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January 9, 2026

**VIA ELECTRONIC MAIL**  
**and Hand Delivery**

Electronically Filed in TPUC Docket  
Room on January 9, 2026 at 12:34 p.m.

David F. Jones, Chairman  
c/o Ectory Lawless  
Tennessee Public Utility Commission  
502 Deaderick Street, Fourth Floor  
Nashville, Tennessee 37243

**Re: Application of Piedmont Natural Gas Company, Inc. and Spire  
Tennessee Inc. for Approval of a Transfer of Authority to Provide  
Utility Services Pursuant to T.C.A § 65-4-113 and Related  
Authorizations  
Docket No. 25-00074**

Dear Chairman Jones:

Enclosed for electronic filing with the Commission is Piedmont Natural Gas Company, Inc.'s and Spire Tennessee Inc.'s (collectively, the "Applicants") Rebuttal Testimonies of David Yonce, Mike Switzer, and Andrew Etheridge, as well as the Rebuttal Testimony and Exhibits of Brittany Mathis.

Some of the materials provided are confidential and proprietary trade secrets of the Applicants. Therefore, the Applicants respectfully request that the Tennessee Public Utility Commission treat those materials in a manner consistent with that designation.

This material is also being filed today by way of email to the Tennessee Public Utility Commission docket manager, Ectory Lawless. Please file the original and provide a "filed" stamped copy of the same via email.

Thank you for your assistance with this matter. If you have any questions about this filing, you may reach me at the number shown above.

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January 9, 2026

Page 2

Sincerely,



Paul S. Davidson

PSD:jv

Enclosures

cc: Kelly Cashman-Grams  
Michelle Mairs  
Cole McCormick  
David Foster  
Shilina B. Brown  
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Mason E. Maney  
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January 9, 2026

Page 3

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached was served via electronic mail upon the following:

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This, the 9th day of January, 2026.

/s/ Paul S. Davidson  
Paul S. Davidson

## **David Yonce Rebuttal Testimony**

**Before the  
Tennessee Public Utility Commission**

**Docket No. 25-00074**

**APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC.  
AND SPIRE TENNESSEE INC. FOR APPROVAL OF A  
TRANSFER OF AUTHORITY TO PROVIDE UTILITY SERVICES  
PURSUANT TO T.C.A § 65-4-113 AND RELATED  
AUTHORIZATIONS**

**Rebuttal Testimony  
of  
David Yonce**

**On Behalf Of  
Spire Tennessee Inc.**



**January 9, 2026**

1 **Q. Please state your name and business address.**

2 A. My name is David Yonce. My business address is 700 Market Street St.  
3 Louis, MO 63101.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by Spire Missouri Inc. (“Spire Missouri”) as Managing  
6 Director, Regulatory Affairs.

7 **Q. Have you previously testified in this proceeding?**

8 A. Yes, I filed Direct Testimony on September 8, 2025, in this proceeding,  
9 Tennessee Public Utility Commission (“TPUC”) Docket No. 25-00074,  
10 Application of Piedmont Natural Gas Company, Inc. and Spire Tennessee  
11 Inc. for Approval of a Transfer of Authority to Provide Utility Services  
12 Pursuant to Tenn. Code Ann. § 65-4-113 and Related Authorizations  
13 (“Proposed Transaction” or “Transaction”).

14 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

15 A. The purpose of my Rebuttal Testimony in this proceeding is to address  
16 certain matters raised in the direct testimony filed on December 1, 2025, by  
17 the Consumer Advocate Division of the Office of the Tennessee Attorney  
18 General (“Consumer Advocate”) in the above-referenced docket.

19 **Q. Do you have any exhibits to your Rebuttal Testimony?**

20 A. No.

21 **Q. How is your testimony organized?**

22 A. I begin with some general observations and high-level perspectives  
23 pertaining to the process, and the Consumer Advocate’s testimony. I then

1 address specific recommendations made by the Consumer Advocate related  
2 to the following topics:

- 3 1. Spire Tennessee Inc.'s ("Spire") suitability as a Tennessee public  
4 utility
- 5 2. The public interest of the Proposed Transaction
- 6 3. Transition and integration efforts
- 7 4. Recoverability of costs due to the change in ownership
- 8 5. Continuation of the Annual Rate Review Mechanism ("ARM")

9 Finally, I recommend possible solutions for the Commission to consider as  
10 it evaluates the merits of this case and the recommendations made by the  
11 Consumer Advocate.

12 **Q. Does your Rebuttal Testimony address every issue raised in the**  
13 **Consumer Advocate's testimony?**

14 A. No, I have focused my Rebuttal Testimony on the major topics raised in the  
15 Consumer Advocate's testimony. To the extent I do not address every issue  
16 raised in the Consumer Advocate's Direct Testimony, my silence should  
17 not be interpreted as agreement with the Consumer Advocate's position on  
18 those issues.

19 **I. High-level Perspectives**

20 **Q. Do you agree with Consumer Advocate Witness Dittmore's sentiment**  
21 **that the parties have cooperated up to this point in the process?**

22 A. Yes. Spire has been generally pleased with the process thus far and the  
23 cooperative nature of both its and Piedmont Natural Gas Company, Inc.'s

1 (“Piedmont,” and collectively, with Spire, the “Companies”) interactions  
2 with the Consumer Advocate. As of the date of my Rebuttal Testimony, the  
3 Companies have initiated and held three in-person meetings and additional  
4 virtual meetings with the Consumer Advocate which have been productive.  
5 Spire is appreciative of the Consumer Advocate’s willingness to sit down  
6 to discuss the Proposed Transaction and work toward a positive outcome.

7 **Q. What is your overall perspective on the Consumer Advocate’s**  
8 **testimony?**

9 A. I appreciate the work the Consumer Advocate has done. In my opinion,  
10 however, many of the reservations it expresses overcomplicate the issues  
11 and raise concerns in a much more alarmist fashion than they should, given  
12 this Commission’s broad jurisdiction with respect to the Proposed  
13 Transaction and ability to set just and reasonable rates in the future that  
14 would govern Spire Tennessee’s service to its customers. More importantly,  
15 nearly all of the positions taken by the Consumer Advocate are related to  
16 rate setting which has not been requested in this docket. Contrary to what  
17 the Consumer Advocate has suggested in its testimony related to the  
18 Tennessee regulatory environment, I view the existing statutory processes  
19 as more than adequate to evaluate costs incurred by a utility and determine  
20 whether or not they should be borne by customers. I also consider them to  
21 be very consistent with other utility jurisdictions. As discussed in greater  
22 detail in this testimony, determining cost recoverability before the costs are  
23 even incurred fundamentally changes the paradigm upon which Tennessee

1 utility regulation has been built.

2 **Q. Can you elaborate?**

3 A. Yes. The Proposed Transaction is a proposed transfer of Piedmont’s various  
4 authorizations to provide natural gas utility service to Tennessee customers  
5 pursuant to Tenn. Code Ann. § 65-4-113 to Spire Tennessee in conjunction  
6 with the sale of Piedmont’s Tennessee property and personnel as a going  
7 concern. And while the sale of an operating utility is not an everyday  
8 occurrence, it is a fairly usual type of commercial transaction that this  
9 Commission has seen in any number of cases in its recent history. It is usual  
10 enough that Tennessee has a statute specifically addressing the transaction,  
11 Tenn. Code Ann. § 65-4-113, which states:

12 ...the commission shall take into consideration all relevant  
13 factors, including, but not limited to, the suitability, the  
14 financial responsibility, and capability of the proposed  
15 transferee to perform efficiently the utility services to be  
16 transferred and the benefit to the consuming public to be  
17 gained from the transfer. The commission shall approve the  
18 transfer after consideration of all relevant factors and upon  
19 finding that such transfer furthers the public interest.  
20

21 **Q. Can you provide a specific example to illustrate your statement above**  
22 **that the Commission is familiar with this “fairly usual type of**  
23 **commercial transaction”?**

24 A, Yes. Although immaterially different from our instant case because it  
25 involved a stock sale as compared to the sale of assets, the Commission  
26 approved the 2016 Duke Energy Corporation (“Duke Energy”) acquisition  
27 of Piedmont in Docket No. 16-00006 pursuant to the same statute, Tenn.

1 Code Ann. § 65-4-113. Additionally, the Commission demarcated the same  
2 docket “type” for the 2016 acquisition in its docketing system as it has with  
3 respect to our current proceeding: “Transfer of Control.”

4 **Q. Are there any material similarities between the two cases?**

5 A. Yes. In each case, the applicants seek approval pursuant to one, and only  
6 one, statute: Tenn. Code Ann. § 65-4-113. Also, the Commission’s *Order*  
7 *Approving Change in Control* cited certain aspects of the 2016 Duke Energy  
8 acquisition’s Agreement of Merger that factored materially into its decision  
9 to approve the merger request:

10 The Agreement provides that Piedmont will remain a fully  
11 functional operating subsidiary of Duke and will continue  
12 to provide natural gas sales and distribution service to its  
13 Tennessee customers pursuant to the tariffs, service  
14 schedules, franchise rights and other authorizations under  
15 which Piedmont currently provides service. The Applicants  
16 assert that the sole difference in Piedmont’s operation in  
17 Tennessee following the merger will be the identity of the  
18 owner of its common stock.<sup>1</sup>

19 In comparison, those aspects are nearly identical to those cited in our  
20 Application, which highlights the Asset Purchase Agreement (“APA”) and  
21 states as follows:

22 Piedmont and Spire entered into the APA on July 27, 2025,  
23 which has been approved and its execution authorized by  
24 resolutions of the boards of directors of both Duke Energy  
25 and Spire. The APA contemplates Spire’s acquisition, as a  
26 going concern, of the totality of Piedmont’s property,  
27 operations, and authorizations to operate as a natural gas  
28 public utility within the State of Tennessee as of the Closing  
29 Date specified in the APA. Consistent with its practice in

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<sup>1</sup> Order Approving Change in Control, at 2 (TPUC Docket No. 16-00006), March 28, 2016.

1 other States, Spire intends to operate in Tennessee through  
2 a new wholly-owned subsidiary, Spire Tennessee, which is  
3 a Delaware corporation formed for the purpose of owning  
4 and operating Piedmont's assets in Tennessee. Spire has  
5 assigned its rights and obligations under the APA to Spire  
6 Tennessee as of August 7, 2025, subject to a guaranty of  
7 Spire Tennessee's obligations under the APA by Spire....  
8 Upon approval by the Commission of the transfer of  
9 Piedmont's authority to provide utility service to Spire  
10 Tennessee and upon the closing of the Proposed  
11 Transaction, Spire – through Spire Tennessee – intends to  
12 assume and continue to provide, without interruption,  
13 natural gas sales and distribution service to Piedmont's  
14 existing Tennessee customers pursuant to the tariffs, service  
15 schedules, franchise rights and other authorizations under  
16 which Piedmont currently provides such service. Neither  
17 Piedmont nor Spire seek any change in any of these  
18 authorizations. The sole differences between Piedmont's  
19 operations in Tennessee prior to the Proposed Transaction  
20 and Spire's operations following the Proposed Transaction  
21 will be the identity of the owner of these properties,  
22 operations, and authorizations.<sup>2</sup>

23 (paragraph notations omitted).

24 **Q. What was the Consumer Advocate's position in Docket No. 16-00006?**

25 A. The Consumer Advocate did not intervene in that docket.

26 **Q. Based on the applicability of Tenn. Code. Ann. § 65-4-113 to the facts**  
27 **in our case, Docket No. 25-00074, how do you suggest the Commission**  
28 **evaluate the Application?**

29 A. From my perspective, the statutory standard can be broken up into two main  
30 categories:

31 1. Does Spire have the financial responsibility and capability to

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<sup>2</sup> Joint Application, at p. 4, paragraphs 6 – 9.

1                   operate the system?

2                   2. Are there benefits to customers and does it further the public  
3                   interest?

4 **Q. Do you believe Spire has the financial responsibility and capability to**  
5 **operate the system?**

6 A. Yes, and based on its direct testimony, I believe the Consumer Advocate  
7 has reached the same conclusion.

8 **Q. Do you believe there are benefits to customers from the Transaction**  
9 **and it will further the public interest?**

10 A. Yes, I do. Tenn. Code Ann. § 65-4-113 requires the Commission to consider  
11 benefits to the consuming public and the public interest associated with the  
12 Proposed Transaction, and I firmly believe that the Transaction provides  
13 benefits to customers and satisfies the public interest standard. As I've  
14 outlined below, the Consumer Advocate focuses on what I would consider  
15 to be potential short-term cost impacts associated with the Proposed  
16 Transaction, but minimizes the long-term benefits of the Proposed  
17 Transaction, which I believe are overwhelmingly in the public interest. I  
18 think it is also worth noting that none of the Consumer Advocate's short-  
19 term cost concerns are actually at issue in the proceeding, as no change has  
20 been proposed via this Transaction to any of the rates, terms, or conditions  
21 of service under which Piedmont operates.

22                   It's no secret that Duke Energy, Piedmont's parent company, has  
23 made the decision to pursue the sale of Piedmont's Tennessee jurisdictional

1 assets to fund other business priorities. Pursuing opportunities in this  
2 fashion is a reality and the nature of the utility industry. Truthfully, this  
3 should not be frowned upon but rather viewed as a prudent decision by Duke  
4 Energy to allow an operator with a demonstrated track record for prudently  
5 operating natural gas distribution company systems and who prioritizes  
6 Piedmont's Tennessee system to come in, operate it, and give it the attention  
7 it deserves.

8 As with any business, priorities must be set, and decisions must be  
9 made on where to invest capital. In a press release following the  
10 announcement of the transaction, Duke Energy highlighted that the  
11 proceeds from the sale of Piedmont's Tennessee operations to Spire would  
12 be used to "... help efficiently fund Duke Energy's \$83 billion five-year  
13 capital plan – a plan that is focused on energy modernization investments  
14 to deliver value for customers and shareholders."<sup>3</sup> As a result, it is clear that  
15 Duke Energy has a need to focus on, and fund, its other business units.  
16 Similarly, Spire also must make decisions on where to focus its time and  
17 deploy its capital. In a December 2025 investor presentation, Spire  
18 highlighted its excitement around the Piedmont system and its commitment  
19 to funding the capital investment needed to expand service to new areas and  
20 ensure safe and reliable service to customers. While Piedmont's Tennessee

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<sup>3</sup> Duke Energy announces sale of its Tennessee Piedmont Natural Gas business to Spire for \$2.48 billion, <https://news.duke-energy.com/releases/duke-energy-announces-sale-of-its-tennessee-piedmont-natural-gas-business-to-spire-for-2-48-billion>, July 29, 2025.

1 system assets – pending the completion of the Proposed Transaction, of  
2 course – may no longer be a business priority for Duke Energy, they very  
3 much are for Spire, which is undoubtedly a significant immediate and long-  
4 term benefit to customers that furthers the public interest.

5 **Q. What specific benefits has Spire identified that will result from the**  
6 **Proposed Transaction?**

7 A. Appendix F to the Application sets forth a summary of benefits we believe  
8 will accrue to Piedmont’s Tennessee customers and to the State of  
9 Tennessee as a whole as a result of the transaction. These include: (1)  
10 Spire’s financial strength available to backstop ongoing growth of  
11 Piedmont’s system in Tennessee; (2) Spire’s ability to support Tennessee  
12 operations with expertise and physical support from its other gas utility  
13 operations in Alabama and Missouri; (3) Spire’s demonstrated experience  
14 with and commitment to system reliability and efficiencies evident from its  
15 gas distribution operations in other states; (4) Spire’s commitment to  
16 customer growth and its deployment of capital to support such growth; (5)  
17 professional management of upstream transportation, storage, and supply  
18 assets to ensure low cost gas supply charges; (6) seamless provision of  
19 administrative functions to the operating utility functions in Tennessee  
20 honed through previous acquisitions and integrations; and (7) *no changes*  
21 *to existing rates, terms or conditions of services.*

22 **Q. The Consumer Advocate appears to argue that many of these are not**  
23 **benefits because Piedmont currently provides good service to**

1 **customers. Do you agree?**

2 A. No. A benefit to customers or to the State of Tennessee does not cease to be  
3 a benefit because the identity of the provider changes. If Piedmont's  
4 provision of service is beneficial to customers, then Spire's continuing  
5 provision of commensurate services will also be beneficial, should the  
6 TPUC support the proposed transfer of utility authorizations sought in this  
7 docket.

