of the difference between the Net Commodity Gas Price and the Annual Benchmark Price per MMBtu, multiplied by the Company's purchase volumes for on-system sales during the ACA period, up to a maximum of \$3,000,000 in incentive compensation. The Incentive Adjustment (IA) Account shall be debited by the Company's appropriate compensation amount and the IR Account will be credited by the same amount.

(d). Gas costs not included in this mechanism include pipeline service costs, storage costs, demand charges, and any reductions in natural gas supply due to bundled transportation contracts that increase transportation costs to achieve lower gas supply costs. No incentive compensation will be given for reductions in actual gas prices if such reductions are tied to any increase in pipeline service costs and/or demand charges, unless such costs or charges are necessitated by significant changes in the Company's system operating conditions.

(e). The Commission shall retain the ability to evaluate and determine the prudence of the Company's efforts in connection with its procurement of gas and management of its gas supply demand and transportation services.

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ISSUED BY: Scott A. Weitzel, Director, Rates & Regulatory Affairs
Spire Missouri Inc., St. Louis, MO. 63101