SPIRE INC
Form 10-Q
February 01, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X]	QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the Quarter Ended December 31, 2016
	OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the Transition Period from to

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

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days.

Spire Inc.	Yes [X]	No [ ]
Laclede Gas Company	Yes [X]	No [ ]
Alabama Gas Corporation	Yes [X]	No [ ]

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Spire Inc.	Yes [X]	No [ ]
Laclede Gas Company	Yes [X]	No [ ]
Alabama Gas Corporation	Yes [X]	No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Spire Inc.	X			
Laclede Gas Company			X	
Alabama Gas Corporation			X	

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

Spire Inc.	Yes [ ]	No [X]
Laclede Gas Company	Yes [ ]	No [X]
Alabama Gas Corporation	Yes [ ]	No [X]

The number of shares outstanding of each registrant’s common stock as of January 30, 2017 was as follows:

Spire Inc.	Common Stock, par value $1.00 per share	45,738,897
Laclede Gas Company	Common Stock, par value $1.00 per share (all owned by Spire Inc.)	24,577
Alabama Gas Corporation	Common Stock, par value $0.01 per share (all owned by Spire Inc.)	1,972,052

Laclede Gas Company and Alabama Gas Corporation meet the conditions set forth in General Instructions H(1)(a) and (b) to Form 10-Q and are therefore filing this Form 10-Q with the reduced disclosure format specified in General Instructions H(2) to Form 10-Q.

This combined Form 10-Q represents separate filings by Spire Inc., Laclede Gas Company and Alabama Gas Corporation. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants, except that information relating to Laclede Gas Company and Alabama Gas Corporation are also attributed to Spire Inc.

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GLOSSARY OF KEY TERMS AND ABBREVIATIONS

Alabama Utilities	Alagasco and Mobile Gas, the utilities serving the Alabama region	Laclede Gas	Laclede Gas Company, or Missouri Utilities
Alagasco	Alabama Gas Corporation	MDNR	Missouri Department of Natural Resources
AOCI	Accumulated other comprehensive income or loss	MGE	Missouri Gas Energy
APSC	Alabama Public Service Commission	MGP	Manufactured gas plant
ASC	Accounting Standards Codification	Missouri Utilities	Laclede Gas Company (including MGE), the utilities serving the Missouri region
ASU	Accounting Standards Update	MMBtu	Million British thermal units
Bcf	Billion cubic feet	Mobile Gas	Mobile Gas Service Corporation
BVCP	Brownfields/Voluntary Cleanup Program	MoPSC	Missouri Public Service Commission
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980	MSPSC	Mississippi Public Service Commission
Degree days	The average of a day's high and low temperature below 65, subtracted from 65, multiplied by the number of days impacted	NYSE	New York Stock Exchange
EnergySouth	EnergySouth, Inc.	NYMEX	New York Mercantile Exchange, Inc.
EPA	US Environmental Protection Agency	OPC	Missouri Office of the Public Counsel
EPS	Earnings per share	OTCBB	Over-the-Counter Bulletin Board
FASB	Financial Accounting Standards Board	PGA	Purchased Gas Adjustment
FERC	Federal Energy Regulatory Commission	PRP	Potentially responsible party
GAAP	Accounting principles generally accepted in the United States of America	RSE	Rate Stabilization and Equalization
Gas Marketing	Operating segment including Spire Marketing, which is engaged in the non-regulated marketing of natural gas and related activities	SEC	US Securities and Exchange Commission
Gas Utility	Segment including the regulated operations of the Utilities	Spire Marketing	Spire Marketing Inc. (formerly known as Laclede Energy Resources, Inc., or LER)
GSA	Gas Supply Adjustment	US	United States
ICE	Intercontinental Exchange	Utilities	Laclede Gas Company, Alabama Gas Corporation, and the subsidiaries of EnergySouth, Inc.
ISRS	Infrastructure System Replacement Surcharge	Willmut Gas	Willmut Gas & Oil Company

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PART I. FINANCIAL INFORMATION

The interim financial statements included herein have been prepared by three separate registrants — Spire Inc. (Spire or the Company), Laclede Gas Company (Laclede Gas or Missouri Utilities) and Alabama Gas Corporation (Alagasco or Alabama Utility) — without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the financial statements and the notes thereto included in each registrant's respective Form 10-K for the fiscal year ended September 30, 2016.

The Financial Information in this Part I includes separate financial statements (i.e., balance sheets, statements of income and comprehensive income, statements of common shareholders' equity and statements of cash flows) for Spire, Laclede Gas and Alagasco. The Notes to Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations are also included and presented herein on a combined basis for Spire, Laclede Gas and Alagasco.

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Item 1. Financial Statements

SPIRE INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended December 31,	
(In millions, except per share amounts)	2016	2015
Operating Revenues:		
Gas Utility	$472.3	$398.8
Gas Marketing and other	22.8	0.6
Total Operating Revenues	495.1	399.4
Operating Expenses:		
Gas Utility		
Natural and propane gas	193.8	148.5
Other operation and maintenance expenses	99.4	91.6
Depreciation and amortization	37.7	33.5
Taxes, other than income taxes	33.4	28.2
Total Gas Utility Operating Expenses	364.3	301.8
Gas Marketing and other	41.7	10.6
Total Operating Expenses	406.0	312.4
Operating Income	89.1	87.0
Other Income	0.5	1.4
Interest Charges:		
Interest on long-term debt	19.1	16.9
Other interest charges	3.0	2.1
Total Interest Charges	22.1	19.0
Income Before Income Taxes	67.5	69.4
Income Tax Expense	22.3	22.5
Net Income	$45.2	$46.9
Weighted Average Number of Common Shares Outstanding:		
Basic	45.5	43.2
Diluted	45.7	43.4
Basic Earnings Per Share of Common Stock	$0.99	$1.08
Diluted Earnings Per Share of Common Stock	$0.99	$1.08
Dividends Declared Per Share of Common Stock	$0.53	$0.49

See the accompanying Notes to Financial Statements.

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SPIRE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended December 31,	
(In millions)	2016	2015
Net Income	$45.2	$46.9
Other Comprehensive (Loss) Income, Before Tax:		
Cash flow hedging derivative instruments:		
Net hedging gains (losses) arising during the period	11.5	(0.7)
Reclassification adjustment for losses included in net income	0.2	1.2
Net unrealized gains on cash flow hedging derivative instruments	11.7	0.5
Net gains on defined benefit pension and other postretirement plans	0.1	0.1
Net unrealized losses on available for sale securities	(0.1)	(0.1)
Other Comprehensive Income, Before Tax	11.7	0.5
Income Tax Expense Related to Items of Other Comprehensive Income	4.3	0.2
Other Comprehensive Income, Net of Tax	7.4	0.3
Comprehensive Income	$52.6	$47.2

See the accompanying Notes to Financial Statements.

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SPIRE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in millions, except per share amounts)	December 31, 2016	September 30, 2016	December 31, 2015
ASSETS			
Utility Plant	$ 4,893.2	$ 4,793.6	$ 4,220.6
Less: Accumulated depreciation and amortization	1,561.4	1,506.4	1,267.3
Net Utility Plant	3,331.8	3,287.2	2,953.3
Non-utility Property (net of accumulated depreciation and amortization of $8.2, $8.1 and $7.7 at December 31, 2016, September 30, 2016, and December 31, 2015, respectively)	19.7	13.7	13.9
Goodwill	1,161.4	1,164.9	946.0
Other Investments	61.9	62.1	60.8
Total Other Property and Investments	1,243.0	1,240.7	1,020.7
Current Assets:			
Cash and cash equivalents	10.6	5.2	4.6
Accounts receivable:			
Utility	310.4	127.8	224.7
Other	133.4	113.4	85.5
Allowance for doubtful accounts	(21.1)	(20.5)	(12.7)
Delayed customer billings	5.3	1.6	8.7
Inventories:			
Natural gas	161.9	174.0	176.6
Propane gas	12.0	12.0	12.0
Materials and supplies	16.6	16.3	14.9
Natural gas receivable	8.4	9.7	20.1
Derivative instrument assets	18.7	11.4	4.3
Unamortized purchased gas adjustments	52.2	49.7	44.6
Other regulatory assets	82.3	44.2	31.7
Prepayments and other	24.9	24.8	21.0
Total Current Assets	815.6	569.6	636.0
Deferred Charges:			
Regulatory assets	786.4	838.0	727.0
Other	133.3	128.9	61.8
Total Deferred Charges	919.7	966.9	788.8
Total Assets	$ 6,310.1	$ 6,064.4	$ 5,398.8

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SPIRE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(UNAUDITED)

	December 31, 2016	September 30, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Common stock (par value $1.00 per share; 70.0 million shares authorized; 45.7 million, 45.6 million, and 43.4 million shares issued and outstanding at December 31, 2016, September 30, 2016 and December 31, 2015, respectively)	$ 45.7	$ 45.6	$ 43.4
Paid-in capital	1,175.7	1,175.9	1,038.7
Retained earnings	572.1	550.9	519.9
Accumulated other comprehensive income (loss)	3.2	(4.2)	(1.7)
Total Common Stock Equity	1,796.7	1,768.2	1,600.3
Long-term debt (less current portion)	1,821.3	1,820.7	1,838.9
Total Capitalization	3,618.0	3,588.9	3,439.2
Current Liabilities:			
Current portion of long-term debt	250.0	250.0	—
Notes payable	506.4	398.7	377.1
Accounts payable	273.8	210.9	159.5
Advance customer billings	60.2	70.2	59.3
Wages and compensation accrued	29.6	39.8	25.4
Dividends payable	24.8	23.5	22.3
Customer deposits	35.7	34.9	33.0
Interest accrued	22.3	14.8	19.5
Taxes accrued	39.7	55.2	32.9
Deferred income taxes	—	—	7.4
Unamortized purchased gas adjustments	1.4	1.7	14.3
Other regulatory liabilities	42.8	28.9	41.5
Other	55.5	32.7	55.3
Total Current Liabilities	1,342.2	1,161.3	847.5
Deferred Credits and Other Liabilities:			
Deferred income taxes	636.5	607.3	495.3
Pension and postretirement benefit costs	296.3	303.7	250.7
Asset retirement obligations	208.7	206.4	161.0
Regulatory liabilities	132.1	130.7	129.1
Other	76.3	66.1	76.0
Total Deferred Credits and Other Liabilities	1,349.9	1,314.2	1,112.1
Commitments and Contingencies (Note 10)			
Total Capitalization and Liabilities	$ 6,310.1	$ 6,064.4	$ 5,398.8

See the accompanying Notes to Financial Statements.