8 **II. Spire's Suitability as a Tennessee Public Utility**

9 **Q. What recommendation did the Consumer Advocate make regarding**  
10 **Spire's suitability as a Tennessee utility?**

11 A. Consumer Advocate Witness Dittmore recommends that "the Commission  
12 should find that Spire has the operational capability to own and operate the  
13 Piedmont system..."<sup>4</sup> and elaborates on the reasons why. He specifically  
14 highlights Spire's longstanding history and our extensive experience  
15 operating utilities. He also compliments Spire's response to Data Request  
16 No. 1-42, which details steps Spire has taken to minimize costs for its  
17 customers in its other jurisdictions related to mains and service line  
18 installations. However, Witness Dittmore continues on to claim that  
19 Spire's operational prowess does not represent a net benefit to customers  
20 because Piedmont is also a capable operator.<sup>5</sup>

21 **Q. Do you agree with the Consumer Advocate's recommendation on this**

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<sup>4</sup> Direct Testimony of David N. Dittmore, at p. 5, lines 17-18.

<sup>5</sup> *Id.* at p. 18, line 2 – p. 19, line 6.

1           **topic?**

2   A.    In part, yes. I wholeheartedly agree with Witness Dittimore's  
3           recommendation that the Commission should find that Spire is a capable  
4           and suitable operator. I also agree with and appreciate his comments  
5           regarding our efforts to manage our costs. Affordability has been and will  
6           continue to be a primary focus for Spire Inc. across all of the jurisdictions  
7           in which we operate. The types of activities we highlighted in response to  
8           Data Request No. 1-42 to manage costs are precisely the types of activities  
9           we intend to leverage in Tennessee as well.

10                 I disagree, however, with Witness Dittimore's suggestion that  
11           Spire's operational wherewithal does not represent a benefit to customers  
12           simply because Piedmont is also a capable operator. While Spire agrees that  
13           Piedmont is a capable operator, Spire believes its operational capabilities  
14           and ability to provide continuing excellent service to Piedmont's customers  
15           through experienced and professional management of Piedmont's  
16           Tennessee assets is an undeniable benefit to Piedmont's customers. Spire  
17           has strong operational qualifications and a proven track record which will  
18           provide an absolute benefit to Tennessee customers on a going forward  
19           basis. Spire is a gas-only utility operator with operations surrounding  
20           Tennessee and has a long-standing history of providing safe and reliable  
21           service to its customers. These facts would not necessarily be present with  
22           an alternative acquiror of the system, particularly if such entity was an  
23           investment fund or other non-distribution provider.

1                                   **III. The Public Interest of the Transaction**

2 **Q. Did the Applicants provide any evidence on the public benefits of the**  
3 **Proposed Transaction with their initial filing?**

4 A. Yes. Exhibit F to the Application contains a summary of those benefits and  
5 they are summarized earlier in my Rebuttal Testimony.

6 **Q. Can you expand upon the Consumer Advocate’s position surrounding**  
7 **the public interest of the Transaction?**

8 A. Yes. Consumer Advocate Witnesses Dittmore, Kaml, and Dixon all  
9 discuss the public interest of the Transaction, and specifically Tenn. Code.  
10 Ann. § 65-4-113, which states that the TPUC must consider, among other  
11 things, “the benefit to the consuming public to be gained from the transfer.”  
12 Interestingly, all three witnesses seem to have defined “benefit” to be solely  
13 related to cost considerations and to contain an incremental component.

14 **Q. Do you agree with the way Witnesses Dittmore and Kaml have**  
15 **represented the term “benefit” as it relates to the statute?**

16 A. No, these witnesses have narrowly defined “benefit” as opposed to a  
17 broader perspective which is more consistent with the way Tenn. Code.  
18 Ann. § 65-4-113 is written. Utility operators provide many benefits to  
19 customers that span beyond only cost benefits. Specifically, the ability for  
20 a utility operator to provide safe and reliable service is extremely important  
21 and beneficial to customers for a service they depend on for heating,  
22 cooking, clothes drying, hot water, etc. As I explained earlier, Witness  
23 Dittmore has appropriately acknowledged Spire’s capabilities to provide

1 safe and reliable services as a utility operator but has ignored those same  
2 capabilities as a benefit for Tennessee customers.

3 Additionally, as outlined earlier in my testimony, Spire is committed  
4 to continuing to invest in and expand natural gas service in the State of  
5 Tennessee. While I agree Duke Energy would continue to provide safe and  
6 reliable service to Piedmont's current Tennessee customers, retaining  
7 Piedmont's Tennessee assets at this time is not a priority that outweighs  
8 Duke Energy's need for capital. This is a simple reality that should not be  
9 overlooked. It should not be viewed as a criticism of Duke Energy, but  
10 rather a recognition that its ability to deploy capital in Tennessee would be  
11 limited relative to other more pressing needs across its utility footprint.  
12 Absent a switch to a capable provider like Spire, the Piedmont system likely  
13 would receive a constrained levels of capital investment. Thus, Duke  
14 Energy has made a responsible decision to seek an operator in Spire who  
15 will provide the type of robust investment that a growing region deserves.  
16 In this regard, it is significant to note that on a revenue basis, Piedmont's  
17 operations in Tennessee represent less than 2% of Duke Energy's total  
18 operations whereas they will represent approximately 10% of Spire's. This  
19 provides some insight into the relative significance of Piedmont's  
20 Tennessee operations to Duke Energy and to Spire.

21 **Q. Can you elaborate on Consumer Advocate Witness Dittmore's**  
22 **testimony related to the public interest of the Transaction?**

23 A. Witness Dittmore states that "there is significant uncertainty about the

1 implications of this Transaction on the cost of delivering such service under  
2 Spire ownership, a topic both companies have avoided altogether in the  
3 Application.”<sup>6</sup> He goes on to suggest that because of this, costs may  
4 increase, which will result in a detriment to customers.<sup>7</sup> Consumer  
5 Advocate Witness Kaml addresses similar concerns.

6 **Q. How do you respond to this?**

7 A. I disagree that Spire avoided discussing this in the Application. In fact,  
8 Spire’s intent throughout this entire process has been to provide continuity  
9 of service to Tennessee customers and limit, if not avoid altogether, any  
10 impact on customers. The best way to do that is to allow Spire to “step into  
11 the shoes” of Piedmont, as highlighted in the Application:

12 *Inasmuch as Spire Tennessee intends to “step into the*  
13 *shoes” of Piedmont in providing service to these same*  
14 *customers utilizing the same facilities, equipment, and*  
15 *personnel, it is reasonable and practical to propose*  
16 *utilization of Piedmont’s existing regulatory structures,*  
17 *rates, tariffs, and terms and conditions of service, on an*  
18 *interim basis, pending future potential changes to such*  
19 *regulatory structures, rates, tariffs, and terms and*  
20 *conditions of service as may be proposed by Spire*  
21 *Tennessee and/or ordered by the Commission. This will*  
22 *ensure continuity and consistency in the provision of*  
23 *natural gas service to Piedmont’s customers, an orderly*  
24 *and predictable transition of operations from Piedmont to*  
25 *Spire, and is consistent with the “transfer of authority” to*  
26 *provide service anticipated by T.C.A. § 65-4-113.*<sup>8</sup>

27 **Q. Was this continuity of service benefit addressed by any of the**

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<sup>6</sup> *Id.* at p. 9, lines 23 – 25.

<sup>7</sup> *Id.* at p. 9, lines 25 – 27.

<sup>8</sup> Joint Application, at 9 – 10, paragraph 15.

1           **Consumer Advocate witnesses?**

2   A.    Yes, Consumer Advocate Witness Dixon addresses the ability of Spire to  
3           continue providing safe and reliable service at the closing of the  
4           Transaction. He conducted a thorough review of Spire’s plan for Day 1  
5           operations and concludes that the plan is well thought out and if executed,  
6           with support from Piedmont, Spire will be able to provide safe and reliable  
7           service on Day 1 and during the transition process.<sup>9</sup> This continuity of  
8           service that Spire will provide is a clear benefit to Tennessee customers.

9   **Q.    Is there uncertainty as Consumer Advocate Witness Dittmore has**  
10       **testified?**

11   A.    Of course, and it alone should not serve as a negative attribute of the  
12           Transaction. Uncertainty concerning a proposed transaction is axiomatic  
13           from a basic inability of any party – Piedmont, Spire, or the Consumer  
14           Advocate – to guarantee the future. It is also greatly limited, however, by  
15           the fact that Spire is a very well-established and capable utility operator with  
16           experience operating in states contiguous with Tennessee, which is a clear  
17           benefit to Tennessee customers compared to other potential acquirors of the  
18           system. I would also suggest that the uncertainty will be greatly limited if  
19           the Commission accepts Spire’s proposal to “step into the shoes” of  
20           Piedmont and continue operating under the existing rates, terms, and  
21           conditions of service on an interim basis until Spire files a general rate case.

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<sup>9</sup> Direct Testimony of Bradley O. Dixon, at p. 9, lines 1 – 12.

1 This proposal is outlined in more detail in the recommended solutions  
2 section of my testimony.

3 **Q. Are there other ways to address the uncertainty presented by**  
4 **Consumer Advocate Witness Dittmore?**

5 A. Yes. A benefit of utility regulation is the ability for regulators to review and  
6 audit all costs to determine if they were prudently incurred. As alluded to  
7 above, a certain amount of uncertainty is endemic to any transition and  
8 integration period, and the Proposed Transaction is no different. However,  
9 the Commission and the Consumer Advocate will always have the ability  
10 to investigate and challenge any costs incurred and the prudence of those  
11 costs during rate proceedings. Witness Dittmore himself highlights this  
12 fact in his testimony from Docket No. 21-00135, where he agreed that  
13 Piedmont's ARM process specifically would not diminish the  
14 Commission's or Consumer Advocate's respective ability to consider cost  
15 prudence:

16 I agree with the Company's statement in its response to  
17 Consumer Advocate DR No. 1-18 in the context of whether  
18 implementation of an ARM would diminish the  
19 Commission's ability to consider customer affordability  
20 when establishing rates:

21  
22 The Commission is empowered to fix just and reasonable  
23 rates charged by a public utility under longstanding  
24 principles of ratemaking. *In no way does the ARM, which*  
25 *has already been expressly authorized by the General*  
26 *Assembly, undermine the Commission's authority to*  
27 *determine just and reasonable rates, nor does it change the*  
28 *principles applicable to such determinations. Instead, the*  
29 *ARM is simply an alternative mechanism to traditional*  
30 *ratemaking for the establishment of just and reasonable*

1 rates.

2  
3 (emphasis added).<sup>10</sup>

4 In sum, while utilities and customers face some cost risks due to uncertainty  
5 regarding future events and pressures related to inflation, that risk is  
6 generally mitigated – as Witness Dittmore acknowledges – by the  
7 obligation to undergo regulatory review and approval before the  
8 Commission prior to recovery.

9 **IV. Transition and Integration Efforts**

10 **Q. What is the Consumer Advocate’s position with regard to the transition  
11 and integration necessary for the Transaction?**

12 A. At a high-level, the Consumer Advocate believes that these costs should be  
13 tracked and that customers should not be exposed to potential cost increases  
14 as a result of the Transaction.

15 **Q. How do you respond to this?**

16 A. I believe the Consumer Advocate has painted an overly pessimistic picture  
17 of the transition and integration, and specifically the costs, associated with  
18 the Transaction. I do acknowledge that some uncertainty exists related to  
19 the transition and integration efforts, but Spire is a well-established utility  
20 that currently serves approximately 1.7 million homes and businesses in  
21 Alabama, Missouri and Mississippi, and has grown to this size through  
22 acquisition and integration. So, while there may be some uncertainty, Spire

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<sup>10</sup> Direct Testimony of David N. Dittmore, at p. 4, lines 7 – 18 (TPUC Docket No. 21-00135), January 26, 2022.

1 has proven it is a capable operator with experience in integrating utilities  
2 and ensuring it is done with little to no customer impact.

3 **Q. What specific recommendation did the Consumer Advocate make**  
4 **regarding transition and integration?**

5 A. Consumer Advocate witness Dixon recommended the following in his  
6 Direct Testimony:

7 [t]he Commission establish a date, 24 months following  
8 the close of the transaction, that requires all transition and  
9 integration activities to be completed. Customers should  
10 not be exposed to potential costs associated with a  
11 prolonged integration process that far exceeds any  
12 anticipated timelines.<sup>11</sup>

13 **Q. How do you respond?**

14 A. I disagree. I have no concerns about Spire's ability to complete all transition  
15 and integration activities within 24 months following the close of the  
16 Transaction, but I believe this recommendation is unnecessary and could  
17 lead to an unintended consequence. First, Witness Dixon assumes that if the  
18 transition and integration activities span beyond 24 months, it will result in  
19 higher costs for customers. I do not agree with this assumption.

20 Hypothetically, setting a hard date to which a company must adhere  
21 could lead to higher costs for customers due to rushing or spending more  
22 money than necessary to hit an arbitrary deadline. While I do not believe  
23 this would happen to Spire, I think setting what would fundamentally be an

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<sup>11</sup> Direct Testimony of Bradley O. Dixon, at p. 6, lines 4 – 7.

1 arbitrary deadline for transition and integration activities could drive higher  
2 cost decision-making and may not be in the public interest.

3 **Q. Did the Consumer Advocate make other recommendations related to**  
4 **the transition and integration?**

5 A. Yes. Consumer Advocate witness Dixon recommended that the  
6 Commission:

7 [R]equire the tracking of all costs of “testing” for IT and  
8 other operational activities. This testing is done to  
9 determine if the systems and processes used by Spire TN  
10 generate the same or similar results as the Piedmont/Duke  
11 system generates. The review of these costs should be  
12 completed in a base rate case filing and not through the  
13 ARM process. The review of these costs would be a major  
14 undertaking and could not be completed within the  
15 significant time constraints and discovery limitations of a  
16 typical ARM review.<sup>12</sup>

17 **Q. How do you respond?**

18 A. I believe this recommendation is unnecessary. If I correctly understand the  
19 recommendation, Witness Dixon seeks to ensure the Consumer Advocate’s  
20 and the Commission’s collective ability to audit costs incurred to handle IT  
21 testing. All parties to a rate proceeding in the future, whether it be an ARM  
22 proceeding or a general rate case, will have the ability to issue discovery  
23 requests and audit all costs for recovery, including IT-related costs. Further,  
24 Spire would bear the burden of proof on the recoverability of all such costs.  
25 I do not understand how this would be any different than if any other utility

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<sup>12</sup> *Id.* at lines 18 – 25.

1 in the state were to incur IT-related testing costs between rate proceedings.  
2 Witness Dixon goes on to suggest that it would be difficult to audit these  
3 costs in an ARM proceeding, a position with which I also disagree. As  
4 referenced above, Witness Dittmore himself has previously testified that  
5 “implementation of an ARM would [not] diminish the Commissions’ [sic]  
6 ability to consider customer affordability when establishing rates.”  
7 Regardless, I have recommended a solution to address this concern under  
8 the recommended solutions section of my testimony.

9 **V. Recoverability of Costs Due to the Change in Ownership**

10 **Q. What are the various types of costs that will be incurred due to the**  
11 **change in ownership?**

12 **A.** At a high level, the various costs related to the change in ownership are as  
13 follows:

- 14 1. Due diligence costs – costs incurred by Spire to evaluate Piedmont’s  
15 Tennessee system as it prepared to place a bid. (e.g., internal labor,  
16 third-party consultants, outside legal counsel, etc.);
- 17 2. Transaction costs – costs incurred by Spire to execute the transaction  
18 to acquire Piedmont’s Tennessee system (e.g., investment banking  
19 fees, merger and acquisition legal fees, etc.);
- 20 3. Transition Services Agreement (“TSA”) costs – costs incurred by  
21 Spire to compensate Piedmont for services it will continue providing  
22 on behalf of Spire post-Day 1 during the transition period; and

1           4. Integration costs – costs incurred by Spire to fully bring Piedmont’s  
2           Tennessee system into Spire.

3 **Q. What is the Consumer Advocate’s position on the recoverability of**  
4 **these costs?**

5 A. The Consumer Advocate challenges the recoverability of all of the costs  
6 outlined above and proposes that the Commission take a preemptive  
7 position on the recoverability of these costs in this proceeding.

8 **Q. How do you respond?**

9 A. I find the Consumer Advocate’s challenge troubling and not rationally tied  
10 to the actual approval request filed by the Companies under the applicable  
11 statute. This is not a rate proceeding. Spire has not sought recovery of any  
12 costs in this proceeding. As such, the Companies’ Application was  
13 appropriately and timely filed because Commission approval is a  
14 precondition to the closing of the Proposed Transaction and is necessary  
15 prior to Spire being able to begin integration activities. Thus, the Companies  
16 did not file this Application prematurely, as suggested by the Consumer  
17 Advocate, and if anything, it is the Consumer Advocate’s recommendations  
18 associated with cost recoverability that are premature. There will be a time  
19 and a place (in future rate proceedings), to audit costs once they are known,  
20 measurable, and proposed for recovery by Spire. It is the Companies’  
21 position that this type of proceeding is ill-suited to determine such issues  
22 and that the Commission should reject this recommendation by the  
23 Consumer Advocate.

