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4. The attached exhibit presents the estimated change in the effective tax rate. Please note that the rate reduction is not the marginal rate change of 14% (from the statutory change of 35% to 21%), but is approximately 11% based on the fact that our effective tax rate was already lower than the statutory rate. In addition, a reduced federal tax rate means less deductions from state income tax, and thus higher state income tax expense.

5. The exhibit also provides a dollar value of the estimated tax change based upon the Company's case as it currently stands today. That change is approximately \$23 million of income taxes. If the Commission were to accept Staff's revenue requirement position, the tax decrease would be materially lower.

6. There are also other tax effects that, like those resulting from the Tax Law, will occur in 2018. Because these other post true-up tax effects will also occur over the same period as those flowing from the Tax Law, the same considerations which warrant inclusion of the one warrants inclusion of the other. These effects include the Missouri property tax assessments on plant installed through December 31, 2017 that have or will be made in 2018. These taxes total approximately \$1.3 million for LAC and \$1.7 million for MGE. The company recommends that these adjustments be included in the total adjustment related to taxes.

7. With respect to the two operating units, and based on the Company's current case, the Tax Law will cause the following adjustments:

Spire Missouri East: Adjustment to revenue requirement of approximately \$12 million

Spire Missouri West: Adjustment to revenue requirement of approximately \$8 million

8. For the Commission's convenience, we have broken down the effect to customers of these revenue requirement adjustments, as set forth below:

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Updated Revenue Requirement	
LAC	52.1
MGE	<u>34.2</u>
As Updated	86.3
Less: ISRS in Rates	<u>(49.0)</u>
Net	37.3
Tax Changes (Income and Property)	<u>(20.1)</u>
Remaining Incremental Revenue Requirement	<u><u>17.2</u></u>
Monthly Cost per Customer	<u><u>\$ 1.24</u></u>

9. The Tax Law will also have an effect on our deferred tax liability balances. The change in deferred taxes will result in lower cash flows and will likely increase our cost of capital going forward. The effect on deferred taxes is estimated to take place over approximately 20 years, and we recommend the Commission address this very complex issue at a later date.

10. Please note that Spire Inc. and its registrants will be required to provide estimates of the impact of the Tax Law on the Form 10-Q financial statement filings, scheduled to be filed on January 31, 2018. The financial statements included in this filing will contain the impacts of estimates from multiple entities under Spire Inc., including both regulated and non-regulated activities, and will consider both current and deferred taxes. Accordingly, it will not provide a meaningful comparison to the figures in this Affidavit.

11. We will provide our confidential workpapers to Staff after we make today's filing.

Spire Missouri
Estimate of Tax Reform Impact on Rate Case Positions

<u>As of True up - at 35% rate</u>	Spire MO East	Spire MO West	Spire MO Total
Operating Income Before Income Tax	\$100.1	\$67.5	\$167.6
Less: Income Tax Expense	\$31.0	\$21.9	\$52.9
Net Operating Income	\$69.1	\$45.6	\$114.7
Effective Tax Rate	31.0%	32.4%	31.6%
<u>As of True up - at 21% rate</u>	Spire MO East	Spire MO West	Spire MO Total
Operating Income Before Income Tax	\$86.6	\$57.9	\$144.5
Less: Income Tax Expense	\$17.5	\$12.3	\$29.8
Net Operating Income	\$69.1	\$45.6	\$114.7
Effective Tax Rate	20.2%	21.2%	20.6%
<u>Variance between 35% and 21%</u>	Spire MO East	Spire MO West	Spire MO Total
Operating Income Before Income Tax	(\$13.5)	(\$9.6)	(\$23.1)
Less: Income Tax Expense	(\$13.5)	(\$9.6)	(\$23.1)
Net Operating Income	\$0.0	\$0.0	\$0.0
Effective Tax Rate	-10.7%	-11.3%	-10.9%
<u>Net Impact on Tax Expense</u>			
Benefit due to lower income tax rates	(\$13.5)	(\$9.6)	(\$23.1)
Less: Increase in property taxes	\$1.3	\$1.7	\$3.0
Net Tax Benefit to Customers	(\$12.2)	(\$7.9)	(\$20.1)