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SPIRE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(UNAUDITED)

(Dollars in millions)	Common Stock Outstanding Shares	Amount	Paid-in Capital	Retained Earnings	AOCI*	Total
Balance at September 30, 2015	43,335,012	$ 43.3	$ 1,038.1	$ 494.2	$ (2.0)	$ 1,573.6
Net income	—	—	—	46.9	—	46.9
Dividend reinvestment plan	5,866	—	0.3	—	—	0.3
Stock-based compensation costs	—	—	1.7	—	—	1.7
Stock issued under stock-based compensation plans	106,306	0.1	0.2	—	—	0.3
Employee's tax withholding for stock-based compensation	(29,083)	—	(1.6)	—	—	(1.6)
Dividends declared	—	—	—	(21.2)	—	(21.2)
Other comprehensive income, net of tax	—	—	—	—	0.3	0.3
Balance at December 31, 2015	43,418,101	$ 43.4	$ 1,038.7	$ 519.9	$ (1.7)	$ 1,600.3
Balance at September 30, 2016	45,650,642	$ 45.6	$ 1,175.9	$ 550.9	$ (4.2)	$ 1,768.2
Net income	—	—	—	45.2	—	45.2
Dividend reinvestment plan	5,610	—	0.3	—	—	0.3
Stock-based compensation costs	—	—	1.7	—	—	1.7
Stock issued under stock-based compensation plans	110,136	0.1	(0.1)	—	—	—
Employee's tax withholding for stock-based compensation	(33,615)	—	(2.1)	—	—	(2.1)
Dividends declared	—	—	—	(24.0)	—	(24.0)
Other comprehensive income, net of tax	—	—	—	—	7.4	7.4
Balance at December 31, 2016	45,732,773	$ 45.7	$ 1,175.7	$ 572.1	$ 3.2	$ 1,796.7

* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

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SPIRE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended December 31,	
(In millions)	2016	2015
Operating Activities:		
Net Income	$45.2	$46.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	37.8	33.7
Deferred income taxes and investment tax credits	22.1	22.4
Changes in assets and liabilities:		
Accounts receivable	(186.8)	(77.6)
Unamortized purchased gas adjustments	(2.8)	(45.7)
Deferred purchased gas costs	7.9	12.6
Accounts payable	85.5	18.0
Delayed/advance customer billings – net	(13.7)	8.9
Taxes accrued	(16.9)	(18.8)
Inventories	11.8	11.9
Other assets and liabilities	18.5	20.3
Other	1.7	0.9
Net cash provided by operating activities	10.3	33.5
Investing Activities:		
Capital expenditures	(89.3)	(62.4)
Settlement for acquisition of EnergySouth	3.8	—
Other	(0.4)	(0.4)
Net cash used in investing activities	(85.9)	(62.8)
Financing Activities:		
Issuance of long-term debt	—	80.0
Repayment of long-term debt	—	(80.0)
Issuance of short-term debt - net	107.7	39.1
Issuance of common stock	0.1	1.1
Dividends paid	(22.8)	(19.9)
Other	(4.0)	(0.2)
Net cash provided by financing activities	81.0	20.1
Net Increase (Decrease) in Cash and Cash Equivalents	5.4	(9.2)
Cash and Cash Equivalents at Beginning of Period	5.2	13.8
Cash and Cash Equivalents at End of Period	$10.6	$4.6
Supplemental disclosure of cash paid for:		
Interest	$(14.3)	$(12.9)
Income taxes	(0.1)	(0.1)

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In millions)	Three Months Ended December 31, 2016	2015
Operating Revenues:		
Utility	$363.6	$317.2
Total Operating Revenues	363.6	317.2
Operating Expenses:		
Utility		
Natural and propane gas	191.3	149.8
Other operation and maintenance expenses	60.5	58.8
Depreciation and amortization	22.7	21.8
Taxes, other than income taxes	24.6	21.7
Total Operating Expenses	299.1	252.1
Operating Income	64.5	65.1
Other Income	0.1	0.8
Interest Charges:		
Interest on long-term debt	8.3	8.4
Other interest charges	1.4	0.9
Total Interest Charges	9.7	9.3
Income Before Income Taxes	54.9	56.6
Income Tax Expense	16.9	17.2
Net Income	$38.0	$39.4

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	Three Months Ended December 31, 2016	2015
Net Income	$ 38.0	$ 39.4
Other Comprehensive Income (Loss), Before Tax:		
Cash flow hedging derivative instruments:		
Net hedging gains (losses) arising during the period	0.3	(0.1)
Reclassification adjustment for losses included in net income	—	0.3
Net unrealized gains on cash flow hedging derivative instruments	0.3	0.2
Net (losses) gains on defined benefit pension and other postretirement plans	(0.1)	0.1
Net unrealized gains (losses) on available for sale securities	0.1	(0.1)
Other Comprehensive Income, Before Tax	0.3	0.2
Income Tax Expense Related to Items of Other Comprehensive Income	0.1	0.1
Other Comprehensive Income, Net of Tax	0.2	0.1
Comprehensive Income	$ 38.2	$ 39.5

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED BALANCE SHEETS
(UNAUDITED)

(Dollars in millions, except per share amounts)	December 31, 2016	September 30, 2016	December 31, 2015
ASSETS			
Utility Plant	$ 2,794.7	$ 2,718.5	$ 2,580.6
Less: Accumulated depreciation and amortization	646.4	604.5	573.1
Net Utility Plant	2,148.3	2,114.0	2,007.5
Goodwill	210.2	210.2	210.2
Other Property and Investments	57.1	57.3	56.0
Total Other Property and Investments	267.3	267.5	266.2
Current Assets:			
Cash and cash equivalents	4.0	2.1	1.3
Accounts receivable:			
Utility	221.0	87.9	167.3
Other	12.2	11.4	24.6
Allowance for doubtful accounts	(17.1)	(16.1)	(8.7)
Receivables from associated companies	5.3	2.2	4.6
Delayed customer billings	5.3	1.6	8.7
Inventories:			
Natural gas	118.2	127.3	125.5
Propane gas	12.0	12.0	12.0
Materials and supplies	9.3	9.2	9.3
Derivative instrument assets	2.2	4.9	—
Unamortized purchased gas adjustments	33.8	43.1	44.6
Other regulatory assets	59.7	23.9	20.9
Prepayments and other	15.5	14.5	12.8
Total Current Assets	481.4	324.0	422.9
Deferred Charges:			
Regulatory assets	543.4	589.8	563.9
Other	2.4	1.1	6.4
Total Deferred Charges	545.8	590.9	570.3
Total Assets	$ 3,442.8	$ 3,296.4	$ 3,266.9

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LACLEDE GAS COMPANY
CONDENSED BALANCE SHEETS (Continued)
(UNAUDITED)

	December 31, 2016	September 30, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value $1.00 per share; 50,000 authorized; 24,577 shares issued and outstanding)	$ 753.1	$ 752.0	$ 749.5
Retained earnings	341.6	318.3	309.4
Accumulated other comprehensive loss	(1.6)	(1.8)	(1.6)
Total Common Stock Equity	1,093.1	1,068.5	1,057.3
Long-term debt	804.3	804.1	803.6
Total Capitalization	1,897.4	1,872.6	1,860.9
Current Liabilities:			
Notes payable	312.9	243.7	274.1
Accounts payable	104.3	67.6	64.6
Accounts payable – associated companies	9.4	5.4	4.5
Advance customer billings	38.8	49.1	36.8
Wages and compensation accrued	22.1	29.9	19.7
Dividends payable	14.7	14.0	21.2
Customer deposits	13.6	13.5	13.0
Interest accrued	9.5	7.7	9.4
Taxes accrued	16.4	29.1	10.2
Deferred income taxes	—	—	12.3
Regulatory liabilities	2.7	1.3	1.1
Other	35.2	9.9	37.9
Total Current Liabilities	579.6	471.2	504.8
Deferred Credits and Other Liabilities:			
Deferred income taxes	578.2	556.9	493.5
Pension and postretirement benefit costs	202.8	211.8	204.2
Asset retirement obligations	76.1	75.2	73.3
Regulatory liabilities	67.3	67.3	81.4
Other	41.4	41.4	48.8
Total Deferred Credits and Other Liabilities	965.8	952.6	901.2
Commitments and Contingencies (Note 10)			
Total Capitalization and Liabilities	$ 3,442.8	$ 3,296.4	$ 3,266.9

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
(UNAUDITED)

(Dollars in millions)	Common Stock Outstanding Shares	Amount	Paid-in Capital	Retained Earnings	AOCI*	Total
Balance at September 30, 2015	24,577	$ 0.1	$ 748.2	$ 291.2	$ (1.7)	$ 1,037.8
Net income	—	—	—	39.4	—	39.4
Stock-based compensation costs	—	—	1.2	—	—	1.2
Dividends declared	—	—	—	(21.2)	—	(21.2)
Other comprehensive income, net of tax	—	—	—	—	0.1	0.1
Balance at December 31, 2015	24,577	$ 0.1	$ 749.4	$ 309.4	$ (1.6)	$ 1,057.3
Balance at September 30, 2016	24,577	$ 0.1	$ 751.9	$ 318.3	$ (1.8)	$ 1,068.5
Net income	—	—	—	38.0	—	38.0
Stock-based compensation costs	—	—	1.1	—	—	1.1
Dividends declared	—	—	—	(14.7)	—	(14.7)
Other comprehensive income, net of tax	—	—	—	—	0.2	0.2
Balance at December 31, 2016	24,577	$ 0.1	$ 753.0	$ 341.6	$ (1.6)	$ 1,093.1

* Accumulated other comprehensive income (loss)

See the accompanying Notes to Financial Statements.

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LACLEDE GAS COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	Three Months Ended December 31, 2016	2015
Operating Activities:		
Net Income	$ 38.0	$ 39.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22.7	21.8
Deferred income taxes and investment tax credits	16.9	17.2
Changes in assets and liabilities:		
Accounts receivable	(136.0)	(66.9)
Unamortized purchased gas adjustments	9.3	(31.8)
Deferred purchased gas costs	7.9	12.6
Accounts payable	50.3	8.6
Delayed/advance customer billings – net	(14.0)	5.6
Taxes accrued	(12.6)	(15.2)
Inventories	9.0	12.6
Other assets and liabilities	16.7	17.7
Other	0.5	0.3
Net cash provided by operating activities	8.7	21.9
Investing Activities:		
Capital expenditures	(61.2)	(43.4)
Other	0.1	(0.1)
Net cash used in investing activities	(61.1)	(43.5)
Financing Activities:		
Issuance of short-term debt	69.2	41.1
Dividends paid	(14.0)	(19.9)
Other	(0.9)	—
Net cash provided by financing activities	54.3	21.2
Net Increase (Decrease) in Cash and Cash Equivalents	1.9	(0.4)

Cash and Cash Equivalents at Beginning of Period	2.1			1.7		
Cash and Cash Equivalents at End of Period	$	4.0		$	1.3	
Supplemental disclosure of cash paid for:						
Interest	$	(7.9	)	$	(4.1	)
Income taxes	—			—		

See the accompanying Notes to Financial Statements.

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ALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

(In millions)	Three Months Ended December 31, 2016	2015
Operating Revenues:		
Utility	$ 86.7	$ 82.3
Total Operating Revenues	86.7	82.3
Operating Expenses:		
Utility		
Natural gas	16.8	12.1
Operation and maintenance	31.2	33.1
Depreciation and amortization	12.3	11.7
Taxes, other than income taxes	6.6	6.5
Total Operating Expenses	66.9	63.4
Operating Income	19.8	18.9
Other Income	0.4	0.5
Interest Charges:		
Interest on long-term debt	2.8	3.0
Other interest charges	0.8	0.5
Total Interest Charges	3.6	3.5
Income Before Income Taxes	16.6	15.9
Income Tax Expense	6.3	6.0
Net Income	$ 10.3	$ 9.9

See the accompanying Notes to Financial Statements.