1 **Q. What specific recommendation did the Consumer Advocate make**  
2 **regarding recoverability of costs?**

3 A. Several of the Consumer Advocate witnesses made similar  
4 recommendations regarding recoverability of costs, which I've outlined  
5 below:

- 6 • Consumer Advocate witness Dittmore recommended:

7 The Commission should find that Piedmont customers  
8 should not pay rates higher under Spire's ownership than  
9 they would have under Piedmont's ownership. The  
10 evaluation of the reasonableness of future Spire costs to  
11 serve should be based upon a comparison with Piedmont's  
12 2024 Operating Expenses adjusted for inflation, net of a  
13 productivity factor, rather than an assessment of the  
14 prudence of Spire's actions. Spire's Tennessee customers  
15 should not be required to incur increased costs from this  
16 transaction, even if such expenses were prudently incurred  
17 by Spire.<sup>13</sup>

18 He also recommended:

19 Recovery of integration costs incurred to establish  
20 technology should be subject to a demonstration by Spire  
21 that overall operating costs have not increased from those  
22 incurred by Piedmont.<sup>14</sup>

- 23 • Consumer Advocate witness Kaml recommended:

24 The Commission should determine the recoverability of  
25 any costs associated with the acquisition in this  
26 proceeding.<sup>15</sup>

- 27 • Consumer Advocate witness Dixon recommended:

28 To the extent that cost increases occur specifically related  
29 to the transition, and integration of operations are over and  
30 above reasonable and normal costs that the customers bore  
31

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<sup>13</sup> Direct Testimony of David N. Dittmore, at p. 6, lines 9 – 16.

<sup>14</sup> Id. at lines 21 – 23.

<sup>15</sup> Direct Testimony of Clark Kaml, at p. 3, lines 17 – 18.

1 under Duke's ownership, Spire's shareholders should bear  
2 those costs, not the customers.<sup>16</sup>

3 **Q. How do you respond to these recommendations?**

4 A. I view Witness Dittmore's proposals as asking the Commission to pre-  
5 approve costs and make a determination based on information that has not  
6 been presented in this case. I am not aware of any jurisdiction that has ever  
7 imposed this inflation-adjusted type of mechanism in an acquisition docket,  
8 and the Consumer Advocate cites no precedent for its proposal. Moreover,  
9 Spire, just like every other utility in the state, will have to justify its costs  
10 prior to any rate adjustment, and the Consumer Advocate and the  
11 Commission will have the ability to review all costs and determine  
12 prudence. Attempting to impose this type of limit on future cost recovery  
13 by predicting what Piedmont's costs could be in the future, basing those  
14 costs on inflation-adjusted 2024 Operating Expenses that would somehow  
15 presumably incorporate the impact of Piedmont *not* selling its Tennessee's  
16 assets, while simultaneously attempting to cap Spire's costs at a speculative  
17 level that Witness Dittmore assumes will be higher than Piedmont's, is  
18 extremely complicated and unnecessary given the proven regulatory  
19 framework that exists in the State of Tennessee for setting utility rates.

20 Finally, the Consumer Advocate seems to suggest that there is some  
21 inflation metric out there that could be generically applied to all costs. When  
22 asked in Spire DR-8 specifically how this would be done, the Consumer

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<sup>16</sup> Direct Testimony of Bradley O. Dixon, at p. 6, line 28 – p. 7, line 2.

1 Advocate confirmed that it simply intends to utilize “a general CPI indicator  
2 published by the Bureau of Labor Statistics (BLS) specific to Utility (Piped)  
3 Gas Service.”<sup>17</sup> This approach is overly broad, simplistic, and I do not  
4 believe it will work.

5 For example, the inflation rate for steel can be significantly different  
6 than the inflation rate for vehicular fuel. I suppose it would be possible to  
7 go through each and every cost incurred by Piedmont in 2024 and assign a  
8 specific inflation metric to it, but this would be an extremely cumbersome  
9 exercise, and again, very speculative in nature given other unknowns that  
10 could occur that could impact costs. While Witness Dittmore’s proposals  
11 are creative, they have no support in the existing rate-setting practices of the  
12 Commission or the statutory and regulatory underpinnings of those  
13 practices. The better and proven solution is to wait until the costs have been  
14 incurred pursuant to a process already used by this Commission, audit those  
15 costs, and then allow the Commission to make a commensurate  
16 determination.

17 **Q. Doesn’t the Consumer Advocate have concerns about making a**  
18 **prudency argument?**

19 **A.** Yes, and the testimony on this topic was rather surprising to me. Consumer  
20 Advocate Witness Dittmore highlights his “over 35 years of experience in  
21 public utility regulation,” yet testifies regarding the “virtual impossibility of

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<sup>17</sup> Consumer Advocate’s Response to First Set of Discovery Requests to Piedmont and Spire DR 1-8, at 5, filed December 18, 2025, <https://tpucdockets.tn.gov/archive/filings/2025/2500074ak.pdf>.

1 effectively challenging prudence within the existing Tennessee Regulatory  
2 framework.”<sup>18</sup> I’m not exactly sure why Witness Dittmore has taken this  
3 position, but in my experience the fundamental cost-recovery principle  
4 upon which utility regulation operates is “prudence.” For him to suggest  
5 that it is virtually impossible to demonstrate imprudence is honestly  
6 somewhat concerning.

7 The Tennessee regulatory process allows for discovery and a full  
8 review of all costs at the time recovery is being requested. If the Consumer  
9 Advocate believes those costs should not be borne by customers, it has  
10 every right to make that argument and challenge the recovery of those costs.  
11 I do not believe this is an ambiguous concept and it is how every utility in  
12 the state requests recovery of costs.

13 However, rather than follow an existing framework that has  
14 functioned very well in the State of Tennessee, the Consumer Advocate  
15 recommends that the Commission preemptively disallow costs prior to them  
16 even being incurred. This confiscatory approach robs Spire of the  
17 opportunity to justify recovery of its costs. Ultimately, however, I believe  
18 Witness Dittmore’s primary concern is with integration-related costs and  
19 my recommended solutions outlined below address that concern.

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<sup>18</sup> Direct Testimony of David N. Dittmore, at p. 36, line 4 – p. 37, line 4.

1 **Q. Did the Consumer Advocate make other recommendations regarding**  
2 **recoverability of costs?**

3 A. Yes. Witness Dittmore recommended:

4 Costs incurred under the Transition Services Agreement  
5 related to the provision of ongoing operations should be  
6 charged to expense as incurred. Such costs should not be  
7 recoverable in rates consistent with the proposed rate  
8 moratorium...<sup>19</sup>

9 **Q. How do you interpret this recommendation?**

10 A. I believe what Witness Dittmore is recommending is that TSA-related  
11 costs should be tracked and Spire should not be able to seek recovery of  
12 these costs until it is no longer operating under a TSA. I also believe this  
13 recommendation somewhat coincides with an observation Consumer  
14 Advocate Witness Dixon made regarding his concern about the potential for  
15 duplication of costs under the TSA.

16 **Q. How do you respond?**

17 A. While Spire has not sought recovery of these costs in this proceeding, I think  
18 Witness Dixon brings up a really good point. Piedmont's current rates  
19 include costs to provide service. As Witness Dixon appropriately  
20 highlighted, Spire will be relying on a TSA to compensate Piedmont for  
21 continuing to provide services for some period of time during the integration  
22 period. It would be unfair for customers to pay those costs in existing rates  
23 while reimbursing Spire for those costs as well, a double-counting scenario

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<sup>19</sup> *Id.* at p. 6, lines 17 – 20.

1 that is certainly not Spire's intent. Assuming rates are updated appropriately  
2 to recover the true cost of service, Spire does not intend to seek recovery of  
3 TSA costs from customers. However, Piedmont will be charging Spire for  
4 the actual cost to perform the services, and therefore, if for some reason  
5 rates are not updated (under the ARM) for actual costs, there will be a  
6 disconnect between what Spire is paying Piedmont and what is being  
7 recovered in rates. The recommended solution outlined below addresses this  
8 issue in a very straightforward way.

9 **Q. Did the Consumer Advocate make other recommendations regarding**  
10 **recoverability of costs?**

11 A. Yes. Witness Dittmore recommended:

12 Branding costs incurred necessary to develop and  
13 implement the Spire brand across the newly acquired  
14 service territory should be recorded to a below-the-line  
15 account and be ineligible for recovery from ratepayers.<sup>20</sup>

16 **Q. How do you respond?**

17 A. I do not agree with a recommendation that costs be preemptively disallowed  
18 in this proceeding as opposed to a rate proceeding, at which point in time  
19 the costs will be known and the Consumer Advocate will have an  
20 opportunity to review and audit the costs and make a prudency  
21 recommendation.

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<sup>20</sup> *Id.* at lines 24-26.

1 **Q. Did the Consumer Advocate make other recommendations regarding**  
2 **recoverability of costs?**

3 A. Yes. According to Witness Dittimore, Witness Kaml recommended:

4           The Commission should deny recovery of transaction costs,  
5           acquisition premium-related costs, due diligence costs, and  
6           any other cost-related terms that may be used, now or in the  
7           future, to differentiate a related cost from those listed  
8           above.<sup>21</sup>

9 **Q. How do you respond?**

10 A. While I do not disagree with Witness Kaml's perspective on the  
11 recoverability of these costs, I do not think the Commission needs to deny  
12 recovery in this docket. As described above, this is not a rate proceeding  
13 and Spire is not seeking recovery of these costs in this docket. Moreover,  
14 Spire had already communicated with the Consumer Advocate through  
15 discovery in this docket prior to the filing of the Consumer Advocate's  
16 Direct Testimony that it does not intend to seek recovery of transaction costs  
17 or the acquisition premium. Thus, it is unclear why the Consumer Advocate  
18 views this as a necessary condition. I more fully address Spire's position on  
19 these costs and a recommended solution for the Commission to consider  
20 later in this testimony.

21 **Q. Did the Consumer Advocate make other recommendations regarding**  
22 **recoverability of costs?**

23 A. Yes. According to Witness Dittimore, Witness Dixon recommended:

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<sup>21</sup> *Id.* at p. 7, lines 6-9.

1                   The transition costs be captured for review in a future, full rate case  
2                   proceeding. This review would ensure that the costs were reasonably  
3                   incurred and appropriate for recovery from customers.<sup>22</sup>

4     **Q.     How do you respond?**

5     A.     Based on the detail in Witness Dixon’s testimony, I believe he is referring  
6           to transition costs in the same manner that I define integration costs above.  
7           If this is the case, I agree with the concept that these costs should be captured  
8           for review. However, I do not agree that they should be captured for review  
9           in a full rate case proceeding. I believe the existing ARM should remain in  
10          place, as more fully addressed below, and these costs can be reviewed under  
11          the ARM process. With that said, to alleviate the Consumer Advocate’s  
12          concerns surrounding auditing these costs in an ARM proceeding, I’ve  
13          recommended a solution below that will provide the Consumer Advocate  
14          with the ability to adequately review these costs in the future.

15   **VI.     Continuation of the ARM**

16     **Q.     What is the Consumer Advocate’s position on the continuation of the**  
17           **ARM?**

18     A.     The Consumer Advocate, via the direct testimony of Witness Dittmore,  
19           contends that Piedmont’s ARM cannot transfer to Spire Tennessee because  
20           of the language of Tenn. Code. Ann. § 65-4-103(d)(6), which contemplates  
21           a base rate proceeding as an initial step prior to the ARM being able to be  
22           transferred to Spire Tennessee.

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<sup>22</sup> *Id.* at p. 8, lines 1 – 3.

1 Q. **Do you agree with the Consumer Advocate’s position on the**  
2 **transferability of the ARM?**

3 A. No. Spire and Piedmont fully addressed the Consumer Advocate’s legal  
4 arguments in our previously filed Response to the Consumer Advocate’s  
5 Motion for Preliminary Determination on the Transferability of Piedmont’s  
6 Annual Review Mechanism (“ARM Transferability Response Brief”) and  
7 our belief is that the Commission has full legal authority to transfer the  
8 Piedmont ARM to Spire on an interim basis, as requested in paragraphs 13  
9 and 15 of the Application and in paragraph 3 of its prayer for relief.<sup>23</sup>

10 Q. **Do you believe that Witness Dittmore’s position considers the full**  
11 **statutory language of Tenn. Code. Ann. § 65-5-103(d)(6)?**

12 A. No. I am not an attorney and am not offering a legal opinion, but I am aware  
13 that the full language of that statute provides that the Commission can grant  
14 a requested waiver of the base rate proceeding requirement at its discretion.  
15 Again, however, we filed the Joint Application under Tenn. Code. Ann. §  
16 65-4-113 and not Tenn. Code. Ann. § 65-5-103. To the extent I even *discuss*  
17 the concept of a waiver or waiver request, it is to rebut Witness Dittmore’s  
18 contention that § 65-5-103 governs this Transaction, which opened the door  
19 to discuss that statute in full, including subsection 103(d)(6)(B) which  
20 contains the waiver provision.<sup>24</sup>

21 Q. **Do you believe that his position considers the full statutory language of**

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<sup>23</sup> See <https://tpucdockets.tn.gov/archive/filings/2025/2500074am.pdf>.

<sup>24</sup> Direct Testimony of David N. Dittmore, at p. 28, line 3 – p. 29, line 11.

1       **Tenn. Code. Ann. § 65-4-113?**

2       A.    No. Based on our ARM Transferability Response Brief, however, I am  
3           aware that the text of Tenn. Code. Ann. § 65-4-113 predated Tenn. Code.  
4           Ann. § 65-5-103(d)(6) by almost two decades and that, again, we requested  
5           approval of the Joint Application under § 65-4-113 and *not* § 65-5-  
6           103(d)(6).

7       **Q.    Did any of the Consumer Advocate’s witnesses discuss Piedmont’s**  
8           **initial ARM approval proceeding in Docket No. 21-00135 (“Initial**  
9           **ARM Approval Docket”)?**

10      A.    Yes. Witness Dittmore discussed Piedmont’s Initial ARM Approval  
11           Docket in his Direct Testimony.<sup>25</sup>

12      **Q.    Are you aware of whether any Consumer Advocate witness questioned**  
13           **the transferability of Piedmont’s ARM in its Initial ARM Approval**  
14           **Docket?**

15      A.    The Consumer Advocate, through testimony submitted by Witness  
16           Dittmore, did not question the transferability of Piedmont’s ARM in its  
17           Initial ARM Approval Docket.

18      **Q.    Are you aware of other TPUC initial ARM approval dockets for**  
19           **LDC’s? If so, did the Consumer Advocate question ARM**

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<sup>25</sup> *Id.* at p. 28, lines 12-18 (“Spire’s ownership of the majority of Piedmont’s assets does not, in turn, confer authority to adopt the mechanics of Piedmont’s ARM, which were only initially determined to be just and reasonable and in the public interest after an in depth rate case and one failed attempt to draft an appropriate mechanism. Spire’s acquisition of Piedmont’s Tennessee assets forecloses it from submitting an ARM developed under Piedmont’s ownership. Spire should not be permitted to present Piedmont’s former cost of operation for collection in rates in 2026.”)

1           **transferability in those dockets?**

2    A.    Yes. I am not aware of the Consumer Advocate questioning or opining on  
3           the transferability of an ARM in initial ARM approval dockets for other  
4           Tennessee LDC's under the TPUC's jurisdiction – Atmos Energy and  
5           Chattanooga Gas Company – that have adopted ARM mechanisms.

6    **Q.    Are you aware of any TPUC docket where the Consumer Advocate *did***  
7           **opine on the transferability of an ARM?**

8    A.    Yes. In the recently concluded *TAWC* proceeding in TPUC Docket No. 25-  
9           00040, Witness Kaml states the following in his Direct Testimony:

10                   A45. TAWC proposes that the TWS ARM mechanism end  
11                   at the close of the acquisition. *TAWC noted that*  
12                   *Commission's Order Approving the ARM in TPUC*  
13                   *Docket No. 23-00046 declared that an ARM is non-*  
14                   *transferable.* The Consumer Advocate agrees with this  
15                   interpretation and the proposal to terminate the ARM.<sup>26</sup>

16                   (citations omitted and emphasis added)

17    **Q.    What is your opinion of this statement?**

18    A.    I am confused by this statement as I have read the Commission's *Order*  
19           *Approving the ARM* in TPUC Docket No. 23-00046 and am not aware of  
20           any such declaration. Rather, in that case, which involved a petition by  
21           Tennessee Water Service Inc. ("TWS") to adopt an ARM and tariff pursuant  
22           to Tenn. Code. Ann. § 65-5-103(d)(6), the Commission appeared to simply  
23           note that TWS and the Consumer Advocate filed a Stipulation and  
24           Settlement Agreement ("TWS Settlement Agreement") that resolved all

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<sup>26</sup> Direct Testimony of Clark Kaml, at p. 22, lines 2 – 6.

1 issues relative to the docket, including an agreement between the two parties  
2 that, “[t]he ARM is not transferrable to any future acquirer of a controlling  
3 interest in the Company.”<sup>27</sup> Specifically, as I read it, the TWS Settlement  
4 Agreement in that case stated as follows: “17. Transferability of ARM. The  
5 TWS ARM shall not be transferred to any potential acquirer of a direct  
6 controlling interest in TWS.” (Settlement Agreement at 5). The TWS  
7 Settlement Agreement also stated that it:

8 ...shall not have any precedential effect in any future  
9 proceeding or be binding on any of the Parties in this or any  
10 other jurisdiction except to the limited extent necessary to  
11 implement the provisions hereof, such as any new or  
12 updated schedules to be filed in future ARM docket  
13 proceedings. The Parties are free to take different positions  
14 in future proceedings as each Party deems appropriate for  
15 that proceeding....<sup>28</sup>

16 Additionally, ordering paragraph No. 2 of the TWS *Order Approving the*  
17 *ARM* states,

18 The settlement of any issue under the terms of the  
19 *Stipulation and Settlement Agreement* shall not be cited by  
20 any party thereto, nor any other entity, as binding precedent  
21 in any other proceeding before this agency, or any other  
22 regulatory agency or court in this state, any other state, or  
23 within the federal government.<sup>29</sup> (emphasis in the original).

24 Finally, in its *Order Approving the ARM*, and following a recitation of the  
25 material terms of the TWS Settlement Agreement, the Commission merely  
26 approved the agreement. Given the foregoing, I am not aware of anywhere  
27 in Docket No. 23-00046 where the Commission declared that “an ARM is

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<sup>27</sup> TWS Order Approving Settlement, at 7.

<sup>28</sup> *Id.* at 6.

<sup>29</sup> *Id.* at 9.

1 non-transferable.”

2 **Q. Did the Consumer Advocate assert via its Direct Testimony in the**  
3 **instant Docket No. 25-00074 proceeding that the “Commission’s Order**  
4 **Approving the ARM in TPUC Docket No. 23-00046 declared that an**  
5 **ARM is non-transferable”?** (emphasis added)

6 A. No, which is equally confusing. If this truly was something that the  
7 Commission had already “declared,” I do not comprehend why the  
8 Consumer Advocate did not simply make that same statement in our current  
9 proceeding as Witness Kaml did in Docket No. 25-00040, given that he is a  
10 witness in this proceeding as well. Additionally, if what Witness Kaml  
11 asserted in Docket No. 25-00040 was accurate, I do not understand the  
12 timing of the Consumer Advocate’s request for such a determination via its  
13 preliminary motion in our case. Based on the Consumer Advocate’s  
14 incongruous positions on ARM transferability in various dockets before this  
15 Commission, there appears to be a significant disconnect here.

16 **Q. How do you respond to the Consumer Advocate’s position in our case**  
17 **to not continue the existing ARM?**

18 A. I do not agree with this and do not believe it is in the public interest to do  
19 so.

20 **Q. Why not?**

21 A. First and foremost, the ARM is good for customers because it allows for  
22 more frequent rate adjustments to reflect cost changes and capital

1 investments that occur each year, mitigates rate shock, and ensures that  
2 utility rates actually correspond to ongoing utility costs.

3 **Q. Why are more frequent rate adjustments beneficial to customers?**

4 A. In my experience speaking with customers, many prefer smaller rate  
5 adjustments more frequently than larger increases less frequently. If the  
6 ARM ends, inflationary pressures and capital investments will continue and  
7 simply compound over time before eventually making it into a rate case,  
8 which could be several years after the last rate update. If this were to occur,  
9 when rates are eventually updated, it will likely result in a much larger  
10 increase than if rates were updated more frequently under the ARM.  
11 Further, the intervening impacts of regulatory lag on the utility will erode  
12 performance metrics, thereby potentially increasing the costs of debt and  
13 equity capital for the utility.

14 **Q. Are there any additional benefits from Spire continuing to operate the  
15 ARM included in Piedmont's existing tariffs before filing a general rate  
16 case?**

17 A. Yes. One of the benefits of an annual rate review mechanism is that it helps  
18 maintain alignment between costs and cost recovery. Assuming Spire is  
19 able to demonstrate the prudence of its underlying costs, future ARM  
20 proceedings pending a general rate case would help assure that rates  
21 reasonably reflect the actual costs to provide service. The ARM provides  
22 transparency to the Commission and the Consumer Advocate in real time  
23 because it allows for more frequent reviews of all aspects of operations.

1 Further, the Consumer Advocate has expressed a strong desire to be able to  
2 compare costs between Spire and Piedmont. Allowing for continuation of  
3 the ARM, including the filing of the same schedules currently utilized by  
4 Piedmont, will allow for this comparison which would be lost if the ARM  
5 is discontinued. Further, the variance report included with the annual ARM  
6 filing provides the exact type of spotlight on cost differences that the  
7 Consumer Advocate purports to seek.

8 **Q. What specific recommendations did the Consumer Advocate make**  
9 **regarding the continuation of the ARM?**

10 A. Consumer Advocate witness Dittmore recommended:

11 The Commission should find that Spire does not have the  
12 eligibility or authority to assume Piedmont's existing ARM.  
13 All deferrals associated with Piedmont's current ARM  
14 mechanism should terminate at the date of closing of the  
15 transaction. No accrued carrying charges should apply to  
16 Piedmont deferred balances assumed by Spire at the date of  
17 closing. The future recoverability of the Piedmont deferred  
18 ARM regulatory assets should be determined in a future rate  
19 proceeding.<sup>30</sup>

20  
21 He continues, stating:

22  
23 Additional Accounting Requirements must be established  
24 to accommodate the termination of Piedmont's ARM  
25 tariff.<sup>31</sup>

26 **Q. How do you respond?**

27 A. I do not agree that Spire does not have the eligibility or authority to assume  
28 Piedmont's existing ARM. The ARM is spelled out very well in Piedmont's

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<sup>30</sup> Direct Testimony of David N. Dittmore, at p. 5, line 24 – p. 6, line 4.

<sup>31</sup> Id. at p. 6, lines 33 – 34.

1 existing tariffs and is an established part of Piedmont's utility operations,  
2 just like Piedmont's other tariffed cost tracker mechanisms. It is unclear to  
3 me why the Consumer Advocate believes only this aspect of Piedmont's  
4 tariff should be eliminated as a result of the Proposed Transaction, while  
5 other mechanisms remain effective. Spire's intent through this entire  
6 process is to make this process as seamless as possible for customers. Not  
7 allowing Spire to continue to provide service utilizing a key component of  
8 the existing tariff will not be seamless for customers, and as outlined above,  
9 could very likely lead to future rate shock, not because Spire's cost will be  
10 higher than Piedmont's, but because rates will *not* be updated on an annual  
11 basis under the ARM like they are today. Furthermore, terminating the  
12 deferral accounting treatment, including carrying charges associated with  
13 Piedmont's current deferred balances, is punitive, unnecessary, would cause  
14 financial harm to Spire, and provides a disincentive for Spire to invest in  
15 Tennessee during that period of time because of the uncertainty it creates  
16 around future recovery of that capital.

17           Regarding the additional accounting requirements, Witness  
18 Dittmore has devoted an entire section in his testimony to "Additional  
19 accounting requirements that must be established to accommodate the  
20 termination of Piedmont's ARM tariff." I would simply point out that I  
21 believe this entire section highlights the fact that terminating the ARM  
22 overcomplicates the transition. It would be much simpler to allow Spire to  
23 adopt Piedmont's current ARM as outlined below in the recommended

1 solutions until Spire’s files a general rate case.

2 **Q. Did the Consumer Advocate make other recommendations regarding**  
3 **the continuation of the ARM?**

4 A. Yes. Consumer Advocate witness Dittimore recommended:

5 The Commission should prohibit Spire from submitting a  
6 general rate proceeding until it is no longer operating under  
7 the Transition Service Agreement and the normalized costs  
8 to provide service are known and measurable.”<sup>32</sup>

9 **Q. How do you respond?**

10 A. Coupled with his recommendation that Spire not be allowed to continue  
11 operating under the ARM, the recommendation that Spire not be able to file  
12 a rate case until it is no longer operating under a TSA and the normalized  
13 costs to provide service are known and measurable is very concerning. To  
14 the extent that he suggests this because a rate case does not result in an  
15 annual review and reconciliation like an ARM proceeding, an easy solution  
16 to address his concern about “normalized costs” would be to allow Spire to  
17 continue operating under the ARM.

18 Regardless, the TSA contemplates an end date that is 18 months  
19 from the closing of the transaction, subject to two, three-month extensions.  
20 While Spire does not intend to utilize this full 24 months for the transition,  
21 as described above, it also does not want to rush the transition. If, however,  
22 Spire only utilizes the 18-month base period of the TSA, and the transaction

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<sup>32</sup> *Id.* at lines 5 – 8.

1 closes at March 31, 2026, that means the earliest Spire could file a rate case,  
2 based on Witness Dittmore’s recommendation, would be October 1, 2027.  
3 Given that Piedmont’s rates were last updated as of December 31, 2024,  
4 under the last ARM filing, this proposal would mean that upon filing a rate  
5 case after October 1, 2027, the rate case would include nearly three years of  
6 actual costs at a minimum and could also include a future test year which  
7 would make it four years.

8 In my experience, waiting three to four years to adjust rates for  
9 inflationary pressures and regulatory lag associated with capital investments  
10 is problematic, particularly given the significant capital investments  
11 budgeted by Spire for Tennessee during that period, and will lead to rate  
12 shock for customers. Thus, contrary to Witness Dittmore’s assertion in his  
13 Direct Testimony that “a brief rate moratorium would provide a meaningful  
14 benefit to Piedmont’s existing Tennessee customers and would further the  
15 public interest...,”<sup>33</sup> this type of provision would actually harm customers.  
16 In contrast, my solutions recommended below address this issue as well as  
17 some of the concerns raised by the Consumer Advocate.

18 **Q. Did the Consumer Advocate make other recommendations regarding**  
19 **the continuation of the ARM?**

20 A. Yes. Consumer Advocate witness Dixon recommended:

21 In the event the Commission believes Spire is not legally  
22 prohibited from having an ARM prior to a base rate filing,  
23 the Commission should not allow Spire TN to utilize the

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<sup>33</sup> *Id* at p. 31, lines 7 – 8 .

1 ARM process until such time as they have gained additional  
2 insight into the system and can make an independent  
3 determination on the Capital Budgets.<sup>34</sup>

4 **Q. How do you respond?**

5 A. I believe this recommendation is much more palatable. Spire continues to  
6 plan for integration post-closing and has already made independent  
7 determinations on the capital budgets. The solutions I outline below are in  
8 line with this recommendation.

9 **Q. Were other comments made by the Consumer Advocate regarding the  
10 continuation of the ARM?**

11 A. Yes. Specifically, Consumer Advocate witness Dittmore states that “Spire  
12 is attempting to force a square peg into a round hole with its request to  
13 operate under Piedmont’s existing ARM tariff.”<sup>35</sup>

14 **Q. How do you respond?**

15 A. I think this is an overly dramatic expression used to emphasize his  
16 contention. Many Tennessee utilities have ARMs and they’re all very  
17 similar, especially as it relates to gas utilities in the state. All of the utilities  
18 in the state have slightly different tariffs and rate structures too, yet Witness  
19 Dittmore does not seem to have any concern with Spire inheriting the  
20 broader Piedmont tariff. It’s unclear to me why he has targeted the ARM  
21 specifically, other than he does not like it, and he also has not provided any

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<sup>34</sup> *Id.* at p. 8, lines 9-13.

<sup>35</sup> *Id.* at p. 29, lines 6 – 7.

1 specific examples of what exists in the ARM that would not be able to  
2 conform to Spire.

3 Finally, should the Commission approve the Proposed Transaction  
4 but adopt the Consumer Advocate’s position that the ARM is not  
5 transferable under Tenn. Code. Ann. § 65-4-113, Spire Tennessee would be  
6 the only LDC in Tennessee not operating under an ARM. Moreover,  
7 Piedmont’s existing operations are built around the ARM, and not having it  
8 would be a significant detriment to customers and Spire. Specifically, given  
9 that Piedmont currently has an ARM, previous cost recovery mechanisms,  
10 like its once approved integrity management rider mechanism, no longer  
11 exist. Eliminating the ARM would leave Spire with no ability to adjust rates  
12 on an interim basis which would put it at a significant disadvantage relative  
13 to other LDC’s in the state. This is a stark disincentive to Spire Tennessee  
14 and Spire’s plan to invest a commensurate level of capital in Tennessee to  
15 support the robust growth experienced by the greater Nashville area, as  
16 referenced in Piedmont Witness Mike Switzer’s Rebuttal Testimony.<sup>36</sup>  
17 Finally, as discussed previously, not having any mechanism available to  
18 adjust rates on an interim and more frequent basis puts customers at risk for  
19 rate shock in the future, which I view as a detriment to customers.

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<sup>36</sup> Rebuttal Testimony of Mike Switzer, at p. 7, lines 6-10 (“Since then, our Tennessee customer base has tripled, and the greater Nashville area has experienced strong population growth and renewed popularity, shown up on numerous various “best places to live” lists, and overall has been a wonderful jurisdiction in which to operate and build ties with the community.”)

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**VII. Recommended Solutions**

**Q. Based on your review of the Consumer Advocate testimony, do you believe there are measures that, if adopted by the Commission, could address their concerns?**

**A.** Yes. Spire is committed to working with all parties in this process and ensuring that customers are protected throughout this process. As such, Spire hereby recommends several mitigating measures in response to the Consumer Advocate’s recommendations and proposes the Commission impose the following conditions in conjunction with its order approving the Proposed Transaction:

**1. Transaction costs**

All transaction costs incurred in this proceeding, other than the legal costs directly incurred by Spire to obtain TPUC approval, shall be excluded from recovery in future revenue requirement determinations. The Company shall be permitted to defer legal costs incurred in processing this Application before the Commission and shall be allowed to seek recovery of these costs in a future proceeding.

**2. Due diligence costs**

The Company shall not seek recovery of due diligence costs in this matter or in any future docket related to this issue in this docket.

**3. TSA costs**

The Company shall not separately seek recovery of any TSA payments in this matter or in any future docket related to this issue in this docket. The parties acknowledge that the cost of the services provided by Piedmont to Spire are already included in customer rates, and any incremental costs associated with the TSA services will not be recovered in rates.

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**4. Acquisition premium**

Spire shall not seek recovery of the acquisition premium associated with this transaction.

**5. Integration costs**

Spire shall track all integration costs so they are easily auditable. Spire shall not seek recovery of integration costs in an ARM proceeding. Spire reserves the right to seek recovery of these costs in a future rate proceeding.

**6. Rate base offset for rate making purposes**

Spire agrees to a rate base offset for rate making purposes in the amount of \$250 million to demonstrate its commitment to the State of Tennessee and customer affordability. The Company shall track and amortize this rate base offset over a period of twenty (20) years, for rate-making purposes, commencing on the effective date of the close of the Proposed Transaction.

**7. Reporting**

Spire shall provide quarterly reporting to the Commission and Consumer Advocate regarding integration activities.

**8. ARM**

Spire shall be permitted to file an ARM in 2026, 2027 and 2028 for calendar years 2025, 2026 and 2027, respectively. During this period, to the extent there is a Historical Base Period (“HBP”) Revenue Requirement deficiency, Spire will forgo it. To the extent there is a HBP Revenue Requirement sufficiency, Spire will refund it.

**9. Rate case filing**

Spire shall file a rate case no later than 2029.

**Q. Please explain what you’ve outlined regarding transaction costs.**

A. Spire does not intend to seek recovery of any transaction costs related to investment banker or merger and acquisition legal fees. From our perspective, these are not costs that should be borne by customers. Spire should be permitted to defer and seek recovery of costs incurred related to this docket.

1 **Q. Please explain what you've outlined regarding due diligence costs.**

2 A. Spire does not intend to seek recovery of any due diligence costs related to  
3 its assessment of the Piedmont system for purposes of making an offer to  
4 acquire it. From our perspective, these are also not costs that should be  
5 borne by customers.

6 **Q. Please explain what you've outlined regarding TSA costs.**

7 A. Spire and Piedmont are going to execute a TSA. That TSA will allow for  
8 Spire to compensate Piedmont for services it provides to customers on  
9 behalf of Spire during the transition period. Since Piedmont is currently  
10 providing services to customers which are already included in rates, Spire  
11 does not intend to seek recovery of the TSA costs (i.e., what it is paying  
12 Piedmont for services) because Spire will already effectively be recovering  
13 these costs from customers in current rates.

14 **Q. Please explain what you've outlined regarding the acquisition  
15 premium.**

16 A. Spire does not intend to seek recovery of the acquisition premium associated  
17 with the Transaction. From our perspective, these are not costs that should  
18 be borne by customers.