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ALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS
(UNAUDITED)

(Dollars in millions, except per share amounts)	December 31, 2016	September 30, 2016	December 31, 2015
ASSETS			
Utility Plant	$ 1,750.2	$ 1,729.6	$ 1,640.0
Less: Accumulated depreciation and amortization	768.0	756.6	694.1
Net Utility Plant	982.2	973.0	945.9
Current Assets:			
Cash and cash equivalents	—	—	0.1
Accounts receivable:			
Utility	77.5	34.0	57.4
Other	6.1	7.2	5.9
Allowance for doubtful accounts	(2.4)	(3.3)	(4.0)
Inventories:			
Natural gas	28.4	34.6	40.0
Materials and supplies	6.1	5.9	5.4
Deferred income taxes	—	—	5.7
Unamortized purchased gas adjustments	17.1	5.6	—
Other regulatory assets	14.4	14.9	10.8
Prepayments and other	5.4	5.1	4.2
Total Current Assets	152.6	104.0	125.5
Deferred Charges:			
Regulatory assets	229.5	230.7	162.5
Deferred income taxes	215.1	221.4	242.8
Other	61.8	60.8	55.7
Total Deferred Charges	506.4	512.9	461.0
Total Assets	$ 1,641.2	$ 1,589.9	$ 1,532.4

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ALABAMA GAS CORPORATION
CONDENSED BALANCE SHEETS (Continued)
(UNAUDITED)

	December 31, 2016	September 30, 2016	December 31, 2015
CAPITALIZATION AND LIABILITIES			
Capitalization:			
Paid-in capital and common stock (par value $0.01 per share; 3.0 million shares authorized; 2.0 million shares issued and outstanding)	$ 451.9	$ 451.9	$ 471.9
Retained earnings	419.0	415.4	396.1
Total Common Stock Equity	870.9	867.3	868.0
Long-term debt	247.7	247.6	247.6
Total Capitalization	1,118.6	1,114.9	1,115.6
Current Liabilities:			
Notes payable	102.5	82.0	43.0
Accounts payable	48.7	34.3	34.9
Accounts payable – associated companies	1.9	0.4	1.7
Advance customer billings	21.4	21.1	22.5
Wages and compensation accrued	5.7	7.8	5.7
Customer deposits	18.8	18.2	20.0
Interest accrued	3.4	3.3	3.3
Taxes accrued	18.9	21.6	22.5
Unamortized purchased gas adjustments	—	—	14.3
Other regulatory liabilities	37.4	22.7	40.4
Other	5.0	6.3	5.1
Total Current Liabilities	263.7	217.7	213.4
Deferred Credits and Other Liabilities:			
Pension and postretirement benefit costs	75.6	74.3	46.5
Asset retirement obligations	121.4	120.1	87.5
Regulatory liabilities	40.6	41.7	47.7
Other	21.3	21.2	21.7
Total Deferred Credits and Other Liabilities	258.9	257.3	203.4
Commitments and Contingencies (Note 10)			
Total Capitalization and Liabilities	$ 1,641.2	$ 1,589.9	$ 1,532.4

See the accompanying Notes to Financial Statements.

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ALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
(UNAUDITED)

(Dollars in millions)	Common Stock Outstanding Shares	Amount	Paid-in Capital	Retained Earnings	Total
Balance at September 30, 2015	1,972,052	$ —	$480.9	$ 393.7	$874.6
Net income	—	—	—	9.9	9.9
Return of capital to Spire	—	—	(9.0)	—	(9.0)
Dividends declared	—	—	—	(7.5)	(7.5)
Balance at December 31, 2015	1,972,052	$ —	$471.9	$ 396.1	$868.0
Balance at September 30, 2016	1,972,052	$ —	$451.9	$ 415.4	$867.3
Net income	—	—	—	10.3	10.3
Dividends declared	—	—	—	(6.7)	(6.7)
Balance at December 31, 2016	1,972,052	$ —	$451.9	$ 419.0	$870.9

See the accompanying Notes to Financial Statements.

ALABAMA GAS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended December 31,	
(In millions)	2016	2015
Operating Activities:		
Net Income	$10.3	$9.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12.3	11.7
Deferred income taxes and investment tax credits	6.3	6.0
Changes in assets and liabilities:		
Accounts receivable	(28.1)	(14.2)
Unamortized purchased gas adjustments	(11.5)	(13.9)
Accounts payable	17.0	13.1
Advance customer billings - net	0.3	3.3
Taxes accrued	(2.7)	(3.5)
Inventories	5.9	0.4
Other assets and liabilities	(1.1)	1.5
Other	0.3	0.6
Net cash provided by operating activities	9.0	14.9
Investing Activities:		
Capital expenditures	(21.8)	(18.7)
Other	(0.6)	(0.3)
Net cash used in investing activities	(22.4)	(19.0)
Financing Activities:		
Issuance of long-term debt	—	80.0
Redemption and maturity of long-term debt	—	(80.0)
Issuance of short-term debt	20.5	12.0
Return of capital to Spire	—	(9.0)
Dividends paid	(6.7)	(7.5)
Other	(0.4)	1.5
Net cash provided by (used in) financing activities	13.4	(3.0)
Net Decrease in Cash and Cash Equivalents	—	(7.1)
Cash and Cash Equivalents at Beginning of Period	—	7.2
Cash and Cash Equivalents at End of Period	$—	$0.1
Supplemental disclosure of cash paid for:		
Interest	$(3.1)	$(3.2)
Income taxes	—	—

See the accompanying Notes to Financial Statements.

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SPIRE INC., LACLEDE GAS COMPANY AND ALABAMA GAS CORPORATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
(Dollars in millions, except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
BASIS OF PRESENTATION – These notes are an integral part of the accompanying unaudited financial statements of Spire Inc. (Spire or the Company), as well as Laclede Gas Company (Laclede Gas or the Missouri Utilities) and Alabama Gas Corporation (Alagasco). Laclede Gas, which includes the operations of Missouri Gas Energy (MGE), and Alagasco are wholly owned subsidiaries of the Company. Laclede Gas, Alagasco and the subsidiaries of EnergySouth, Inc. (EnergySouth) are collectively referred to as the Utilities. The subsidiaries of EnergySouth are Mobile Gas Service Corporation (Mobile Gas) and Willmut Gas & Oil Company (Willmut Gas).
The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information with the instructions to Form 10-Q and Rule 10-01 of Regulation S X. Accordingly, they do not include all of the disclosures required for complete financial statements. In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of only normal recurring adjustments) necessary for the fair presentation of the results of operations for the periods presented. This Form 10-Q should be read in conjunction with the Notes to Financial Statements contained in Spire’s, Laclede Gas’, and Alagasco’s Annual Reports on Form 10-K for the fiscal year ended September 30, 2016.
The consolidated financial position, results of operations, and cash flows of Spire are primarily derived from the financial position, results of operations, and cash flows of the Utilities. In compliance with GAAP, transactions between Laclede Gas and Alagasco and their affiliates, as well as intercompany balances on their balance sheets, have not been eliminated from their separate financial statements. Spire’s September 12, 2016 acquisition of EnergySouth are included in the results of operations since the acquisition and impact the comparability of financial statement periods presented for the Company.
NATURE OF OPERATIONS – Spire Inc. (NYSE: SR), headquartered in St. Louis, Missouri, is a public utility holding company. The Company has two reportable segments: Gas Utility and Gas Marketing. The Gas Utility segment consists of the regulated natural gas distribution operations of the Company and is the core business segment of Spire in terms of revenue and earnings generation. The Gas Utility segment is comprised of the operations of: the Missouri Utilities, serving St. Louis and eastern Missouri, Kansas City and western Missouri (through MGE); Alagasco, serving central and northern Alabama; and the subsidiaries of EnergySouth, serving southern Alabama and south-central Mississippi. Spire’s primary non-utility business, Spire Marketing Inc. (Spire Marketing) was formerly known as Laclede Energy Resources, Inc., which changed its name on December 12, 2016. Spire Marketing is included in the Gas Marketing segment and provides non-regulated natural gas services. The activities of other subsidiaries are described in Note 9, Information by Operating Segment, and are reported as Other. Laclede Gas and Alagasco each have a single reportable segment.
The Company’s earnings are primarily derived from its Gas Utility segment. Due to the seasonal nature of the Utilities’ business, earnings are typically concentrated during the heating season of November through April each fiscal year. As a result, the interim statements of income for Spire, Laclede Gas and Alagasco are not necessarily indicative of annual results or representative of succeeding quarters of the fiscal year.
GOODWILL – Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. The changes in the carrying amount of goodwill by reportable segment are shown below, reflecting the effect of a $3.8 cash payment to Spire related to the EnergySouth acquisition, offset by immaterial adjustments to assets acquired.

	Gas Utility	Gas Marketing	Other	Total
Balance as of September 30, 2016	$210.2	$ —	$954.7	$1,164.9
Adjustments related to the acquisition of EnergySouth	—	—	(3.5)	(3.5)

Balance as of December 31, 2016	$210.2	$ —	$951.2	$1,161.4

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REVENUE RECOGNITION – The Utilities read meters and bill customers on monthly cycles. The Missouri Utilities record their gas utility revenues from gas sales and transportation services on an accrual basis that includes estimated amounts for gas delivered but not yet billed. The accruals for unbilled revenues are reversed in the subsequent accounting period when meters are actually read and customers are billed. The amounts of accrued unbilled revenues for Laclede Gas at December 31, 2016, September 30, 2016, and December 31, 2015 were $103.5, $26.1, and $74.6, respectively.

Alagasco records natural gas distribution revenues in accordance with the tariff established by the Alabama Public Service Commission (APSC). Unbilled revenues for Alagasco, which are not recorded as revenue until billed, at December 31, 2016, September 30, 2016, and December 31, 2015 were $22.0, $5.9, and $16.4, respectively.

The subsidiaries of EnergySouth record natural gas revenues in accordance with tariffs established by the APSC and the Mississippi Public Service Commission (MSPSC). Their unbilled revenues are accrued as described for Laclede Gas above.

Spire's other subsidiaries, including Spire Marketing, record revenues when earned, either when the product is delivered or when services are performed.

In the course of its business, Spire Marketing enters into commitments associated with the purchase or sale of natural gas. Certain of their derivative natural gas contracts are designated as normal purchases or normal sales and, as such, are excluded from the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, "Derivatives and Hedging." Those contracts are accounted for as executory contracts and recorded on an accrual basis. Revenues and expenses from such contracts are recorded using a gross presentation. Contracts not designated as normal purchases or normal sales are recorded as derivatives with changes in fair value recognized in earnings in the periods prior to physical delivery. Certain of Spire Marketing's wholesale purchase and sale transactions are classified as trading activities for financial reporting purposes. Under GAAP, revenues and expenses associated with trading activities are presented on a net basis in Gas Marketing Operating Revenues in the Condensed Consolidated Statements of Income. This net presentation has no effect on operating income or net income.