19 **Q. Please explain what you've outlined regarding integration costs.**

20 A. Spire believes the costs to integrate the Piedmont system into Spire should  
21 be considered for recovery in the future. However, to address some of the  
22 concerns raised by the Consumer Advocate regarding the alleged  
23 uncertainty of these costs, Spire is proposing to track all of these costs and

1 will seek recovery in a separate rate proceeding specific to these costs (i.e.,  
2 a rider) or through a general rate case proceeding. Given the concerns raised  
3 by the Consumer Advocate, Spire is willing to forgo recovery of these costs  
4 in an ARM proceeding.

5 **Q. Please explain what you've outlined regarding the rate base offset for**  
6 **rate making purposes.**

7 A. In recognition of the fact that Spire will be a new "face" in Tennessee, and  
8 to demonstrate its commitment and excitement to becoming a trusted utility  
9 provider in the state, it is proposing a \$250 million offset to rate base for  
10 rate-making purposes. Affordability is paramount to Spire and this is a  
11 tangible way we can demonstrate that to this Commission and our future  
12 customers.

13 **Q. Please explain what you've outlined regarding reporting.**

14 A. Spire will provide quarterly and annual reporting to this Commission and  
15 the Consumer Advocate regarding its progress on the integration. This will  
16 ensure all parties are aware of the progress. Similarly, Spire commits to  
17 making itself available for any questions throughout the entire process.

18 **Q. Please explain what you've outlined regarding the ARM.**

19 A. The solution I've outlined for the ARM is intended to recognize some of  
20 the concerns raised by the Consumer Advocate and provide for a path  
21 forward to offering as seamless of a transition as possible for customers. As  
22 I outlined earlier in my testimony, not adjusting rates for three to four years  
23 poses significant risk to customers and is not in the public interest.

1 Customers are currently very familiar with annual adjustments and what  
2 I've recommended is a compromise that will come close to mirroring that  
3 while also offering some protection and concessions from the Company.

4 **Q. So, how will the 2026 ARM filing work?**

5 A. The 2026 ARM filing will serve to reconcile and re-base rates according to  
6 calendar year 2025. Given that the Proposed Transaction is not projected to  
7 close until after Commission approval in this docket, the 2026 ARM filing  
8 will be entirely based on costs incurred and capital deployed under  
9 Piedmont's ownership. Spire recommends that rates be updated in  
10 accordance with the Annual Base Rate Reset ("ABRR") so they reflect the  
11 most up-to-date costs and the rate base prior to closing of the Transaction.  
12 However, given the fact that Spire did not operate the assets during calendar  
13 2025, it recommends that any result of the HBP reconciliation only apply if  
14 it benefits customers. More specifically, if the HBP reconciliation results in  
15 a surplus, Spire will return the surplus to customers. If it results in a  
16 deficiency, it will forgo recovery of those costs.

17 **Q. What about 2027 and 2028?**

18 A. Spire will file an ARM in 2027 and 2028 to reconcile and re-base rates  
19 according to calendar year 2026 and 2027, respectively. Spire recommends  
20 that rates be updated in accordance with the ABRR so they reflect the most  
21 up-to-date costs and rate base as of December 31, 2026, and December 31,  
22 2027, respectively. However, as a concession and to recognize some of the  
23 Consumer Advocate's concerns, Spire recommends that any result of the

1 HBP reconciliation only apply if it benefits customers. Similar to 2026, if  
2 the HBP reconciliation results in a surplus, Spire will return the surplus to  
3 customers. If it results in a deficiency, Spire will forgo recovery of those  
4 costs.

5 **Q. Does Spire have plans to file a general rate case?**

6 A. Yes, as described above, assuming the Commission adopts the  
7 recommended solutions described above relative to the ARM filings, Spire  
8 recommends the Commission require a rate case filing by 2029.

9 **Q. Why do you believe the Commission should adopt these recommended  
10 solutions?**

11 A. I believe these recommended solutions address many of the concerns raised  
12 by the Consumer Advocate and offer adequate protections for customers. I  
13 also believe that these recommended solutions offer many concessions that  
14 Spire is willing to make to ensure a seamless transition and provide tangible  
15 benefits for customers as it begins operations in Tennessee.

16 **Q. What is your assessment of the public interest underlying this  
17 transaction in light of your recommended solutions to the Consumer  
18 Advocate's concerns?**

19 A. I believe the public interest is clear in my recommendations and in the  
20 benefits of Spire's acquisition of Piedmont's operations, employees, and  
21 customers in Tennessee as set forth in our Joint Application and direct  
22 testimony.

23 **Q. What if the Commission chooses not to allow the ARM to transfer?**

1 A. As discussed above, if the Commission does not allow the ARM to transfer,  
2 it will put Spire at a significant disadvantage compared to Piedmont's  
3 current operations and all of the other LDCs in the state, especially given  
4 the fact that previous cost recovery mechanisms that were in place prior to  
5 the ARM no longer exist. This would leave Spire with no ability to adjust  
6 rates until a formal rate case. The ARM, or really any mechanism to update  
7 rates on an interim basis prior to a rate case, will alleviate the potential for  
8 larger rate increases in the future, as I've discussed earlier in my testimony.

9 **Q. Is there anything else you'd like to cover in your Rebuttal Testimony?**

10 A. Yes. Spire is excited about the opportunity to enter the state of Tennessee,  
11 serve customers, and make long-term investments that support economic  
12 growth, system reliability, and community well-being. Tennessee has a  
13 strong history of thoughtful, balanced utility regulation that has enabled  
14 local distribution companies to safely and reliably deliver natural gas at  
15 reasonable rates while continuing to invest in infrastructure. As Spire looks  
16 to build on this foundation, it is critically important to simply maintain the  
17 existing regulatory treatment that applies today to Piedmont and all other  
18 LDCs operating in the state. Regulatory continuity and predictability  
19 provide the certainty needed to support sustained capital investment,  
20 operational excellence, and customer-focused service, ultimately benefiting  
21 Tennessee customers.

22 **Q. Does this conclude your pre-filed Rebuttal Testimony?**

23 A. Yes.

## **Mike Switzer Rebuttal Testimony**

**Before the  
Tennessee Public Utility Commission**

**Docket No. 25-00074**

**APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC.  
AND SPIRE TENNESSEE INC. FOR APPROVAL OF A  
TRANSFER OF AUTHORITY TO PROVIDE UTILITY SERVICES  
PURSUANT TO T.C.A. § 65-4-113 AND RELATED  
AUTHORIZATIONS**

**Rebuttal Testimony  
of  
Mike Switzer**

**On Behalf Of  
Piedmont Natural Gas Company, Inc.**



**January 9, 2026**

1 **Q. Please state your name and business address.**

2 A. My name is Mike Switzer. My business address is 525 South Tryon Street,  
3 Charlotte, North Carolina 28202.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am Vice President, Corporate Development of Duke Energy Corporation  
6 (“Duke Energy”), the parent company of Piedmont Natural Gas Company,  
7 Inc. (“Piedmont”). Effective March 1, 2026, I will be promoted to the  
8 position of Vice President, Investor Relations and Corporate Development.

9 **Q. Have you previously testified in this proceeding?**

10 A. Yes, I filed Direct Testimony on September 8, 2025, in this proceeding,  
11 Tennessee Public Utility Commission (“TPUC”) Docket No. 25-00074,  
12 Application of Piedmont Natural Gas Company, Inc. and Spire Tennessee  
13 Inc. for Approval of a Transfer of Authority to Provide Utility Services  
14 Pursuant to Tenn. Code Ann. § 65-4-113 and Related Authorization  
15 (“Proposed Transaction”).

16 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

17 A. The purpose of my Rebuttal Testimony in this proceeding is to address  
18 certain matters raised in the Direct Testimony filed on December 1, 2025,  
19 by the Consumer Advocate Division of the Office of the Tennessee  
20 Attorney General (“Consumer Advocate”) in the above-referenced docket.

21 **Q. Do you have any exhibits to your Rebuttal Testimony?**

22 A. No.

1 **Q. What matters raised in the Consumer Advocate’s testimony will you**  
2 **address?**

3 A. Specifically, I will address the concerns and recommendations related to the  
4 following topics: (1) Piedmont’s and Spire Tennessee Inc.’s (“Spire  
5 Tennessee”) (collectively, the “Companies”) joint request for the TPUC to  
6 allow the transfer of Piedmont’s authority to provide utility services and  
7 related authorizations to Spire Tennessee; (2) assertions that the Companies  
8 should have provided customers with a “seat at the table” during the  
9 negotiation of the Proposed Transaction and that Duke Energy and  
10 Piedmont are solely focused on financial gain to the detriment of  
11 Piedmont’s current Tennessee customers; and (3) objections to the  
12 Companies’ characterization of the requested transfer as Spire Tennessee  
13 “stepping into the shoes” of Piedmont as an oversimplification of a very  
14 complex regulatory approval request.

15 **I. The Joint Application is Itself an Obvious Acknowledgment**  
16 **of the TPUC’s Approval Authority.**

17 **Q. Did any of the Consumer Advocate’s witnesses make an assertion about**  
18 **your understanding of the regulatory approval process in this docket?**

19 A. Yes. Witness Dittmore asserts that “Mr. Switzer states that the transaction  
20 will benefit Piedmont’s customers by transferring Piedmont’s authority and  
21 related authorizations to a respected local distribution operator that can  
22 seamlessly step into Piedmont’s shoes and capably own and operate the

1 transferred LDC operations.”<sup>1</sup> In doing so, he takes issue with my use of  
2 the phrase “by transferring,” and states the following:

3 First, the transaction does not, as claimed by Mr. Switzer,  
4 ‘transfer Piedmont’s authority and related authorizations.’  
5 It is the State of Tennessee, through the Commission, that  
6 grants the monopoly and authority to operate the system,  
7 not Duke Energy. Duke Energy cannot unilaterally  
8 transfer the authorizations referred to be Mr. Switzer.”

9 **Q. Do you agree with Witness Dittmore’s characterizations of your**  
10 **testimony?**

11 A. No, I do not. First, the fact that the Companies filed the Joint Application  
12 expressly seeking this Commission’s approval of the Proposed Transaction  
13 is definitive proof that the Companies fully recognize the important role the  
14 Commission plays here. If that isn’t enough, the Commission can turn to  
15 the numerous instances in my Direct Testimony that demonstrate the  
16 Companies’ recognition of the obvious – that the Companies cannot  
17 proceed with the Proposed Transaction without this Commission’s *express*  
18 approval.<sup>2</sup> I am unsure as to why Witness Dittmore chose to make such  
19 an assertion in his Direct Testimony, but I believe the examples in my Direct  
20 Testimony easily demonstrate the Companies’ healthy respect for this  
21 Commission’s jurisdiction and their respective recognition of its clear  
22 authority to determine whether to approve the Joint Application.

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<sup>1</sup> Direct Testimony of David N. Dittmore, at p. 11, line 19 – p. 12, line 1.

<sup>2</sup> See Direct Testimony of Mike Switzer at page 2, lines 10-13 (“...seeking approval from the Commission for Spire Tennessee to acquire Piedmont’s property, operations, and authority to provide utility services in the State of Tennessee”); page 3, lines 8-10; (“Pursuant to the APA, Piedmont proposes to sell its property, operations, and authority to provide utility services within the State of Tennessee to Spire for \$2.48 billion.”); and page 7, lines 5-7: (“Closing this Proposed Transaction, contingent upon this Commission’s approval and that of other regulatory bodies as detailed in the Joint Application....”)

1                   **II. Corporate Transactions Address Corporate Needs and are**  
2                   **Governed by Fiduciary Duties and Duties of Loyalty to the**  
3                   **Corporate Entity.**

4   **Q. Did the Consumer Advocate, through one of its witnesses, make any**  
5   **assertions about either of the Companies' approaches to the Proposed**  
6   **Transaction?**

7   A. Yes. In Witness Dittmore's Direct Testimony, he asserts that "Duke's  
8   desire to monetize its status as a monopoly service provider should not put  
9   customers in a worse position in the form of incurring higher rates because  
10   of this transaction. Customers did not have a seat at the negotiating table  
11   for this transaction."<sup>3</sup>

12   **Q. Do you agree with Witness Dittmore's assertion?**

13   A. I largely agree with his apparent sentiment that the Proposed Transaction  
14   must be in the public interest for the Commission to approve it, but I do not  
15   agree with the implication that Piedmont and/or Spire are guilty of  
16   attempting to profit at ratepayer expense. Witness Dittmore's assertions  
17   as to the negative impacts of the Proposed Transaction are largely based on  
18   conjecture and unjustified fears of potential negative impacts which  
19   overlook the fact that the results he forecasts are neither at issue in this  
20   proceeding nor beyond the Commission's direct control. Spire Tennessee  
21   Witness Yonce's Rebuttal Testimony more comprehensively addresses  
22   Witness Dittmore's unfounded concerns that customers will be in a  
23   "worse" position or will incur "higher rates" from Spire Tennessee service

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<sup>3</sup> Direct Testimony of David N. Dittmore, at p. 3, lines 4-5.

1 as a result of the Proposed Transaction, so I will not belabor that point here.  
2 It is noteworthy, however, that neither the cited testimony above nor other  
3 areas in his testimony that repeats these claims provides concrete evidence  
4 to back them up.

5 With respect to the justifications for the Proposed Transaction, my  
6 Direct Testimony speaks for itself. As I stated then and will restate now,  
7 Duke Energy is in the midst of a major capital expansion to fund generation  
8 plants across its multi-state footprint in order to serve significant and  
9 accelerating load growth (i.e., customers) across its jurisdictions. From a  
10 funding source perspective, we've had to make some difficult decisions, and  
11 proposing to sell off Piedmont's Tennessee assets was one of them. It was  
12 done, however, for the benefit of the Duke Energy enterprise as a whole as  
13 well as its customers. The very nature of such transactions involves  
14 corporate management making decisions and pursuing processes to serve  
15 the best interests of shareholders, as they are bound to do by law.

16 **Q. In your experience, do customers normally have a "seat at the**  
17 **negotiating table" for corporate transactions?**

18 A. First, I'm not sure what having a "seat at the table" means or looks like  
19 within the context of the Proposed Transaction. Whether the issue is  
20 determining the appropriate moment in a negotiation for that "seat at the  
21 table," how long that "seat" lasts, how it comports with good corporate  
22 governance and generally accepted business norms concerning the  
23 inception, negotiating, and closing of a financial transaction of investor-

1 owned companies, or how it impacts corporate management’s fiduciary  
2 duty to the corporation, Witness Dittmore’s testimony reflects a puzzling  
3 view of the mechanics of corporate transactions.

4 In addition, for transactions involving publicly traded companies,  
5 there are strict confidentiality requirements and controls around material  
6 nonpublic information (“MNPI”) that are fundamental to how these deals  
7 are conducted. Negotiations are tightly limited to a small number of  
8 participants who are subject to non-disclosure agreements and “need-to-  
9 know” access protocols. What Witness Dittmore suggests would violate  
10 these rules: if the “public” or customer groups had a seat at the negotiating  
11 table, they would necessarily be exposed to MNPI and effectively become  
12 insiders. That simply cannot happen under securities laws and market-  
13 abuse rules and would raise serious issues under SEC regulations (including  
14 selective disclosure and insider-trading concerns), not to mention  
15 jeopardizing the transaction itself.

16 Moreover, corporate transactions can be very complicated and  
17 almost always involve management approvals, complex financial  
18 instruments, accounting, legal, and other professional service expertise.  
19 They require many moving operational parts to be aligned and work in sync  
20 with one another with the goal of executing the transaction. Typically, a  
21 board of directors’ fiduciary duty is owed to the corporation and its  
22 investors to do what’s best for the corporation, while management’s  
23 responsibility, generally, is to execute on those goals that the board deems

1 best for the corporation. Regulated investor-owned utilities are no different,  
2 and this process is not new or novel.

3 To that end, during my nearly 20 years in the utility industry, I have  
4 not seen any scenario where customers were involved in the actual  
5 negotiation of a corporate transaction to sell or acquire a portion of a  
6 business. Such a proposition, which – to be clear – is what Witness  
7 Dittmore is proposing, *is* new and it *is* novel. Most importantly, it is flawed  
8 for the reasons set forth above and should be rejected by this Commission.

9 **Q. Are you saying that customers don't factor at all into this proposed**  
10 **corporate transaction and should be disregarded?**

11 A. Absolutely not. This entire proceeding is directed at determining the public  
12 interest of the Proposed Transaction and the Applicants bear the burden of  
13 proof on that issue. As such, it is simply untrue that consumer interests are  
14 not being looked after in this case or that the Applicants have ignored those  
15 interests. Moreover, as I explained at length in my Direct Testimony,  
16 beginning with the acquisition of the Nashville Gas Company in 1985,  
17 Piedmont has been privileged to serve the Tennessee community for nearly  
18 four decades. Since then, our Tennessee customer base has *tripled*, and the  
19 greater Nashville area has experienced strong population growth and  
20 renewed popularity, shown up on numerous various “best places to live”  
21 lists, and overall has been a wonderful jurisdiction in which to operate and  
22 build ties with the community. We care about our Tennessee jurisdiction  
23 and our Tennessee customers – and always have. And in the present

1 instance, we have demonstrated that care by not only selecting a company,  
2 Spire Inc., that has the requisite financial stability to meet Duke Energy's  
3 needs to complete the Proposed Transaction, if approved by this  
4 Commission, but which also is an imminently suitable, capable, safe, and  
5 experienced LDC operating company peer in whose hands we are very  
6 comfortable leaving our customers.