GROSS RECEIPTS TAXES – Gross receipts taxes associated with the Company's natural gas utility services are imposed on the Utilities and billed to their customers. The revenue and expense amounts are recorded gross in the "Operating Revenues" and "Taxes, other than income taxes" lines, respectively, in the statements of income. The following table presents gross receipts taxes recorded as revenues.

	Three Months Ended December 31,	
	2016	2015
Spire	$ 19.4	$ 17.9
Laclede Gas	14.1	13.9
Alagasco	4.2	4.0

REGULATED OPERATIONS – The Utilities account for their regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." This topic sets forth the application of GAAP for those companies whose rates are established by or are subject to approval by an independent third-party regulator. The provisions of this accounting guidance require, among other things, that financial statements of a regulated enterprise reflect the actions of regulators, where appropriate. These actions may result in the recognition of revenues and expenses in time periods that are different than non-regulated enterprises. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses when those amounts are reflected in rates. In addition, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for recovery of costs that are expected to be incurred in the future (regulatory liabilities). Management believes that the current regulatory environment supports the continued use of these regulatory accounting principles and that all regulatory assets and regulatory liabilities are recoverable or refundable through the regulatory process.

As authorized by the Missouri Public Service Commission (MoPSC), MSPSC and APSC, the Purchased Gas Adjustment (PGA) clauses and Gas Supply Adjustment (GSA) riders allow the Utilities to pass through to customers the cost of purchased gas supplies. Regulatory assets and liabilities related to the PGA clauses and the GSA rider are both labeled Unamortized Purchased Gas Adjustments herein. See additional information about regulatory assets and liabilities in Note 3, Regulatory Matters.

TRANSACTIONS WITH AFFILIATES – Transactions between affiliates of the Company have been eliminated from the consolidated financial statements of Spire. Other than borrowings from Spire reflected in Alagasco's Condensed Balance Sheets and Condensed Statements of Cash Flows and normal intercompany shared services transactions, there were no transactions between Alagasco and affiliates during the three months ended December 31, 2016 and December 31, 2015. Laclede Gas' transactions with affiliates included:

	Three Months Ended December 31,	
	2016	2015
Purchases of natural gas from Spire Marketing	$ 20.5	$ 13.2
Sales of natural gas to Spire Marketing	3.6	0.7
Transportation services received from Laclede Pipeline Company	0.3	0.3
Insurance services received from Laclede Insurance Risk Services	1.1	0.2

UTILITY PLANT – Laclede Gas had accrued capital expenditures of $6.8, $14.8, and $4.6 as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively. Alagasco had accrued capital expenditures of $5.6, $6.8, and $3.1 as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively. Accrued capital expenditures are excluded from the capital expenditures shown in the statements of cash flows.

FINANCING RECEIVABLES – Alagasco finances third-party contractor sales of merchandise including gas furnaces and appliances, and related financing receivables totaled approximately $11.8, $11.8, and $11.2 as of December 31, 2016, September 30, 2016, and December 31, 2015, respectively. Financing is available only to qualified customers who meet creditworthiness thresholds for customer payment history and external agency credit reports. Alagasco relies upon ongoing payments as the primary indicator of credit quality during the term of each contract. The allowance for credit losses is recognized using an estimate of write-off percentages based on historical experience applied to an aging of the financing receivable balance. Delinquent accounts are evaluated on a case-by-case basis and, absent evidence of debt repayment after 90 days, are due in full and assigned to a third-party collection agency. The remaining financing receivable is written off approximately 12 months after being assigned to the third-party collection agency. Alagasco's financing receivables that were at least 90 days past due totaled $0.4 as of December 31, 2016, September 30, 2016, and December 31, 2015. Alagasco recorded corresponding reserves for credit losses at each of those dates. Mobile Gas also finances customer purchases of gas heating and cooling systems, but related financing receivables are not material.

RECLASSIFICATIONS – Certain prior period amounts have been reclassified to conform to the current period presentation. Net income and total equity were not affected by these reclassifications.

NEW ACCOUNTING PRONOUNCEMENT – In April 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. Under prior GAAP, debt issuance costs were recorded as a deferred charge (asset), while debt discount and debt premium costs were recorded as a liability adjustment. This amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company, Laclede Gas and Alagasco adopted this ASU as of December 31, 2016, and retrospectively adjusted the comparative balance sheets as of September 30, 2016 and December 31, 2015. The amounts reclassified from other deferred charges to reduce long-term debt are shown in the following table. The ASU does not address the presentation of debt issuance costs related to line-of-credit arrangements, and those continue to be reported as deferred charges.

	December 31, 2016	September 30, 2016	December 31, 2015
Spire	$ 12.5	$ 13.0	$ 12.6
Laclede Gas	4.1	4.2	4.6
Alagasco	2.3	2.4	2.4

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2. EARNINGS PER COMMON SHARE

	Three Months Ended December 31,	
	2016	2015
Basic EPS:		
Net Income	$ 45.2	$ 46.9
Less: Income allocated to participating securities	0.1	0.2
Net Income Available to Common Shareholders	$ 45.1	$ 46.7
Weighted Average Shares Outstanding (in millions)	45.5	43.2
Basic Earnings Per Share of Common Stock	$ 0.99	$ 1.08
Diluted EPS:		
Net Income	$ 45.2	$ 46.9
Less: Income allocated to participating securities	0.1	0.2
Net Income Available to Common Shareholders	$ 45.1	$ 46.7
Weighted Average Shares Outstanding (in millions)	45.5	43.2
Dilutive Effect of Restricted Stock, Restricted Stock Units, and Stock Options (in millions)	0.2	0.2
Weighted Average Diluted Shares (in millions)	45.7	43.4
Diluted Earnings Per Share of Common Stock	$ 0.99	$ 1.08
Outstanding Shares (in millions) Excluded from the Calculation of Diluted EPS Attributable to:		
Restricted stock and stock units subject to performance and/or market conditions	0.4	0.4

Spire’s 2014 2.0% Series Equity Units issued in June 2014 were anti-dilutive for the three months ended December 31, 2016 and 2015; accordingly, they were excluded from the calculation of weighted average diluted shares for those periods.

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3. REGULATORY MATTERS

As explained in Note 1, Summary of Significant Accounting Policies, Laclede Gas and Alagasco account for regulated operations in accordance with FASB ASC Topic 980, "Regulated Operations." The following regulatory assets and regulatory liabilities, including purchased gas adjustments, were reflected in the balance sheets of the Company and the Utilities as of December 31, 2016, September 30, 2016 and December 31, 2015.

	December 31,	September 30,	December 31,
Spire	2016	2016	2015
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	$ 63.2	$ 27.0	$ 26.7
Unamortized purchased gas adjustments	52.2	49.7	44.6
Other	19.1	17.2	5.0
Total Regulatory Assets (current)	134.5	93.9	76.3
Non-current:			
Future income taxes due from customers	155.5	151.3	138.7
Pension and postretirement benefit costs	439.2	487.9	441.3
Cost of removal	131.6	130.6	79.4
Purchased gas costs	4.7	12.6	11.5
Energy efficiency	26.0	25.5	23.0
Other	29.4	30.1	33.1
Total Regulatory Assets (non-current)	786.4	838.0	727.0
Total Regulatory Assets	$ 920.9	$ 931.9	$ 803.3
Regulatory Liabilities:			
Current:			
Rate Stabilization and Equalization (RSE) adjustment	$ 3.8	$ 7.5	$ 11.1
Unbilled service margin	22.0	5.9	16.4
Refundable negative salvage	9.0	9.3	10.5
Unamortized purchased gas adjustments	1.4	1.7	14.3
Other	8.0	6.2	3.5
Total Regulatory Liabilities (current)	44.2	30.6	55.8
Non-current:			
Postretirement liabilities	28.3	28.9	28.4
Refundable negative salvage	8.9	9.4	15.8
Accrued cost of removal	74.7	74.8	58.6
Other	20.2	17.6	26.3
Total Regulatory Liabilities (non-current)	132.1	130.7	129.1
Total Regulatory Liabilities	$ 176.3	$ 161.3	$ 184.9

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Laclede Gas	December 31, 2016	September 30, 2016	December 31, 2015
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	$ 56.3	$ 20.2	$ 20.2
Unamortized purchased gas adjustments	33.8	43.1	44.6
Other	3.4	3.7	0.7
Total Regulatory Assets (current)	93.5	67.0	65.5
Non-current:			
Future income taxes due from customers	155.5	151.3	138.7
Pension and postretirement benefit costs	333.3	375.7	362.2
Purchased gas costs	4.7	12.6	11.5
Energy efficiency	26.0	25.5	23.0
Other	23.9	24.7	28.5
Total Regulatory Assets (non-current)	543.4	589.8	563.9
Total Regulatory Assets	$ 636.9	$ 656.8	$ 629.4
Regulatory Liabilities:			
Current:			
Other	$ 2.7	$ 1.3	$ 1.1
Total Regulatory Liabilities (current)	2.7	1.3	1.1
Non-current:			
Accrued cost of removal	54.8	55.1	58.6
Other	12.5	12.2	22.8
Total Regulatory Liabilities (non-current)	67.3	67.3	81.4
Total Regulatory Liabilities	$ 70.0	$ 68.6	$ 82.5

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Alagasco	December 31, 2016	September 30, 2016	December 31, 2015
Regulatory Assets:			
Current:			
Pension and postretirement benefit costs	$ 6.8	$ 6.8	$ 6.5
Unamortized purchased gas adjustments	17.1	5.6	—
Other	7.6	8.1	4.3
Total Regulatory Assets (current)	31.5	20.5	10.8
Non-current:			
Pension and postretirement benefit costs	96.8	98.9	79.1
Cost of removal	131.6	130.6	79.4
Other	1.1	1.2	4.0
Total Regulatory Assets (non-current)	229.5	230.7	162.5
Total Regulatory Assets	$ 261.0	$ 251.2	$ 173.3
Regulatory Liabilities:			
Current:			
RSE adjustment	$ 3.8	$ 5.0	$ 11.1
Unbilled service margin	22.0	5.9	16.4
Refundable negative salvage	9.0	9.3	10.5
Unamortized purchased gas adjustments	—	—	14.3
Other	2.6	2.5	2.4
Total Regulatory Liabilities (current)	37.4	22.7	54.7
Non-current:			
Postretirement liabilities	28.3	28.9	28.4
Refundable negative salvage	8.9	9.4	15.8
Other	3.4	3.4	3.5
Total Regulatory Liabilities (non-current)	40.6	41.7	47.7
Total Regulatory Liabilities	$ 78.0	$ 64.4	$ 102.4

A portion of the Company's and Laclede Gas' regulatory assets are not earning a return, as shown in the schedule below:

	Spire			Laclede Gas		
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	September 30, 2016	December 31, 2015
Future income taxes due from customers	$155.5	$ 151.3	$ 138.7	$155.5	$ 151.3	$ 138.7
Pension and postretirement benefit costs	231.4	240.6	217.7	231.4	240.6	217.7
Other	12.2	12.9	13.5	12.2	12.9	13.5
Total Regulatory Assets Not Earning a Return	$399.1	$ 404.8	$ 369.9	$399.1	$ 404.8	$ 369.9

Like all the Company's regulatory assets, these regulatory assets are expected to be recovered from customers in future rates. The Company and Laclede Gas expect these items to be recovered over a period not to exceed 15 years consistent with precedent set by the MoPSC. Alagasco does not have any regulatory assets that are not earning a return.

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4. FINANCING ARRANGEMENTS

On December 14, 2016, Spire, Laclede Gas, and Alagasco entered into a new syndicated revolving credit facility pursuant to a loan agreement with 11 banks, expiring December 14, 2021. The largest portion provided by a single bank under the line is 12.3%.

The loan agreement replaces Spire's and Laclede Gas' existing loan agreements dated as of September 3, 2013 and amended September 3, 2014, which were set to expire on September 3, 2019, and Alagasco's existing loan agreement dated September 2, 2014, which was set to expire September 2, 2019. All three agreements were terminated on December 14, 2016.

The loan agreement has an aggregate credit commitment of $975.0, including sublimits of $300.0 for Spire, $475.0 for Laclede Gas, and $200.0 for Alagasco. These sublimits may be reallocated from time to time among the three borrowers within the $975.0 aggregate commitment. Spire may use its line to provide for the funding needs of various subsidiaries. Spire, Laclede Gas, and Alagasco expect to use the loan agreement for general corporate purposes, including short-term borrowings and letters of credit.

The agreement also contains financial covenants limiting each borrower's consolidated total debt, including short-term debt, to no more than 70% of its total capitalization. As defined in the line of credit, on December 31, 2016, total debt was 59% of total capitalization for the consolidated Company, 51% for Laclede Gas and 29% for Alagasco.

On December 21, 2016, Spire established a commercial paper program (Program) pursuant to which Spire may issue short-term, unsecured commercial paper notes (Notes). Amounts available under the Program may be borrowed, repaid, and re-borrowed from time to time, with the aggregate face or principal amount of the Notes outstanding under the Program at any time not to exceed $975.0. The Notes will have maturities of up to 365 days from date of issue. The net proceeds of the issuances of the Notes are expected to be used for general corporate purposes, including to provide working capital for both utility and non-utility subsidiaries. No Notes were outstanding under the Program as of December 31, 2016.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and short-term debt approximate fair value due to the short maturity of these instruments. The fair values of long-term debt are estimated based on market prices for similar issues. Refer to Note 6, Fair Value Measurements, for information on financial instruments measured at fair value on a recurring basis.

Spire

The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for the Company are as follows:

			Classification of Estimated Fair Value		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2016					
Cash and cash equivalents	$ 10.6	$ 10.6	$ 10.6	$ —	$ —
Short-term debt	506.4	506.4	—	506.4	—
Long-term debt, including current portion	2,071.3	2,258.1	—	2,258.1	—
As of September 30, 2016					
Cash and cash equivalents	$ 5.2	$ 5.2	$ 5.2	$ —	$ —
Short-term debt	398.7	398.7	—	398.7	—

Long-term debt, including current portion	2,070.7	2,257.1	—	2,257.1	—
As of December 31, 2015					
Cash and cash equivalents	$ 4.6	$ 4.6	$ 4.6	$ —	$ —
Short-term debt	377.1	377.1	—	377.1	—
Long-term debt	1,838.9	1,916.5	—	1,916.5	—

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Laclede Gas
The carrying amounts and estimated fair values of financial instruments not measured at fair value on a recurring basis for Laclede Gas are as follows:

	Classification of Estimated Fair Value
Carrying Amount	6,578 $— $75,000 $1,035 $— $150,000

Interest paid on debt was $16.5 million in 2017, $17.6 million in 2016 and $17.5 million in 2015.

G. Shareholders' Equity

At December 29, 2017, the Company had 22,549 authorized, but not issued, cumulative preferred shares, $100 par value. The Company also has authorized, but not issued, a separate class of 3 million shares of preferred stock, $1 par value.

All stock option, share and per share data reflect the three-for-one common stock split distributed on December 27, 2017.

Changes in components of accumulated other comprehensive income (loss), net of tax were (in thousands):

	Pension and Postretirement Medical	Cumulative Translation Adjustment	Total
Balance, December 26, 2014	$ (76,584)	$ (24,152)	$ (100,736)
Other comprehensive income (loss) before reclassifications	641	(10,423)	(9,782)
Amounts reclassified from accumulated other comprehensive income	6,021	—	6,021
Balance, December 25, 2015	(69,922)	(34,575)	(104,497)
Other comprehensive income (loss) before reclassifications	(12,169)	(31,227)	(43,396)
Amounts reclassified from accumulated other comprehensive income	5,665	—	5,665
Balance, December 30, 2016	(76,426)	(65,802)	(142,228)
Other comprehensive income (loss) before reclassifications	(14,791)	16,443	1,652
Amounts reclassified from accumulated other comprehensive income	12,787	—	12,787
Balance, December 29, 2017	$ (78,430)	$ (49,359)	$ (127,789)

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Amounts related to pension and postretirement medical adjustments are reclassified to pension cost, which is allocated to cost of products sold and operating expenses generally based on salaries and wages. Included in the 2017 reclassification is $12 million related to a pension settlement loss that was charged to general and administrative expense (see Note J). Amounts allocated, including the pension settlement loss were approximately as follows (in thousands):

	2017	2016	2015
Cost of products sold	$3,165	$3,379	$3,370
Product development	1,307	1,334	1,352
Selling, marketing and distribution	3,085	3,033	3,109
General and administrative	13,635	1,586	1,543
Total before tax	$21,192	$9,332	$9,374
Income tax (benefit)	(8,405)	(3,667)	(3,353)
Total after tax	$12,787	$5,665	$6,021

H. Share-Based Awards, Purchase Plans and Compensation Cost

Stock Option and Award Plan. The Company has a stock incentive plan under which it grants stock options and share awards to directors, officers and other employees. Option price is the market price on the date of grant. Options become exercisable at such time, generally over three or four years, and in such installments as set by the Company, and expire ten years from the date of grant.

Restricted share awards have been made to certain key employees under the plan. The market value of restricted stock at the date of grant is charged to operations over the vesting period. Compensation cost related to restricted shares is not significant.

The Company has a stock appreciation plan that provides for payments of cash to eligible foreign employees based on the change in the market price of the Company's common stock over a period of time. Compensation cost related to the stock appreciation plan was $4.5 million in 2017 and was not significant in 2016 and 2015.

Individual nonemployee directors of the Company may elect to receive, either currently or deferred, all or part of their retainer in the form of shares of the Company's common stock instead of cash. Under this arrangement, the Company issued 5,975 shares in 2017, 6,882 shares in 2016 and 5,963 shares in 2015. The expense related to this arrangement is not significant.

Options on common shares granted and outstanding, as well as the weighted average exercise price, are shown below (in thousands, except exercise prices):

	Option Shares	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Outstanding, December 26, 2014	14,925	$ 14.91	9,954	$ 11.62
Granted	1,629	24.73		
Exercised	(984)	12.43		
Canceled	(75)	24.00		
Outstanding, December 25, 2015	15,495	16.05	10,749	12.83
Granted	3,483	25.53		
Exercised	(2,286)	13.00		
Canceled	(87)	23.36		

Outstanding, December 30, 2016	16,605	18.42	11,016	15.13
Granted	1,725	30.71		
Exercised	(4,903)	12.86		
Canceled	(137)	26.63		
Outstanding, December 29, 2017	13,290	$ 21.99	7,729	$ 18.33

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The following table summarizes information for options outstanding and exercisable at December 29, 2017 (in thousands, except exercise prices and contractual term amounts):

	Options Outstanding			Options Exercisable	
Range of Prices	Options Outstanding	Weighted Average Remaining Contractual Term in Years	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$5 - \$15	2,200	2.2	\$ 10.52	2,200	\$ 10.52
\$15 - \$20	2,795	4.6	18.14	2,795	18.14
\$20 - \$25	4,676	7.3	24.43	2,222	24.62
\$25 - \$30	1,912	8.2	27.07	507	25.51
\$30 - \$38	1,707	9.2	30.71	5	31.44
\$5 - \$38	13,290	6.3	\$ 21.99	7,729	\$ 18.33

The aggregate intrinsic value of exercisable option shares was $211.0 million as of December 29, 2017, with a weighted average contractual term of 4.7 years. There were approximately 13.3 million vested share options and share options expected to vest as of December 29, 2017, with an aggregate intrinsic value of $314.2 million, a weighted average exercise price of $21.99 and a weighted average contractual term of 6.3 years.

Information related to options exercised follows (in thousands):

	2017	2016	2015
Cash received	\$48,833	\$21,142	\$7,720
Aggregate intrinsic value	119,442	30,247	11,851
Tax benefit realized	42,000	9,900	3,600

Employee Stock Purchase Plan. Under the Company's Employee Stock Purchase Plan, the purchase price of the shares is the lesser of 85 percent of the fair market value on the first day or the last day of the plan year. Under this plan, the Company issued 499,956 shares in 2017, 510,432 shares in 2016 and 497,691 shares in 2015.

Authorized Shares. Shares authorized for issuance under the stock option and purchase plans are shown below (in thousands):

	Total Shares Authorized	Available for Future Issuance as of December 29, 2017
Stock Incentive Plan (2015)	10,500	5,186
Employee Stock Purchase Plan (2006)	21,000	13,775
Total	31,500	18,961

Amounts available for future issuance exclude outstanding options. Options outstanding as of December 29, 2017, include options granted under two plans that were replaced by subsequent plans. No shares are available for future grants under those plans.

Share-based Compensation. The Company recognized share-based compensation cost as follows (in thousands):

	2017	2016	2015
Share-based compensation	\$23,652	\$21,134	\$19,224
Tax benefit	5,100	6,100	5,400
Share-based compensation, net of tax	\$18,552	\$15,034	\$13,824

As of December 29, 2017, there was $10.8 million of unrecognized compensation cost related to unvested options, expected to be recognized over a weighted average period of approximately 2.1 years.

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and results:

	2017	2016	2015
Expected life in years	7.0	6.2	6.5
Interest rate	2.2 %	1.6 %	1.7 %
Volatility	26.7 %	27.5 %	35.0 %
Dividend yield	1.6 %	1.7 %	1.6 %
Weighted average fair value per share	$8.08	$5.96	$7.73

Expected life is estimated based on vesting terms and exercise and termination history. Interest rate is based on the U.S. Treasury rate on zero-coupon issues with a remaining term equal to the expected life of the option. Expected volatility is based on historical volatility over a period commensurate with the expected life of options.

The fair value of employees’ purchase rights under the Employee Stock Purchase Plan was estimated on the date of grant. The benefit of the 15 percent discount from the lesser of the fair market value per common share on the first day and the last day of the plan year was added to the fair value of the employees’ purchase rights determined using the Black-Scholes option-pricing model with the following assumptions and results:

	2017	2016	2015
Expected life in years	1.0	1.0	1.0
Interest rate	0.9 %	0.7 %	0.2 %
Volatility	22.3 %	24.6 %	18.9 %
Dividend yield	1.5 %	1.7 %	1.6 %
Weighted average fair value per share	$7.32	$6.38	$5.50

I. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	2017	2016	2015
Net earnings available to common shareholders	$252,412	$40,674	$345,713
Weighted average shares outstanding for basic earnings per share	167,925	166,851	172,829
Dilutive effect of stock options computed based on the treasury stock method using the average market price	6,393	4,025	4,191
Weighted average shares outstanding for diluted earnings per share	174,318	170,876	177,020
Basic earnings per share	$1.50	$0.24	$2.00
Diluted earnings per share	$1.45	$0.24	$1.95

Stock options to purchase 2.9 million and 4.1 million shares were not included in the 2016 and 2015 computations of diluted earnings per share, respectively, because they would have been anti-dilutive. The number of anti-dilutive options excluded from the 2017 computation of diluted earnings per share was not significant.