7 **III. Spire Tennessee “Stepping into the Shoes” of Piedmont is**  
8 **an Appropriate Analogy for the Companies’ Transfer of**  
9 **Authority Request**

10 **Q. What is Witness Dittmore’s contention with the analogy of Spire**  
11 **Tennessee “stepping into the shoes” of Piedmont?**

12 A. Witness Dittmore contends that Spire Tennessee is not “stepping into the  
13 shoes” of Piedmont because of factors including, but not limited to, an  
14 elimination of an accumulated deferred income tax liability balance, costs  
15 that customers would incur for employee pension benefits, or, seemingly,  
16 anything that he believes differentiates Spire Tennessee from Piedmont.<sup>4</sup>

17 **Q. How do you respond?**

18 A. In my view, Witness Dittmore’s assessment of the Proposed Transaction  
19 is somewhat myopic, alarmist, and presents a skewed version of both the  
20 benefits inherent in the transaction and the lack of customer risk presented  
21 by Spire Tennessee’s proposal to “step into the shoes” of Piedmont. From  
22 a customer perspective, the relief requested in this docket will be seamless  
23 and consistent with the express language of Tenn. Code Ann. § 65-4-113(b)

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<sup>4</sup> Direct Testimony of David N. Dittmore, at pp. 9-11.

1 and will involve the transfer of Piedmont’s utility authorizations to Spire  
2 Tennessee on an interim basis with no change to rates, terms, or conditions  
3 of service. This is why the “stepping into the shoes” analogy is entirely  
4 appropriate. Witness Yonce covers this topic well in his Rebuttal  
5 Testimony and I wholeheartedly support his statements therein.

6 **IV. Final Comments and Conclusion**

7 **Q. What recommendations did the Consumer Advocate make with respect**  
8 **to inquiries which may be addressed to Piedmont for information and**  
9 **analysis on their historical operations?**

10 A. Witness Dittmore recommends that the Commission require Piedmont to  
11 respond to all regulatory requests for information, emphasizing the need for  
12 historic context to support legacy regulatory assets and liabilities, plant  
13 records, and operating metrics.<sup>5</sup>

14 **Q. How do you respond?**

15 A. Piedmont notes that it is already contractually obligated to maintain books  
16 and records relating to the business for six years following the close.  
17 Consistent with this obligation, Piedmont will therefore reasonably respond  
18 to regulatory requests for information pertinent to what would be its former  
19 operating jurisdiction in order to aid Spire Tennessee in maintaining the  
20 standards of service that Piedmont’s Tennessee customers have become  
21 accustomed to over the years through Piedmont’s historic operations.

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<sup>5</sup> Direct Testimony of David N. Dittmore, at p. 6, lines 35 – 39.

1 **Q. Does this conclude your pre-filed Rebuttal Testimony?**

2 **A. Yes.**

# **Andrew Etheridge Rebuttal Testimony**

**Before the  
Tennessee Public Utility Commission**

**Docket No. 25-00074**

**APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC.  
AND SPIRE TENNESSEE INC. FOR APPROVAL OF A  
TRANSFER OF AUTHORITY TO PROVIDE UTILITY SERVICES  
PURSUANT TO T.C.A. § 65-4-113 AND RELATED  
AUTHORIZATIONS**

**Rebuttal Testimony  
of  
Andrew Etheridge**

**On Behalf Of  
Piedmont Natural Gas Company, Inc.**



**January 9, 2026**

1 **Q. Please state your name and business address.**

2 A. My name is Andrew Etheridge. My business address is 525 South Tryon  
3 Street, Charlotte, North Carolina 28202.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am the Director of Retirement for Duke Energy Corporation (“Duke  
6 Energy”), the parent of Piedmont Natural Gas Company, Inc. (“Piedmont”  
7 or the “Company”). In this capacity, my responsibilities include the  
8 planning and oversight of all retirement benefits that are applicable to  
9 Piedmont’s current and former employees.

10 **Q. Please describe your educational and professional background.**

11 A. I have a Bachelor of Science degree in Actuary Science – Business from  
12 Bradley University. I have been employed by Duke Energy since  
13 September 2024. Prior to that, I was employed by Grant Thornton LLP  
14 from January 2018 to 2024, primarily in the role of Senior Manager serving  
15 as a retirement consulting actuary. My in-depth formal work experience  
16 as a retirement consultant actuary began with my employment as an  
17 Associate at Willis Towers Watson PLC from 2006 through December  
18 2017. I am a Fellow of the Society of Actuaries and an Enrolled Actuary.

19 **Q. Have you previously testified in this proceeding?**

20 A. No.

21 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

22 A. The purpose of my Rebuttal Testimony in this proceeding is to respond to  
23 one of the matters raised in the Direct Testimony of David Dittmore filed

1 in this docket on December 1, 2025, by the Consumer Advocate Division  
2 of the Office of the Tennessee Attorney General (“Consumer Advocate”)  
3 concerning the Application of Piedmont Natural Gas Company, Inc. and  
4 Spire Tennessee Inc. for Approval of a Transfer of Authority to Provide  
5 Utility Services Pursuant to Tenn. Code Ann. § 65-4-113 and Related  
6 Authorizations (“Proposed Transaction” or “Transaction”), filed on  
7 September 8, 2025, in Tennessee Public Utility Commission (“TPUC”)  
8 Docket No. 25-00074. Specifically, my Rebuttal Testimony responds to  
9 Witness Dittmore’s recommendation on pension, marked as  
10 recommendation “I.” on page 6, lines 27 – 29 of his Direct Testimony,  
11 which states that “[t]he Commission should find that the existing Piedmont  
12 regulatory asset related to pensions should be written off and should not be  
13 transferred to the books of Spire based upon the terms of the Asset Purchase  
14 Agreement.”

15 **Q. Do you have any exhibits to your Rebuttal Testimony?**

16 A. No.

17 **Q. Can you summarize Witness Dittmore’s pension proposal?**

18 A. Yes. Witness Dittmore explains that his recommendations are intended to  
19 serve the purpose of “reflect[ing] the minimum guardrails necessary to  
20 protect customers from both the known and the potential negative  
21 implications of this transaction.”<sup>1</sup> Among all of the Tennessee-

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<sup>1</sup> Direct Testimony of David N. Dittmore, at p. 2, lines 16-17.

1 jurisdictional assets that Piedmont is selling to Spire, Inc. (“Spire”) pursuant  
2 to the Asset Purchase Agreement, Witness Dittmore appears singularly  
3 opposed to Piedmont’s plan to sell to Spire its long-standing pension  
4 regulatory asset account for Tennessee (“Pension Regulatory Asset”). The  
5 Pension Regulatory Asset account at issue contains the unamortized balance  
6 of the deferred pension costs previously incurred by Piedmont that the  
7 Commission has expressly authorized Piedmont to recover.<sup>2</sup> Simply put,  
8 Witness Dittmore’s recommendation is that Piedmont write-off the  
9 outstanding balance in its Pension Regulatory Asset account before the  
10 transaction occurs.<sup>3</sup>

11 **Q. Can you summarize Witness Dittmore’s rationale for his**  
12 **recommendation on pension?**

13 A. Yes, although I must note that there are multiple factually incorrect  
14 statements, unfounded speculation, and flawed conclusions utilized in  
15 Witness Dittmore’s apparent rationale for his recommendation, as laid out  
16 on pages 38 and 39 of his Direct Testimony. In summary, it appears to me  
17 that Witness Dittmore’s recommendation is premised upon uniformly  
18 incorrect notions that Piedmont’s “pension plan for qualifying legacy

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<sup>2</sup> The Commission’s *Order Approving Settlement Agreement Setting Rates and Approving the Procedures for Refunds to Customers* was issued on May 6, 2021 in Docket No. 20-00086. The *Stipulation and Settlement Agreement* was filed in that docket on February 3, 2021. As explained in paragraph 14.i. of the *Stipulation and Settlement Agreement*, Piedmont shall recover the entirety of its unamortized deferred pension expense balance at that time of \$11,862,981, through base rates over an eight-year period. Piedmont accordingly began such eight-year amortization of that balance through rates effective January 2, 2021. The approved eight-year amortization period concludes on January 1, 2029.

<sup>3</sup> Direct Testimony of David N. Dittmore, at p. 37, lines 21-22.

1 Piedmont employees is being terminated<sup>4</sup>” and that Piedmont can access  
2 and retain cash associated with its previous investments into the pension  
3 plan,<sup>5</sup> as well as a flawed belief that his recommendation would protect  
4 against potential future cost increases after the closing of the transaction.<sup>6</sup>

5 **Q. How do you respond?**

6 A. I disagree with Witness Dittmore’s recommendation because it is  
7 unfounded, unnecessary, and does not serve the public interest. In fact, if  
8 adopted by this Commission, Witness Dittmore’s recommendation would  
9 produce the confiscatory result of preventing Piedmont from fully  
10 recovering the deferred pension investment costs that this Commission  
11 expressly authorized it to recover pursuant to the Commission’s May 6,  
12 2021, *Order Approving Settlement Agreement Setting Rates and Approving*  
13 *the Procedures for Refunds to Customers* in Piedmont’s last general (“2021  
14 Piedmont Rate Case Order”) in Docket No. 20-00086.<sup>7</sup> Accordingly, I urge  
15 the Commission to reject Witness Dittmore’s recommendation on pension.

16 **Q. Are you aware of any prior precedent for a state public utility**  
17 **commission ordering a utility to write-off a regulatory asset that the**  
18 **same commission properly authorized?**

19 A. No.

20 **Q. Would writing off Piedmont’s Pension Regulatory Asset be consistent**  
21 **with the TPUC’s prior rate orders?**

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<sup>4</sup> *Id.*, at p. 38, lines 7-8.

<sup>5</sup> *Id.*, at p. 38, lines 12-13.

<sup>6</sup> Direct Testimony of David N. Dittmore, at pp. 38-39, Q&A 59.

<sup>7</sup> *See supra* note 2.

1 A. No. In fact, it would directly contradict many of the Commission’s prior  
2 orders – most notably the Commission’s 2021 Piedmont Rate Case Order.

3 **Q. Is Piedmont’s pension plan about to be terminated, as Witness**  
4 **Dittemore contends?**

5 A. No. Duke Energy currently has no intention to terminate the Piedmont  
6 pension plan.<sup>8</sup>

7 **Q. Does Piedmont have any ability to access the investments that it**  
8 **previously made into the pension plan?**

9 A. No. Piedmont has no ability to access the investments that it previously  
10 made into the pension plan, nor any ability to access growth on those  
11 investments. Pursuant to federal law,<sup>9</sup> all of the pension plan investments  
12 (both the principal and the interest earned on the principal) are held in an  
13 irrevocable trust entirely for the pension plan participants. Accordingly,  
14 Witness Dittemore’s contention that Piedmont “would retain the cash  
15 associated with an over-funded pension plan,”<sup>10</sup> is incorrect.

16 **Q. If the Commission were to adopt Witness Dittemore’s pension**  
17 **recommendation, do you believe that action would (or could) impact**  
18 **retirement benefits that Spire provides to the employees that would**  
19 **support Spire Tennessee Inc.’s (“Spire Tennessee”) utility operations?**

20 A. No, I do not believe so. Based on my experience as a retirement benefits

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<sup>8</sup> As background, Piedmont’s pension plan benefit was closed to new participants effective January 1, 2008.

<sup>9</sup> The Employee Retirement Income Security Act of 1974 provides for the protection of pension benefits.

<sup>10</sup> Direct Testimony of David N. Dittemore, at p. 38, lines 12-13.

1 professional and what I know of Spire Tennessee's plans for retirement  
2 benefit offerings to its forthcoming employees, I see no cause-and-effect  
3 relationship between a write-off of the Piedmont Pension Regulatory Assets  
4 and the retirement benefits that Spire Tennessee would consider providing  
5 its forthcoming Tennessee employees. Accordingly, I see no realistic  
6 potential for a write-off of the Piedmont Pension Regulatory Assets to  
7 influence the level of costs that Spire Tennessee will incur.

8 **Q. Do you believe that Witness Dittmore's recommendation on pension**  
9 **provides any credible protection or safeguard to gas utility customers**  
10 **in Tennessee?**

11 A. No.

12 **Q. Does this conclude your pre-filed Rebuttal Testimony?**

13 A. Yes.

## **Brittany Mathis Rebuttal Testimony and Exhibits**

**Before the  
Tennessee Public Utility Commission**

**Docket No. 25-00074**

**APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC.  
AND SPIRE TENNESSEE INC. FOR APPROVAL OF A  
TRANSFER OF AUTHORITY TO PROVIDE UTILITY SERVICES  
PURSUANT TO T.C.A § 65-4-113 AND RELATED  
AUTHORIZATIONS**

**Rebuttal Testimony  
of  
Brittany Mathis**

**On Behalf Of  
Spire Tennessee Inc.**



**January 9, 2026**

1 **Q. Please state your name and business address.**

2 A. My name is Brittany Mathis. My business address is 605 Richard Arrington  
3 Blvd N, Birmingham, Alabama, 35203.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by Spire Services Inc. as Chief Financial Officer (“CFO”)  
6 for Spire Alabama Inc. (“Spire Alabama”), Spire Mississippi Inc. (“Spire  
7 Mississippi”), and Spire Gulf Inc. (“Spire Gulf”), which collectively  
8 comprise Spire’s Southeast Utilities.

9 **Q. Have you previously testified in this proceeding?**

10 A. Yes, I filed Direct Testimony on September 8, 2025, in this proceeding,  
11 Tennessee Public Utility Commission (“TPUC”) Docket No. 25-00074,  
12 Application of Piedmont Natural Gas Company, Inc. and Spire Tennessee  
13 Inc. for Approval of a Transfer of Authority to Provide Utility Services  
14 Pursuant to Tenn. Code Ann. § 65-4-113 and Related Authorizations  
15 (“Proposed Transaction” or “Transaction”).

16 **Q. What is the purpose of your Rebuttal Testimony in this proceeding?**

17 A. The purpose of my Rebuttal Testimony in this proceeding is to address  
18 certain matters raised in the direct testimony filed on December 1, 2025, by  
19 the Consumer Advocate Division of the Office of the Tennessee Attorney  
20 General (“Consumer Advocate”) in the above-referenced docket.

21 **Q. Do you have any exhibits to your Rebuttal Testimony?**

22 A. Yes, and I have listed them as follows:

23 1. Exhibit BMR – 1 is Moody’s Ratings Credit Opinion for Spire

1 Alabama Inc., dated November 3, 2025;

2 2. Exhibit BMR – 2 is Moody’s Ratings Credit Opinion for Spire  
3 Missouri Inc., dated November 3, 2025;

4 3. Exhibit BMR – 3 is Moody’s private placement rating of A3 senior,  
5 dated November 14, 2025;

6 4. CONFIDENTIAL Exhibit BMR – 4 is the Bridge Commitment  
7 Reduction Notice, dated November 24, 2025; and

8 5. CONFIDENTIAL Exhibit BMR – 5 is the Bridge Commitment  
9 Reduction Notice, dated December 18, 2025.

10 **Q. What matters raised in the Consumer Advocate’s testimony will you**  
11 **address?**

12 A. I will address the concerns and recommendations related to the following  
13 topics in the Consumer Advocate’s testimony:

- 14 1. Financial stability
- 15 2. Debt and Capital Structure
- 16 3. Accumulated Deferred Income Taxes (“ADIT”)
- 17 4. Regulatory asset related to pension
- 18 5. Information availability & reporting
  - 19 a. Personal customer information
  - 20 b. Annual operating metrics
  - 21 c. Quarterly reporting on transition & integration
  - 22 d. Piedmont’s availability to respond to regulatory inquiries

1 To the extent I have not addressed positions set forth in the Consumer  
2 Advocate's Direct Testimony, my silence should not be interpreted as  
3 agreement with the Consumer Advocate's positions on those issues.

4 **I. Financial Stability**

5 **Q. What is your overall perspective on the Consumer Advocate's testimony**  
6 **related to financial stability?**

7 A. Spire Inc.'s ("Spire" or the "Company") post-transaction capital structure,  
8 financing costs, and ability to invest capital in Spire Tennessee Inc.'s  
9 ("Spire Tennessee") territory speak to the Company's financial stability and  
10 responsibility and are discussed herein. As noted in Company Witness  
11 David Yonce's testimony, however, this docket is not a rate proceeding.