J. Retirement Benefits

The Company has a defined contribution plan, under Section 401(k) of the Internal Revenue Code, which provides retirement benefits to most U.S. employees. For all employees who choose to participate, the Company matches employee contributions at a 100 percent rate, up to 3 percent of the employee’s compensation. For employees not covered by a defined benefit plan, the Company contributes an amount equal to 1.5 percent of the employee’s compensation. Employer contributions totaled $7.8 million in 2017, $6.7 million in 2016 and $6.3 million in 2015.

The Company's postretirement medical plan provides certain medical benefits for retired U.S. employees. Employees hired before January 1, 2005, are eligible for these benefits upon retirement and fulfillment of other eligibility requirements as specified by the plan.

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The Company has both funded and unfunded noncontributory defined benefit pension plans that together cover most U.S. employees hired before January 1, 2006, certain directors and some of the employees of the Company's non-U.S. subsidiaries. The Company restructured its U.S. qualified defined benefit plan in 2017. Under the restructuring, the plan transferred $42 million of liabilities and assets associated with certain plan participants to an insurance company via the purchase of a group annuity contract, and the Company recognized a $12 million settlement loss in 2017 general and administrative expense. Remaining pension plan participants and related liabilities and assets were transferred into one of two newly established, legally separate qualified defined benefit plans, and the former plan was terminated. The benefits offered to the plans' participants were unchanged.

For U.S. plans, benefits are based on years of service and the highest 5 consecutive years' earnings in the 10 years preceding retirement. The Company funds annually in amounts consistent with minimum funding levels and maximum tax deduction limits.

Investment policies and strategies of the U.S. funded pension plans are based on participant demographics of each plan. For the larger of the two plans (the "Blue plan") covering active participants and retirees with higher benefit amounts, investments are based on a long-term view of economic growth and weighted toward equity securities. The primary goal of the plan's investments is to ensure that the plan's liabilities are met over time. In developing strategic asset allocation guidelines, an emphasis is placed on the long-term characteristics of individual asset classes, and the benefits of diversification among multiple asset classes. The plan invests primarily in domestic and international equities, fixed income securities, which include treasuries, highly-rated corporate bonds and high-yield bonds and real estate. Strategic target allocations for Blue plan assets are 54 percent equity securities, 36 percent fixed income securities and 10 percent real estate and alternative investments. For the smaller of the two plans (the "Gray plan") covering retirees with lower benefit amounts, investments are based on a shorter-term, more conservative outlook. The midpoints of the ranges of strategic target allocations for the Gray plan assets are 38 percent equity securities, 53 percent fixed income securities and 9 percent real estate and alternative investments.

Plan assets are held in trusts for the benefit of plan participants and are invested in various commingled funds, most of which are sponsored by the trustee. The fair values for commingled equity, fixed-income and real estate investments are measured using net asset values, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. Certain trustee-sponsored funds allow redemptions monthly or quarterly, with 10 or 60 days advance notice, while most of the funds allow redemptions daily. The plans had unfunded commitments to make additional investments in certain funds totaling $3 million as of December 29, 2017 and $4 million as of December 30, 2016.

The Company maintains a defined contribution plan covering employees of a Swiss subsidiary, funded by Company and employee contributions. Responsibility for pension coverage under Swiss law has been transferred to a Swiss insurance company. Plan assets are invested in an insurance contract that guarantees a federally mandated annual rate of return. The value of the plan assets is effectively the value of the insurance contract. The performance of the underlying assets held by the insurance company has no direct impact on the surrender value of the insurance contract. The insurance backed assets have no active market and are classified as level 3 in the fair value hierarchy.

Assets of all plans by category and fair value measurement level were as follows (in thousands):

	Level	2017	2016
Cash and cash equivalents	1	$3,254	$698
Insurance contract	3	26,411	24,287
Investments categorized in fair value hierarchy		29,665	24,985
Equity			
U.S. Large Cap	N/A	55,488	58,236
U.S. Small/Mid Cap	N/A	12,077	10,009

International	N/A	45,958	40,404
Total Equity		113,523	108,649
Fixed income	N/A	81,358	78,209
Real estate and other	N/A	29,640	44,062
Investments measured at net asset value		224,521	230,920
Total		$254,186	$255,905

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The following table is a reconciliation of pension assets measured at fair value using level 3 inputs (in thousands):

	2017	2016
Balance, beginning of year	$24,287	$28,080
Purchases	1,934	1,928
Redemptions	(2,150)	(5,267)
Unrealized gains (losses)	2,340	(454)
Balance, end of year	$26,411	$24,287

The following provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the periods ending December 29, 2017, and December 30, 2016, and a statement of the funded status as of the same dates (in thousands):

	Pension Benefits		Postretirement Medical Benefits	
	2017	2016	2017	2016
Change in benefit obligation				
Obligation, beginning of year	$386,373	$380,672	$ 26,576	$ 23,211
Service cost	7,675	7,834	601	543
Interest cost	15,044	15,684	1,093	1,084
Actuarial loss (gain)	37,994	11,012	577	2,840
Benefit payments	(13,299)	(20,147)	(1,076)	(1,102)
Settlements	(43,539)	(6,817)	—	—
Exchange rate changes	3,311	(1,865)	—	—
Obligation, end of year	$393,559	$386,373	$ 27,771	$ 26,576
Change in plan assets				
Fair value, beginning of year	$255,905	$268,258	$ —	$ —
Actual return on assets	32,132	11,397	—	—
Employer contributions	21,885	4,117	1,076	1,102
Benefit payments	(13,299)	(20,147)	(1,076)	(1,102)
Settlements	(43,539)	(6,817)	—	—
Exchange rate changes	1,102	(903)	—	—
Fair value, end of year	$254,186	$255,905	$ —	$ —
Funded status	$(139,373)	$(130,468)	$ (27,771)	$ (26,576)
Amounts recognized in consolidated balance sheets				
Non-current assets	$2,538	$—	$—	$—
Current liabilities	1,416	1,030	1,330	1,387
Non-current liabilities	140,495	129,438	26,441	25,189
Net	$139,373	$130,468	$27,771	$26,576

The accumulated benefit obligation as of year-end for all defined benefit pension plans was $361 million for 2017 and $360 million for 2016. Information for plans with an accumulated benefit obligation in excess of plan assets follows (in thousands):

	2017	2016
Projected benefit obligation	$344,733	$386,373
Accumulated benefit obligation	311,876	359,854
Fair value of plan assets	202,822	255,905

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The components of net periodic benefit cost for the plans for 2017, 2016 and 2015 were as follows (in thousands):

	Pension Benefits			Postretirement Medical Benefits		
	2017	2016	2015	2017	2016	2015
Service cost-benefits earned during the period	$7,675	$7,834	$8,406	$ 601	$ 543	$ 542
Interest cost on projected benefit obligation	15,044	15,684	14,790	1,093	1,084	954
Expected return on assets	(17,186)	(18,009)	(19,442)	—	—	—
Amortization of prior service cost (credit)	255	269	268	(344)	(766)	(676)
Amortization of net loss (gain)	8,634	7,980	9,036	334	285	323
Settlement loss (gain)	12,313	1,565	423	—	—	—
Cost of pension plans which are not significant and have not adopted ASC 715	122	85	79	N/A	N/A	N/A
Net periodic benefit cost	$26,857	$15,408	$13,560	$ 1,684	$ 1,146	$ 1,143

Amounts recognized in other comprehensive (income) loss in 2017 and 2016 were as follows (in thousands):

	Pension Benefits		Postretirement Medical Benefits	
	2017	2016	2017	2016
Net loss (gain) arising during the period	$23,936	$17,208	$ 577	$ 2,840
Amortization of net gain (loss)	(8,634)	(7,980)	(334)	(285)
Settlement gain (loss)	(12,313)	(1,565)	—	—
Amortization of prior service credit (cost)	(255)	(269)	344	766
Total	$2,734	$7,394	$ 587	$ 3,321

Amounts included in accumulated other comprehensive (income) loss as of December 29, 2017 and December 30, 2016, that had not yet been recognized as components of net periodic benefit cost, were as follows (in thousands):

	Pension Benefits		Postretirement Medical Benefits	
	2017	2016	2017	2016
Prior service cost (credit)	$1,746	$1,920	$ —	$ (344)
Net loss	111,598	108,689	6,836	6,593
Net before income taxes	113,344	110,609	6,836	6,249
Income taxes	(39,289)	(38,182)	(2,461)	(2,250)
Net	$74,055	$72,427	$ 4,375	$ 3,999

Amounts included in accumulated other comprehensive (income) loss that are expected to be recognized as components of net periodic benefit cost in 2018 were as follows (in thousands):

	Pension Benefits	Postretirement Medical Benefits
Prior service cost (credit)	$277	$ —
Net loss (gain)	7,797	543
Net before income taxes	8,074	543
Income taxes	(1,776)	(119)
Net	$6,298	$ 424

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Assumptions used to determine the Company's benefit obligations are shown below:

	Pension Benefits		Postretirement Medical Benefits	
Weighted average assumptions	2017	2016	2017	2016
U.S. Plans				
Discount rate	3.9 %	4.5 %	3.9 %	4.5 %
Rate of compensation increase	2.8 %	2.8 %	N/A	N/A
Non-U.S. Plans				
Discount rate	1.0 %	0.9 %	N/A	N/A
Rate of compensation increase	0.9 %	1.0 %	N/A	N/A

Assumptions used to determine the Company's net periodic benefit cost are shown below:

	Pension Benefits			Postretirement Medical Benefits		
Weighted average assumptions	2017	2016	2015	2017	2016	2015
U.S. Plans						
Discount rate	4.5%	4.7%	4.2%	4.5 %	4.7 %	4.2 %
Rate of compensation increase	2.8%	3.0%	3.0%	N/A	N/A	N/A
Expected return on assets	7.0%	7.5%	7.8%	N/A	N/A	N/A
Non-U.S. Plans						
Discount rate	0.9%	1.1%	1.4%	N/A	N/A	N/A
Rate of compensation increase	1.0%	1.3%	1.3%	N/A	N/A	N/A
Expected return on assets	2.0%	2.0%	2.0%	N/A	N/A	N/A

Several sources of information are considered in determining the expected rate of return assumption, including the allocation of plan assets, the input of actuaries and professional investment advisors, and historical long-term returns. In setting the return assumption, the Company recognizes that historical returns are not always indicative of future returns and also considers the long-term nature of its pension obligations.

The Company's U.S. retirement medical plan limits the annual cost increase that will be paid by the Company to 3 percent. In measuring the accumulated postretirement benefit obligation (APBO), the annual trend rate for health care costs was assumed to be 6.5 percent for 2018, decreasing each year to a constant rate of 4.5 percent for 2038 and thereafter, subject to the plan's annual increase limitation.

At December 29, 2017, a one percent change in assumed health care cost trend rates would not have a significant impact on the service and interest cost components of net periodic postretirement health care benefit cost or the APBO for health care benefits.

The Company expects to contribute $1.4 million to its unfunded pension plans and $1.3 million to the postretirement medical plan in 2018. The Company will not be required to make contributions to the funded pension plans under minimum funding requirements for 2018. Estimated future benefit payments are as follows (in thousands):

	Pension Benefits	Postretirement Medical Benefits
2018	$13,385	$ 1,330
2019	13,977	1,434
2020	15,584	1,561
2021	16,576	1,635
2022	17,881	1,712
Years 2023-2027	101,558	8,971

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K. Commitments and Contingencies

Lease Commitments. Aggregate annual rental commitments under operating leases with noncancelable terms of more than one year were as follows at December 29, 2017 (in thousands):

	Buildings	Vehicles & Equipment	Total
2018	$ 4,911	$ 3,368	$ 8,279
2019	3,659	2,078	5,737
2020	3,113	1,364	4,477
2021	1,923	828	2,751
2022	1,524	646	2,170
Thereafter	4,170	609	4,779
Total	$ 19,300	$ 8,893	$ 28,193

Total rental expense was $7.6 million in 2017, $7.8 million in 2016 and $6.9 million in 2015.

Other Commitments. The Company is committed to pay suppliers under the terms of open purchase orders issued in the normal course of business totaling approximately $97 million at December 29, 2017. The Company also has commitments with certain suppliers to purchase minimum quantities, and under the terms of certain agreements, the Company is committed for certain portions of the supplier's inventory. The Company does not purchase, or commit to purchase, quantities in excess of normal usage or amounts that cannot be used within one year. The Company estimates that the maximum commitment amount under such agreements does not exceed $33 million.

The Company enters into contracts with vendors to receive services. Commitments under these service contracts with noncancelable terms of more than one year include $3 million in 2018 and $3 million in 2019.

In addition, the Company could be obligated to perform under standby letters of credit totaling $2 million at December 29, 2017. The Company has also guaranteed the debt of its subsidiaries for up to $10 million. All debt of subsidiaries is reflected in the consolidated balance sheets.

Contingencies. The Company is party to various legal proceedings arising in the normal course of business. The Company is actively pursuing and defending these matters and has recorded an estimate of the probable costs where appropriate. Management does not expect that resolution of these matters will have a material adverse effect on the Company, although the ultimate outcome cannot be determined based on available information.

L. Acquisitions

In January 2016, the Company paid $48 million cash to acquire two related companies that manufacture and sell portable and fixed gas analyzers for landfill, biogas and medical applications and landfill gas wellhead equipment. The acquisitions enhance and complement the Company's position in environmental monitoring and remediation markets served by its Process segment. The purchase price was allocated based on estimated fair values, including $28 million of goodwill, $24 million of other identifiable intangible assets and $4 million of other net liabilities.

On January 20, 2015, the Company completed the acquisition of High Pressure Equipment Holdings, LLC ("HiP") for $161 million cash. HiP designs and manufactures valves, fittings and other flow control equipment engineered to perform in ultra-high pressure environments. HiP's products and business relationships enhance Graco's position in the oil and natural gas industry and complement Graco's core competencies of designing and manufacturing advanced flow control technologies. HiP had sales of $38 million in 2014. Results of HiP operations have been included in the Company's Process segment from the date of acquisition, including sales of $22 million in 2017, $22 million in 2016 and $29 million in 2015.

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Purchase consideration was allocated to assets acquired and liabilities assumed based on estimated fair values as follows (in thousands):

Cash and cash equivalents	$1,904
Accounts receivable	4,714
Inventories	7,605
Other current assets	69
Property, plant and equipment	1,962
Deferred income taxes	1,840
Identifiable intangible assets	60,100
Goodwill	86,149
Total assets acquired	164,343
Liabilities assumed	(3,414)
Net assets acquired	$160,929

Acquired identifiable intangible assets and estimated useful life were as follows (dollars in thousands):

		Estimated Life (years)
Customer relationships	$47,100	12
Trade names	13,000	Indefinite
Total identifiable intangible assets	$60,100	

Approximately two-thirds of the goodwill acquired with HiP is deductible for tax purposes.

On January 2, 2015, the Company acquired White Knight Fluid Handling ("White Knight") for $16 million cash and a commitment for additional consideration if future revenues exceed certain thresholds, initially valued at $8 million. The maximum payout is not limited. White Knight designs and manufactures high purity, metal-free pumps used in the production process of manufacturing semiconductors, solar panels, LED flat panel displays and various other electronics. The products, brands and distribution channels of White Knight expand and complement the offerings of the Company's Process segment. The purchase price was allocated based on estimated fair values, including $12 million of goodwill, $9 million of other identifiable intangible assets and $3 million of net tangible assets.

The Company completed other business acquisitions in 2017, 2016 and 2015 that were not material to the consolidated financial statements.

M. Divestiture

In 2012, the Company purchased the finishing businesses of Illinois Tool Works Inc. The acquisition included finishing equipment operations, technologies and brands of the Powder Finishing and Liquid Finishing businesses. Under terms of a hold separate order from the Federal Trade Commission, the Company did not have the power to direct the activities of the Liquid Finishing businesses that most significantly impacted the economic performance of those businesses. Consequently, we reflected our investment in the Liquid Finishing businesses as a cost-method investment on our balance sheet, and their results of operations were not consolidated with those of the Company.

In 2015, the Company sold the Liquid Finishing business assets for a price of $610 million cash. Held separate investment income included the pre-tax gain on sale of $150 million, net of transaction and other related expenses, including a $7 million contribution to the Company's charitable foundation. Held separate investment income also included dividends of $42 million. Net earnings included after-tax gain and dividends totaling $141 million.

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N. Quarterly Financial Information (Unaudited)

Unaudited quarterly financial data is summarized below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
2017					
Net Sales	$340,590	$379,483	$379,812	$374,859	
Gross Profit	185,273	203,941	203,465	200,370	
Net Earnings	60,732	79,828	75,460	36,392	(1)
Basic Net Earnings per Common Share	$0.36	$0.48	$0.45	$0.22	(1)
Diluted Net Earnings per Common Share	0.35	0.46	0.43	0.21	(1)
Cash Dividends Declared per Common Share	0.12	0.12	0.12	0.13	
2016					
Net Sales	$304,912	$348,126	$327,192	$349,063	
Gross Profit	161,796	185,141	176,598	184,704	
Net Earnings (Loss)	39,552	50,947	54,388	(104,213)	(2)
Basic Net Earnings (Loss) per Common Share	$0.24	$0.31	$0.33	$(0.62)	(2)
Diluted Net Earnings (Loss) per Common Share	0.23	0.30	0.32	(0.61)	(2)
Cash Dividends Declared per Common Share	0.11	0.11	0.11	0.12	

(1) Net earnings in the fourth quarter of 2017 included income tax charges totaling $36 million to recognize the effects of U.S. federal income tax reform.

(2) Net earnings (loss) in the fourth quarter of 2016 included $161 million of after tax loss from non-cash impairment charges in the Company’s ONG reporting unit within the Process Segment.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the fiscal year covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). This evaluation was done under the supervision and with the participation of the Company’s President and Chief Executive Officer, the Chief Financial Officer and Treasurer, the Vice President, Corporate Controller and Information Systems, and the Vice President, General Counsel and Secretary. Based upon that evaluation, they concluded that the Company’s disclosure controls and procedures are effective.

Management’s Annual Report on Internal Control Over Financial Reporting

The information under the heading “Management’s Report on Internal Control Over Financial Reporting” in Part II, Item 8, of this 2017 Annual Report on Form 10-K is incorporated herein by reference.

Reports of Independent Registered Public Accounting Firm

The information under the headings “Reports of Independent Registered Public Accounting Firm" and "Opinion on Internal Control Over Financial Reporting” in Part II, Item 8, of this 2017 Annual Report on Form 10-K is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

During the fourth quarter, there was no change in the Company’s internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company’s internal control over financial reporting.

Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information under the heading "Executive Officers of Our Company" in Part I of this 2017 Annual Report on Form 10-K and the information under the heading "Board of Directors" in our Company's Proxy Statement for its 2018 Annual Meeting of Shareholders to be held on April 27, 2018 (the "Proxy Statement"), is incorporated herein by reference.

Audit Committee Members and Audit Committee Financial Expert

The information under the heading "Committees of the Board of Directors" in our Company's Proxy Statement is incorporated herein by reference.

Corporate Governance Guidelines, Committee Charters and Code of Ethics

Our Company has adopted Corporate Governance Guidelines and Charters for each of the Audit, Governance, and Management Organization and Compensation Committees of the Board of Directors. We have also issued a Code of Ethics and Business Conduct ("Code of Ethics") that applies to our principal executive officer, principal financial officer, principal accounting officer, all officers, directors, and employees of Graco Inc. and all of its subsidiaries, representative offices and branches worldwide. The Corporate Governance Guidelines, Committee Charters, and Code of Ethics, with any amendments or waivers thereto, may be accessed free of charge by visiting the Graco website at www.graco.com.

Our Company intends to post on the Graco website any amendment to, or waiver from, a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions within four business days following the date of such amendment or waiver.

Section 16(a) Reporting Compliance

The information under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation

The information contained under the headings "Director Compensation," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Report of the Management Organization and Compensation Committee" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained under the headings "Equity Compensation Plan Information" and "Beneficial Ownership of Shares" in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under the headings "Related Person Transaction Approval Policy" and "Director Independence" in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information under the headings “Independent Registered Public Accounting Firm Fees and Services” and “Pre-Approval Policies” in the Proxy Statement is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

		Page
(1)	Financial Statements	33
(2)	Financial Statement Schedule Schedule II – Valuation and Qualifying Accounts	61
	All other schedules are omitted because they are not applicable, or are not required, or because the required information is included in the Consolidated Financial Statements or Notes thereto.	
(3)	Management Contract, Compensatory Plan or Arrangement. (See Exhibit Index) Those entries marked by an asterisk are Management Contracts, Compensatory Plans or Arrangements.	62

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Schedule II - Valuation and Qualifying Accounts

Graco Inc. and Subsidiaries
(in thousands)

	Allowance for Doubtful Accounts	Allowance for Returns and Credits	Total
Balance, December 26, 2014	$ 2,400	$ 5,700	$ 8,100
Additions charged to costs and expenses	1,500	24,600	26,100
Deductions from reserves [1]	(900)	(23,000)	(23,900)
Other additions (deductions) [2]	—	100	100
Balance, December 25, 2015	3,000	7,400	10,400
Additions charged to costs and expenses	1,200	27,800	29,000
Deductions from reserves [1]	(100)	(26,400)	(26,500)
Other additions (deductions) [2]	(200)	—	(200)
Balance, December 30, 2016	3,900	8,800	12,700
Additions charged to costs and expenses	1,600	30,600	32,200
Deductions from reserves [1]	(1,700)	(29,500)	(31,200)
Other additions (deductions) [2]	200	100	300
Balance, December 29, 2017	$ 4,000	$ 10,000	$ 14,000

(1) For doubtful accounts, represents amounts determined to be uncollectible and charged against reserve, net of collections on accounts previously charged against reserves. For returns and credits, represents amounts of credits issued and returns processed.