12 **Q. Did any of the Consumer Advocate witnesses speak to Spire's financial**  
13 **resources necessary to manage Piedmont operations?**

14 A. Yes. Consumer Advocate Witness Kaml acknowledged in his Direct  
15 Testimony that "Spire has the financial resources to operate the system"<sup>1</sup>  
16 and I wholeheartedly agree with this statement. Further, Spire's plan for  
17 financing the transaction as close as possible to the existing Piedmont  
18 capital structure is consistent with our intention to structure the acquisition  
19 such that it minimizes the impact to customers.

20 **Q. Did any of the Consumer Advocate's witnesses express concern**  
21 **regarding Spire's financial stability following the acquisition?**

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<sup>1</sup> Direct Testimony of Clark Kaml, at p. 41, line 14.

1 A. Inexplicably, yes. While Witness Kaml on the one hand acknowledged that  
2 Spire possesses the financial resources necessary to assume and manage  
3 Piedmont's Tennessee operations, he also expressed significant reservations  
4 about Spire's ability to maintain financial stability post-acquisition.

5 **Q. What specific concerns were raised by Witness Kaml?**

6 A. Witness Kaml's testimony focused specifically on Spire's capital structure  
7 post-transaction, suggesting that Spire's financial picture is uncertain and  
8 would lead to higher levels of leverage which would ultimately affect the  
9 Company's cost of capital and, ultimately, rates.<sup>2</sup> Witness Kaml's  
10 calculations were made under the assumption that Spire would utilize a  
11 bridge loan for the entirety of the acquisition financing, which suggests  
12 higher levels of debt at a higher interest rate than our actual plans  
13 contemplate. He then spends three pages of his testimony describing the  
14 bridge loan in detail and projecting the capital structure as though the bridge  
15 loan were the primary financing plan.

16 **Q. How do you respond?**

17 A. Although Witness Kaml is correct that certain aspects of the financing plan  
18 were incomplete as of the September 8, 2025, filing date of the Joint  
19 Application, his doubts regarding Spire's financial stability going forward  
20 reflect an apparent lack of appreciation for its ability to secure financing  
21 components for the Proposed Transaction. Spire has since secured the

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<sup>2</sup> Direct Testimony of Clark Kaml, at p. 30, line 9.

1 permanent financing as anticipated and as discussed in greater detail later  
2 in my Rebuttal Testimony. As a result of this assumption and in light of  
3 opportunities to clarify those assumptions during discovery and in-person  
4 meetings with the Applicants, Witness Kaml's comments concerning the  
5 bridge loan appear unnecessarily alarmist in light of permanent financing  
6 opportunities that were readily foreseeable. Bridge loans, for example, are  
7 involved in almost all acquisitions of this type, and they are never  
8 permanent. Instead, they function as their name implies: they are *bridges*  
9 from the acquisition date to permanent financing.<sup>3</sup> From the start, Spire  
10 characterized the bridge loan as an insurance policy meant to provide Duke  
11 Energy confidence that the transaction could close without any financing  
12 contingency. As outlined in the Joint Application:

13 Spire intends to fund the acquisition of Piedmont's  
14 Tennessee operations through a combination of debt and  
15 equity and replicate the capital structure of Spire Tennessee  
16 as closely as possible to that of Piedmont's Tennessee  
17 operations, as it believes it is currently established with a  
18 prudent balance of debt and equity in light of current market  
19 conditions. This will include issuing new debt in nearly the  
20 same amount as the debt that was allocated to Tennessee  
21 from Piedmont. The remainder of the financing will take  
22 place at the Spire holding company level and will consist of  
23 a mix of common equity, debt and equity-linked securities.  
24 Common equity will also be contributed down to Spire  
25 Tennessee consistent with how Spire manages the capital  
26 structure of its other utility operating companies. If needed  
27 prior to capitalizing Spire Tennessee, Spire has obtained a  
28 bridge loan financing commitment for the entire amount of  
29 the announced purchase price. Accordingly, the closing of

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<sup>3</sup> See <https://www.investopedia.com/terms/b/bridgeloan.asp> ("Bridge loans, often called bridge financing or bridging loans, serve as short-term financial solutions to provide immediate cash flow until permanent financing is secured or existing obligations are met.") (last accessed Jan. 7, 2026).

1 the Proposed Transaction is not contingent upon any  
2 additional financing activity.<sup>4</sup>

3  
4 Unsurprisingly and in the span of only a few months, Spire has executed a  
5 permanent financing plan referenced above, separate from the bridge loan,  
6 that is in line with our original application.

7 **Q. What feedback have you received from external sources about the long-**  
8 **term financial stability of Spire and/or Spire Tennessee?**

9 A. Rating agencies and market participants have generally reacted favorably  
10 since we announced the Proposed Transaction and subsequently made the  
11 following two debt offerings, one specific to Tennessee and another general  
12 to Spire. On July 31, 2025, and subsequent to the announcement of the  
13 Proposed Transaction, S&P issued a rating action overview on Spire,  
14 reaffirming all of the ratings in place for the Company and its subsidiaries.  
15 Although S&P shifted to a negative outlook that simply reflected the  
16 possibility that cash flow to debt metrics could weaken below their  
17 published threshold depending on the structure of financing, it left room for  
18 revising this outlook in the future:

19 We could affirm ratings and revise our outlooks on Spire,  
20 Spire Missouri, and Spire Alabama to stable over the next 18  
21 months if it receives approval from the Tennessee PUC to  
22 acquire the Tennessee local distribution assets, successfully  
23 executes its equity financing plan, and maintains FFO to debt  
24 consistently above 12%.<sup>5</sup>  
25

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<sup>4</sup> Joint Application, at 7.

<sup>5</sup> See “Research Update: Spire Inc. Outlook Revised To Negative On Announced Acquisition; 'BBB+' Rating Affirmed,” <https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101637481>, July 31, 2025 (last accessed January 2, 2026).

1 Further, on November 3, 2025, Moody's issued fresh opinions on Spire  
2 Alabama and Spire Missouri, reaffirming the operating company ratings  
3 and outlook (A2/stable and A1/stable, respectively)( Exhibits BMR – 1 and  
4 BMR – 2). Moody's did not qualify its outlooks or assess additional utility  
5 risk attributed to the transaction financing, while acknowledging the debt-  
6 leveraged parent company. Finally, on November 14, 2025, Moody's  
7 issued a private placement rating of A3 senior, attached at Exhibit BMR –  
8 3, with a stable outlook on the debt anticipated for Spire Tennessee Inc.,  
9 noting:

10 Spire Tennessee's stable outlook reflects our view that the  
11 Tennessee regulatory environment will remain credit  
12 supportive. The stable outlook also incorporates our  
13 expectations that the company's [Cash Flow from  
14 Operations pre-Working Capital adjustments] to debt will be  
15 maintained above 16%.<sup>6</sup>

16  
17 We have also received feedback through recent debt offerings at the Spire  
18 and Spire Tennessee levels. On November 24, 2025, Spire closed on \$900  
19 million of junior subordinated notes as described in a Form 8-K filed the  
20 same day.<sup>7</sup> The order book was 4.5x oversubscribed, which allowed for  
21 pricing favorable to customers and the Company. The anchor investors  
22 included Cohen & Steers, Neuberger Berman, Apollo and Guggenheim. On

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<sup>6</sup> Exhibit BMR-3.

<sup>7</sup> See Spire November 24, 2025, 8-K (<https://d18rn0p25nwr6d.cloudfront.net/CIK-0001126956/982aba37-5286-4ae3-a8f6-21c87fb45cd4.pdf>), at 2 (“On November 24, 2025, Spire Inc. (‘Spire’) issued \$450,000,000 aggregate principal amount of its 6.250% Series A Junior Subordinated Notes due 2056 and \$450,000,000 aggregate principal amount of its 6.450% Series B Junior Subordinated Notes due 2056.... Spire intends to use the net proceeds of this offering, together with other funds, to finance the acquisition of the Tennessee natural gas business of Piedmont Natural Gas Company, a wholly owned subsidiary of Duke Energy Corporation.”)

1 December 17, 2025, Spire Tennessee closed on \$825 million of Senior notes  
2 described in a Form 8-K filed the same day.<sup>8</sup> The order book was 1.35x  
3 oversubscribed, with anchor investors State Farm, Guggenheim, MetLife  
4 and CoBank.

5 The investor interest and pricing of these offerings was a favorable  
6 indication of the market's view toward Spire's long term financial stability  
7 and reflects support for our plan with respect to financing the Proposed  
8 Transaction. In keeping with that approach to our financing, we have also  
9 been mindful of credit impacts to general business operations and, as a  
10 result, have maintained healthy opinions and engagement from participants  
11 in the debt markets.

## 12 II. Debt and Capital Structure

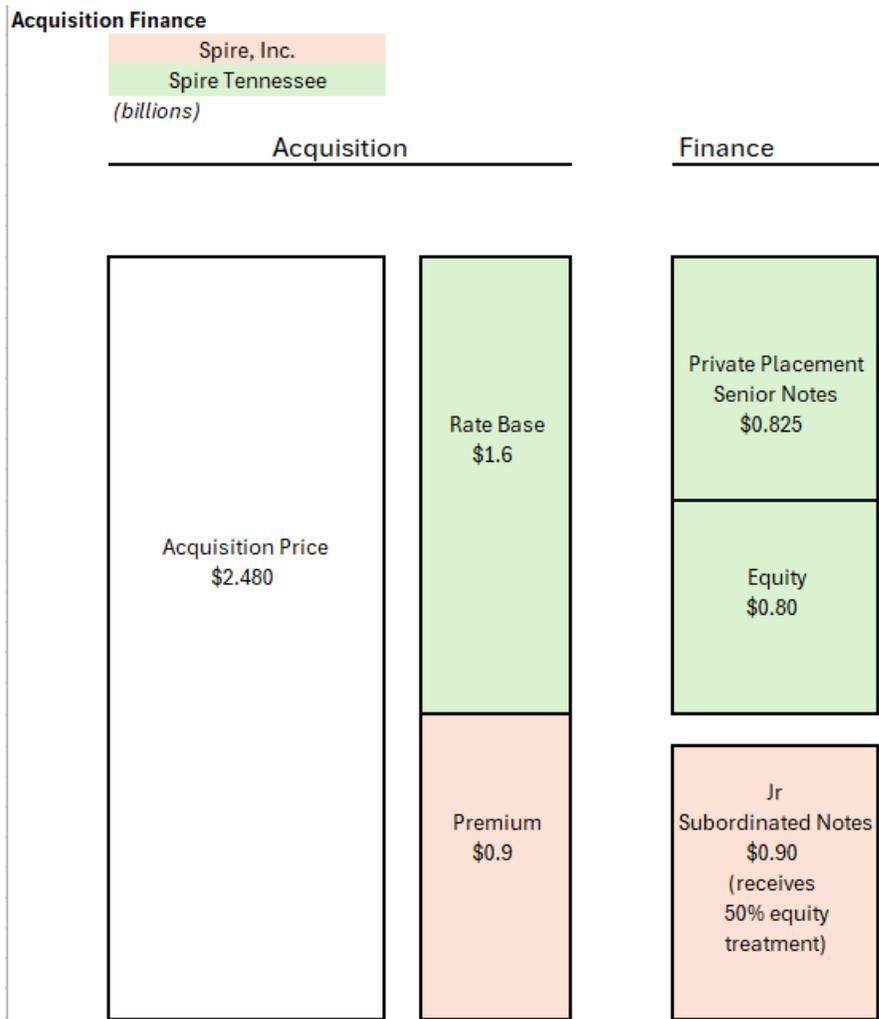
13 **Q. Will you please outline the known aspects of the financing plan and the**  
14 **resulting capital structure?**

15 A. Spire is structuring the Proposed Transaction financing with two goals in  
16 mind: 1) limit impacts to Piedmont customers in Tennessee; and 2) maintain  
17 a healthy balance sheet and credit position. In order to finance the \$2.48  
18 billion purchase price, we are issuing debt, hybrid securities, and  
19 contemplating the sale of separate, non-utility Spire subsidiaries. We plan

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<sup>8</sup> See Spire December 17, 2025, 8-K (<https://d18m0p25nwr6d.cloudfront.net/CIK-0001126956/71792245-9a58-497c-b178-2fe193de4d4d.pdf>), at 2 (“On December 17, 2025, Spire Tennessee Inc. (‘Spire Tennessee’), a wholly owned subsidiary of Spire Inc. (‘Spire’), entered into a Master Note Purchase Agreement, dated as of December 17, 2025 (the ‘MNPA’), with the institutional investors listed in the Purchaser Schedule thereto []. Pursuant to the MNPA, Spire Tennessee has authorized the issuance and sale, in a private placement exempt from registration under the Securities Act of 1933, as amended, of an aggregate \$825,000,000 principal amount of its Series 2026 Senior Notes in five tranches....”).

1 to capitalize the Spire Tennessee rate base, estimated to be \$1.6 billion at  
2 closing, close to the existing implied capital structure: 50% debt and 50%  
3 equity. To do so, we have issued notes specific to Spire Tennessee for  
4 \$0.825 billion, as detailed in our above-referenced December 17, 2025, 8-  
5 K filing. The acquisition premium of \$0.9 billion is being financed by Spire  
6 Inc.'s issuance of Junior Subordinated Notes, as detailed in our above-  
7 referenced November 24, 2025, 8-K filing. Below is a view of the known  
8 components:



1 **Q. Can you please elaborate on the issuance of Spire Inc. Junior**  
2 **Subordinated Notes?**

3 A. On November 24, 2025, Spire closed on \$900 million of Junior  
4 Subordinated Notes, with immediate funding. The Junior Subordinated  
5 Notes are in two tranches, which will each have a life of 30 years and  
6 coupon rates of 6.25% and 6.45% for the first five and ten years,  
7 respectively. After that opening time period, the rates will be further  
8 benchmarked to the five-year treasury +2.4415%. As described in Spire's  
9 response to Consumer Advocate Discovery Request No. 1-22, these Junior  
10 Subordinated Notes contain elements of debt and equity and receive 50%  
11 equity credit by both major rating agencies despite residing on the long-  
12 term debt side of the balance sheet.<sup>9</sup> As subordinated notes, these notes  
13 rank below senior debt in terms of repayment priority in case of liquidation  
14 or bankruptcy, meaning investors are repaid after senior debt obligations are  
15 met.

16 **Q. Can you please explain the Spire Tennessee Private Placement of**  
17 **Senior Notes?**

18 A. On December 17, 2025, Spire Tennessee closed on \$825 million of Senior  
19 Notes, with funding to be distributed at acquisition. These notes were  
20 issued in five tranches, each with their own coupon rate. We gave  
21 preference to participants who were interested in shorter tenor notes, which

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<sup>9</sup> See Spire Inc. response to Consumer Advocate Discovery Request No. 1-22, <https://tpucdockets.tn.gov/archive/filings/2025/2500074s.pdf> (filed October 10, 2025).

1 allowed us to most closely approximate the interest cost being imputed to  
2 Piedmont Tennessee today. The information is shown below by tranche:

	<u>3-year</u>	<u>5-year</u>	<u>7-year</u>	<u>10-year</u>	<u>12-year</u>	<u>Total</u>
Notes (millions)	\$ 130	\$ 160	\$ 105	\$ 250	\$ 180	\$ 825
Coupon*	4.59%	4.77%	5.01%	5.29%	5.44%	
						Weighted-average interest rate 5.08%

\*assuming close on or before 3/31/26

3  
4 **Q. What is the benefit to issuing debt at Spire Tennessee instead of at the**  
5 **parent company level?**

6 A. By issuing debt specific to Spire Tennessee, we have produced a true  
7 measure of Spire Tennessee financing costs, based on its specific risk and  
8 credit profiles. This is a more precise measure of financing costs than would  
9 be produced by allocating the cost of parent company debt down to the  
10 operating company.

11 **Q. What do these permanent sources of financing mean for the bridge loan**  
12 **and references to the Proposed Transaction being financed entirely**  
13 **with short term debt?**

14 A. Contrary to Witness Kaml's assertions, no portion of the Proposed  
15 Transaction is being financed with short-term debt. The commitment of the  
16 bridge loan has been reduced for each of the permanent financing we have  
17 issued, as demonstrated in CONFIDENTIAL Exhibits BMR – 4 and BMR  
18 – 5. The remaining bridge loan commitment is available if needed as a  
19 temporary measure at closing but will not be the permanent solution in any

1 case.

2 **Q. How does the anticipated interest expense on this debt compare to the**  
3 **discussion in Witness Kaml's testimony?**

4 A. Interest expense on \$825 million at a weighted average rate of 5.08% will  
5 be approximately \$41.9 million. Witness Kaml compares the anticipated  
6 cost of debt to Piedmont's long-term (only) rate, which was 4.25%,  
7 resulting in a difference of \$8.2 million of interest expense on \$825 million  
8 of debt. However, the 5.08% rate compared to the Tennessee operations'  
9 year end 2024 weighted average cost of *total* debt of 4.39% is only 0.69%  
10 higher. Applying the 0.69% difference to the \$825 million of debt will be  
11 approximately \$5.7 million of interest expense, or \$2.5 million less than  
12 Witness Kaml's anticipated \$8.2 million.