(2) Includes amounts assumed or established in connection with acquisitions and effects of foreign currency translation.

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Exhibit Index

Exhibit Number	Description
2.1	Asset Purchase Agreement, dated April 14, 2011, by and among Graco Inc., Graco Holdings Inc., Graco Minnesota Inc., Illinois Tool Works Inc. and ITW Finishing LLC (excluding schedules and exhibits, which the Company agrees to furnish supplementally to the Securities and Exchange Commission upon request). (Incorporated by reference to Exhibit 2.1 to the Company's Report on Form 8-K filed April 15, 2011.) First Amendment dated April 2, 2012. (Incorporated by reference to Exhibit 2.1 to the Company's Report on Form 8-K filed April 2, 2012.)
**2.3	Agreement relating to the sale and purchase of the entire issued share capital of Xamol Limited to acquire Alco Valves Group, dated as of October 1, 2014 (excluding certain schedules and exhibits, which the Company agrees to furnish supplementally to the Securities and Exchange Commission upon request). (Incorporated by reference to Exhibit 2.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 26, 2014.)
2.4	Purchase and Sale Agreement, dated as of December 31, 2014, by and among High Pressure Equipment Holdings LLC, Wasserstein Partners III, LP, Wasserstein Partners III (Offshore), L.P., Wasserstein Partners III (Offshore), LTD, Audax Mezzanine Fund III, L.P., Audax Co-Invest III, L.P., Audax Trust Co-Invest, L.P., certain other Sellers, Wasserstein Partners III (GP), LP, Graco Fluid Handling (C) Inc. and Graco Inc. (excluding certain schedules and exhibits, which the Company agrees to furnish supplementally to the Securities and Exchange Commission upon request). (Incorporated by reference to Exhibit 2.1 to the Company's Report on Form 8-K filed January 6, 2015.)
3.1	Restated Articles of Incorporation as amended December 8, 2017. (Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed December 8, 2017.)
3.2	Restated Bylaws as amended February 14, 2014. (Incorporated by reference to Exhibit 3.2 to the Company's 2013 Annual Report on Form 10-K.)
*10.1	Graco Inc. Incentive Bonus Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 7, 2012.)
*10.2	Graco Inc. Incentive Bonus Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 15, 2017.)
*10.3	Graco Inc. Amended and Restated Stock Incentive Plan (2006). (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 14, 2006.)
*10.4	Graco Inc. 2010 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 11, 2010.)
*10.5	Graco Inc. 2015 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed on March 11, 2015.)
*10.6	

	Deferred Compensation Plan (2005 Statement) as amended and restated on April 4, 2005. (Incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the thirteen weeks ended July 1, 2005.) Second Amendment dated November 1, 2005. (Incorporated by reference to Exhibit 10.8 to the Company's 2005 Annual Report on Form 10-K.) Third Amendment adopted on December 29, 2008. (Incorporated by reference to Exhibit 10.8 to the Company's 2008 Annual Report on Form 10-K.) Second Amendment dated October 25, 2012. (Incorporated by reference to Exhibit 10.9 to the Company's 2012 Annual Report on Form 10-K.)
*10.7	Graco Restoration Plan (2005 Statement). (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 29, 2006.) First Amendment adopted December 8, 2006. (Incorporated by reference to Exhibit 10.12 to the Company's 2006 Annual Report on Form 10-K.) Second Amendment adopted August 15, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 28, 2007.) Third Amendment adopted March 27, 2008. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended March 28, 2008.) Fourth Amendment adopted December 29, 2008. (Incorporated by reference to Exhibit 10.11 to the Company's 2008 Annual Report on Form 10-K.) Fifth Amendment adopted September 16, 2010. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 24, 2010.) Sixth Amendment adopted February 15, 2018 (Incorporated by reference to Exhibit 10.7 to the Company's 2017 Annual Report on Form 10-K.)
*10.8	Graco Inc. Retirement Plan for Nonemployee Directors. (Incorporated by reference to Attachment C to Item 5 to the Company's Report on Form 10-Q for the thirteen weeks ended March 29, 1991.) First Amendment adopted on December 29, 2008. (Incorporated by reference to Exhibit 10.10 to the Company's 2008 Annual Report on Form 10-K.)
*10.9	Form of Amendment to Executive Officer and Non-Employee Director Stock Options to Permit Net Exercises, as adopted by the Board of Directors February 17, 2012. (Incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2012.)

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*10.10	Stock Option Agreement. Form of agreement used for award of nonstatutory stock options to nonemployee directors under the Graco Inc. Amended and Restated Stock Incentive Plan (2006). (Incorporated by reference to Exhibit 10.3 to the Company's Report on Form 10-Q for the thirteen weeks ended June 29, 2007.) Amended form of agreement for awards made to nonemployee directors in 2008. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended June 27, 2008.) Amended and restated form of agreement for awards made to nonemployee directors in 2009. (Incorporated by reference to Exhibit 10.14 to the Company's 2009 Annual Report on Form 10-K/A.)
*10.11	Stock Option Agreement. Form of agreement used for award of nonstatutory stock options to nonemployee directors under the Graco Inc. 2010 Stock Incentive Plan in 2011. (Incorporated by reference to Exhibit 10.16 to the Company's 2010 Annual Report on Form 10-K.) Amended form of agreement for awards made to nonemployee directors commencing in 2012 (and subsequently used for awards made to nonemployee directors under the Graco Inc. 2015 Stock Incentive Plan in 2015). (Incorporated by reference to Exhibit 10.4 of the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2012.)
*10.12	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. Amended and Restated Stock Incentive Plan (2006) in 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2007.) Amended form of agreement for awards made to executive officers in 2008, 2009 and 2010. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended March 28, 2008.)
*10.13	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to Chief Executive Officer under the Graco Inc. Amended and Restated Stock Incentive Plan (2006) in 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2007.) Amended form of agreement for awards made to Chief Executive Officer in 2008, 2009 and 2010. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended March 28, 2008.)
*10.14	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. 2010 Stock Incentive Plan in 2011. (Incorporated by reference to Exhibit 10.4 to the Company's Report on Form 10-Q for the thirteen weeks ended April 1, 2011.) Amended form of agreement for awards made to executive officers commencing in 2012. (Incorporated by reference to Exhibit 10.3 of the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2012.)
*10.15	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to Chief Executive Officer under the Graco Inc. 2010 Stock Incentive Plan in 2011. (Incorporated by reference to Exhibit 10.3 to the Company's Report on Form 10-Q for the thirteen weeks ended April 1, 2011.) Amended form of agreement for awards made to Chief Executive Officer commencing in 2012. (Incorporated by reference to Exhibit 10.2 of the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2012.)
*10.16	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to Chief Executive Officer under the Graco Inc. 2015 Stock Incentive Plan in 2016. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended March 25, 2016.)
*10.17	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. 2015 Stock Incentive Plan in 2016. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended March 25, 2016.)

*10.18	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to nonemployee directors under the Graco Inc. 2015 Stock Incentive Plan in 2016. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended June 24, 2016.)
*10.19	Nonemployee Director Stock and Deferred Stock Program. (Incorporated by reference to Exhibit 10.22 to the Company's 2009 Annual Report on Form 10-K/A.)
*10.20	Key Employee Agreement. Form of agreement used with Chief Executive Officer. (Incorporated by reference to Exhibit 10.24 to the Company's 2007 Annual Report on Form 10-K.)
*10.21	Key Employee Agreement. Form of agreement used with executive officers other than the Chief Executive Officer. (Incorporated by reference to Exhibit 10.25 to the Company's 2007 Annual Report on Form 10-K.)
10.22	Executive Group Long-Term Disability Policy as revised in 1995. (Incorporated by reference to Exhibit 10.23 to the Company's 2004 Annual Report on Form 10-K.) Enhanced by Supplemental Income Protection Plan in 2004. (Incorporated by reference to Exhibit 10.28 to the Company's 2007 Annual Report on Form 10-K.)

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10.23	Omnibus Amendment, dated June 26, 2014, amending and restating the Credit Agreement among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association, as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed July 1, 2014.) Third Amendment to Credit Agreement, dated December 15, 2016, amending the Credit Agreement among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association, as administrative agent. (Incorporated by reference to Exhibit 10.1 to the Company's Report 8-K filed December 20, 2016.) Fourth amendment to Credit Agreement, dated May 23, 2017, amending the Credit Agreement among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association, as administrative agent. (Incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed for the thirteen weeks ended June 30, 2017.)
10.24	Note Agreement, dated March 11, 2011, between Graco Inc. and the Purchasers listed on the Purchaser Schedule attached thereto, which includes as exhibits the form of Senior Notes. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed March 16, 2011.) Amendment No. 1 dated May 23, 2011. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended July 1, 2011.) Amendment and Restatement No. 1 to Note Agreement dated as of March 27, 2012. (Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed April 2, 2012.) Amendment No. 2 dated as of June 26, 2014 to Note Agreement dated as of March 11, 2011. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q filed for the thirteen weeks ended June 27, 2014.) Amendment No. 3 dated as of December 15, 2016 to Note Agreement dated as of March 11, 2011. (Incorporated by reference to Exhibit 10.28 to the Company's 2016 Annual Report on Form 10-K .) Amendment No. 4 dated May 23, 2017 to Note Agreement dated as of March 11, 2011. (Incorporated by reference to Exhibit 10.1 to the Company's 10-Q filed for the thirteen weeks ended June 30, 2017.)
10.25	Agreement between Graco Inc., Illinois Tool Works Inc., and ITW Finishing LLC, as the Respondents, and Counsel for the Federal Trade Commission. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed March 27, 2012.)
10.26	Agreement Containing Consent Orders, by and between Graco Inc., Illinois Tool Works Inc., and ITW Finishing LLC, as the Respondents, and Counsel for the Federal Trade Commission. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed June 6, 2012.)
10.27	Decision and Order by the U.S. Federal Trade Commission in the matter of Graco Inc., Illinois Tool Works Inc. and ITW Finishing LLC. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed October 8, 2014.)
11	Statement of Computation of Earnings per share included in Note I on page 50
21	Subsidiaries of the Company (Incorporated by reference to Exhibit 21 to the Company's 2017 Annual Report of Form 10-K.)
23	Independent Registered Public Accounting Firm's Consent
24	Power of Attorney (Incorporated by reference to Exhibit 24 to the Company's 2017 Annual Report on Form 10-K.)
31.1	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a)

31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
32	Certification of President and Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of Title 18, U.S.C.
101	Interactive Data File

Except as otherwise noted, all documents incorporated by reference above relate to File No. 001-09249.

* Management Contracts, Compensatory Plans or Arrangements.
** Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of certain instruments defining the rights of holders of certain long-term debt of the Company and its subsidiaries are not filed as exhibits because the amount of debt authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries. The Company agrees to furnish copies thereof to the Securities and Exchange Commission upon request.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

		GRACO INC.
Date:	April 23, 2018	/s/ PATRICK J. McHALE Patrick J. McHale President and Chief Executive Officer