13 **Q. What was the Consumer Advocate's recommendation with respect to**  
14 **interest expense?**

15 A. In Witness Kaml's testimony, he recommends that customers should be  
16 protected from increased debt costs resulting from the Proposed  
17 Transaction.<sup>10</sup> However, he also goes on to estimate the impact of market  
18 conditions, calculating the increased expense that would have been  
19 expected from interest rates on Baa-rated bonds as of November 18, 2025.<sup>11</sup>

20 **Q. How do you respond?**

21 A. In contrast to Witness Kaml's testimony, Consumer Advocate Witness

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<sup>10</sup> Direct Testimony of Clark Kaml, at p. 4, lines 3-11.

<sup>11</sup> *Id.* at p. 34, lines 11-20.

1 Dittemore takes a more reasonable approach when summarizing Mr.  
2 Kaml's testimony. Witness Dittemore suggests in his summary of the  
3 Consumer Advocate's recommendations that increases in cost of debt  
4 should be limited to these market conditions, as defined by changes in rates  
5 applicable to Moody's corporate Baa bond yields.<sup>12</sup> As Spire Tennessee  
6 already has debt placed for costs lower than these expectations, we would  
7 gladly comply with Witness Dittemore's recommended limitation. More  
8 importantly, though, Spire has not proposed a new cost of capital in this  
9 proceeding because the appropriate time to evaluate it and overall capital  
10 structure in general is during a subsequent rate proceeding.

11 **Q. Can you please elaborate on the amount of equity Spire plans to**  
12 **contribute to Spire Tennessee?**

13 A. Spire's intent is to contribute equity to Spire Tennessee for the remainder  
14 of the capitalization of the rate base at closing, i.e., approximately 50%.  
15 This will either be funded by issuance of common equity or through the sale  
16 of non-utility Spire assets. Placing debt and equity at the Spire Tennessee  
17 business unit level is consistent in effect with the imputed capital structure  
18 currently in place for Piedmont, but more closely aligned in practice with  
19 the standalone capital structures at our other utilities, Spire Alabama, Spire  
20 Gulf, and Spire Missouri. This was addressed in our most recent Missouri  
21 rate case,<sup>13</sup> in which our equity issuance from Spire Missouri to Spire Inc.

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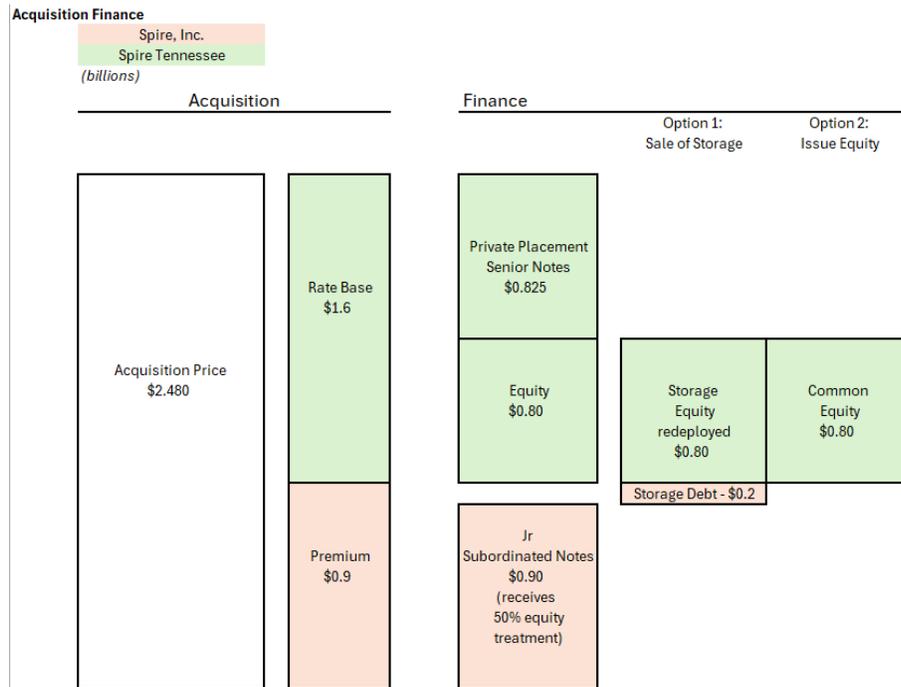
<sup>12</sup> Direct Testimony of David N. Dittemore, at p. 7, lines 10-12.

<sup>13</sup> Spire Missouri, Docket No. GR-2025-0107.

1 was funded specifically and simultaneously with issuances of equity (not  
2 debt) sold by Spire Inc. in the public markets.

3 **Q. What pieces of Spire’s financing plan remain unknown at this point  
4 and what are the likely outcomes?**

5 A. The funding source for the equity at the Spire parent company level is the  
6 only component of our financing plan not yet set as permanent. We are  
7 evaluating the sale of our gas storage business, which, if completed, would  
8 be the most elegant and least dilutive source of equity for the acquisition of  
9 Piedmont’s Tennessee assets. However, issuing common shares is also an  
10 option available to us:



11

12 **Q. What positions did the Consumer Advocate take on Spire’s proposed  
13 debt and capital structure?**

14 A. Witness Kaml highlighted that Spire’s plan to use short-term debt and

1 refinance with long-term debt would increase consolidated debt to  
2 approximately 66%, creating higher financial risk. He also raised concerns  
3 about “double leverage,” where parent-level debt funds subsidiary equity,  
4 potentially inflating the cost of capital charged to customers.<sup>14</sup>

5 **Q. How do you respond?**

6 A. As described above, Spire is currently planning to only use permanent long-  
7 term debt for transaction financing. Similarly, in the permanent capital  
8 structure, Spire is not planning for any of the equity contributed to the Spire  
9 Tennessee business unit to be associated with incremental holding company  
10 debt; instead, the plan is for equity at the parent company level will be  
11 commensurate. All of these aspects of the capital structure will be  
12 appropriately evaluated in a future rate proceeding.

13 **Q. Will you elaborate on the risk of double-leverage presented by Witness**  
14 **Kaml?**

15 A. Yes. Pushing down equity at the parent company as equity to the Spire  
16 Tennessee business unit should alleviate Witness Kaml’s concerns about  
17 double leverage. Cash, of course, is fungible, but the consolidated funding  
18 sources include a significant portion of securities which receive equity  
19 treatment against a moderate increase in debt, the largest portion of which  
20 will be allocated to Spire Tennessee:

- 21 • 50% Equity or Equity-treatment:

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<sup>14</sup> Direct Testimony of Clark Kaml, at p. 38, line 20 – p. 39, line 15.

- 1           ○ \$450 million (1/2 (one half) of \$900 million) junior subordinated
- 2           notes receiving equity treatment
- 3           ○ \$800 million equity from the sale of our gas storage business or
- 4           common equity issuance
- 5           • 50% Debt:
- 6           ○ \$825 million to Spire Tennessee specifically
- 7           ○ \$450 million (1/2 (one half) of \$900 million) junior subordinated
- 8           notes receiving debt treatment

9           Even before the impact of the above financing, Mr. Kaml is concerned by  
10          Spire’s current equity thickness of 47%;<sup>15</sup> however, consolidated equity of  
11          Spire Inc. is fundamentally different and not applicable to this transaction.  
12          As Witness Kaml notes in his testimony, there are other portions of Spire’s  
13          business – namely, non-regulated Midstream and Marketing operations –  
14          that are leveraged at a different level from the utilities;<sup>16</sup> however, these  
15          operations have different risk and earnings profile associated with those  
16          lines of business. The utility capital structure, summarized by Witness  
17          Kaml’s Exhibit CDK-2, may be more readily applicable as the utility line  
18          of business represents similar business risks and rates of return. Regulated  
19          equity thickness for Spire utilities is 52%, in line with our 50% expectation  
20          for Spire Tennessee.

21       **Q. Did the Consumer Advocate make any specific recommendations with**

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<sup>15</sup> Direct Testimony of Clark Kaml, at p. 36, line 23

<sup>16</sup> Direct Testimony of Clark Kaml, at p. 38, lines 1-2.

1           **respect to the capital structure?**

2   A.    Yes, Witness Kaml recommended that the Commission scrutinize Spire's  
3           capital structure and ensure ratepayers do not pay for hypothetical equity  
4           funded by debt.

5   **Q.    How do you respond?**

6   A.    I believe that the information contained in my Rebuttal Testimony should  
7           adequately address Commission questions arising from Witness Kaml's  
8           Direct Testimony with respect to capital structure and put to rest the remote  
9           possibility of hypothetical equity funded by debt on a permanent basis.  
10          Additionally, as discussed above, the Consumer Advocate and the  
11          Commission will have an opportunity to evaluate Spire's capital structure  
12          in a future rate proceeding.

13   **Q.    What other impacts to customers from financing decisions should be**  
14          **addressed?**

15   A.    While we understood that market conditions applicable to new debt would  
16          not allow a perfect replication of historical interest rates currently locked in  
17          by Piedmont, we believe that our debt placement for Spire Tennessee has  
18          effectively mitigated the impact of market interest rates. Our debt ratings,  
19          credit profile, and the shorter tenors of the private placement tranches have  
20          very closely matched Piedmont's debt costs, but for market conditions.  
21          Other potential buyers might not have the financial stability and strong  
22          credit metrics to have achieved debt raises at this low cost.

23

1 **II. ADIT**

2 **Q. What has the Consumer Advocate’s Direct Testimony stated**  
3 **concerning ADIT?**

4 A. Witness Dittmore made ADIT a central issue related to his public interest  
5 arguments and took umbrage at Spire’s intent to “step into Piedmont’s  
6 shoes” while being “vague” in our coverage of ADIT in the Application and  
7 later responses.<sup>17</sup>

8 **Q. How do you respond and why did Spire not more explicitly address**  
9 **ADIT earlier in the record?**

10 A. We believe that “stepping into the shoes” of Piedmont benefits customers  
11 due to the concept’s ability to produce ongoing and smooth operations and  
12 rate adjustments on an interim basis until Spire Tennessee initiates a general  
13 rate case proceeding. As both I and Witness Yonce have stated, this docket  
14 is not a rate proceeding and Spire Tennessee proposes no change in rates as  
15 a result. If the Commission approves the Joint Application, the rates that  
16 Spire Tennessee would charge to customers, the rate base (including the  
17 ADIT offset) used in the 2025 ARM filing (as of December 31, 2025) will  
18 be the same as they have been under Piedmont ownership, resulting in rates  
19 unaffected by the ADIT item.

20 Additionally, Witness Dittmore acknowledged that we have *not*  
21 been silent on this item in our discovery responses<sup>18</sup> and further, he

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<sup>17</sup> Direct Testimony of David N. Dittmore, at p. 10, line 15 – p. 11, line 4.

<sup>18</sup> *Id.*

1 highlights how Spire has addressed this item in other Spire subsidiary  
2 proceedings. As I intend to show below, ADIT treatment is a complicated  
3 issue where the Internal Revenue Service (“IRS”) has implemented strict  
4 rules, particularly in the context of public utilities. Adopting Witness  
5 Dittemore’s recommendations is an untenable proposition because in doing  
6 so, we would potentially violate IRS normalization rules, which itself would  
7 have severe and cascading consequences for Spire, Spire Tennessee, *and*  
8 ultimately, its customers.

9 Therefore, while Witness Dittemore asserts that the Joint  
10 Application is premature, we believe, conversely, that any extensive  
11 discussion about rates is equally premature since it is axiomatic that the  
12 TPUC has complete control over future rates and can address those future  
13 rates during the appropriate proceedings.

14 **Q. How did Consumer Advocate witnesses explain ADIT treatment?**

15 A. Witness Dittemore characterizes ADIT as funding provided by customers  
16 through the difference in tax accruals (included in expenses and rates) and  
17 cash tax payments.<sup>19</sup> He footnotes that this characterization is not the usual  
18 way of describing the funding source, which more often is named as the  
19 federal government.<sup>20</sup> Witness Dittemore explained correctly that ADIT  
20 balances grow over time through book-tax differences, the largest of which

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<sup>19</sup> *Id.* at footnote 19.

<sup>20</sup> *Id.*

1 is accelerated tax depreciation and the repair deduction.<sup>21</sup>

2 **Q. What else would you want to add to his explanation of ADIT?**

3 A. In explaining ADIT, Witness Dittmore neglected to mention the IRS'  
4 position on this issue and the risk that companies and their customers bear  
5 by running afoul of normalization rules, as described below. Corporate  
6 transactions have independent tax consequences beyond the control of the  
7 parties. Since this Transaction is a taxable asset sale, what will convey to  
8 the balance sheet of the buyer (in this case Spire Tennessee) are the acquired  
9 assets only. For book purposes, the assets will be valued at fair market value  
10 and for tax purposes, the purchase price will be allocated to the assets,  
11 generating a step up in tax basis and resetting depreciation, which may again  
12 be accelerated. Meanwhile, generally speaking, the seller (in this case  
13 Piedmont) will pay taxes on the difference between the allocated purchase  
14 price and the tax basis in its assets.

15 Since Piedmont had previously utilized accelerated depreciation and  
16 other book tax differences resulting in ADIT, Piedmont's tax basis on the  
17 assets they are selling is reduced, leading to a higher gain. For this reason,  
18 the ADIT that had arisen over time are addressed in the taxes paid by the  
19 seller and do not remain with the purchased assets. This has been a  
20 consistent holding in numerous private letter rulings ("PLRs") issued on  
21 various aspects of normalization issues that arise in taxable asset sales. A

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<sup>21</sup> Direct Testimony of David N. Dittmore, at p. 19, lines 10-23.

1 buyer of public utility property cannot continue to use the pre-acquisition  
2 ADIT of the seller when computing future rates. The buyer may continue  
3 using the rates that were previously in place until the effective date of the  
4 next rate proceeding.<sup>22</sup> However, any future regulatory filings cannot  
5 reflect the seller's ADIT because the ADIT does not exist from the buyer's  
6 standpoint, having been reversed on the seller's books upon the taxable  
7 sale.<sup>23</sup>

8 **Q. Can you elaborate on the threat of IRS normalization rules that you**  
9 **mentioned above?**

10 A. Section 168 of the Internal Revenue Code ("IRC") is the relevant statute for  
11 tax depreciation. IRC Section 168(f)(2) provides that the depreciation  
12 adjustment under Section 168 should not apply to any "public utility  
13 property" if the taxpayer does not use a normalization method of  
14 accounting.<sup>24</sup> In short, if a utility does not follow the normalization method,  
15 it can no longer utilize accelerated depreciation on utility property. The

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<sup>22</sup> See PLR 200434007, <https://www.unclefed.com/ForTaxProfs/irs-wd/2004/0434007.pdf>, at p. 7, August 30, 2004 (last accessed January 2, 2026).

<sup>23</sup> See American Bar Association, Regulated Public Utilities: The Tax Lawyer, Summer 1995, Vol. 48, No. 4 (Summer 1995), at p. 1291 (Bradley M. Seltzer and Robert W. Hriszko) ("In Private Letter Ruling 9447009 (Aug. 4, 1994), the Service ruled that when a utility purchases 100% of the stock of a target utility and a section 338(h)(10) election is made, the normalization requirement would be violated if the target's rate base were 'reduced for the unamortized Accumulated Deferred Federal Income Taxes (ADFIT) attributable to accelerated depreciation on public utility property' claimed before the transaction.").

<sup>24</sup> See § 168(i)(10): "The term "public utility property" means property used predominantly in the trade or business of the furnishing or sale of ... (B) gas or steam through a local distribution system, ... or (D) transportation of gas or steam by pipeline, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof."

1 normalization method requires the taxpayer, in computing tax expense for  
2 ratemaking purposes, to use a method of depreciation that is the same as,  
3 and a depreciation period that is no shorter than, the method and period used  
4 to compute its depreciation expense for such purposes. If the accelerated  
5 depreciation computed under section 168 is different from the straight-line  
6 depreciation calculated for ratemaking purposes, the taxpayer must make  
7 adjustments to a reserve reflecting the deferral of taxes resulting from this  
8 difference. This is how the ADIT balance is initially established.

9 At the closing of a transaction, the ADIT balance relating to  
10 accelerated depreciation should be eliminated because it related to a  
11 different taxpayer. As such, failing to remove the ADIT reserve would be  
12 an improper adjustment under Section 168(i)(9)(A) and deemed a failure to  
13 use the normalization method of accounting.

14 **Q. What is the consequence of violation of the normalization rules?**

15 A. If Spire Tennessee is found to have violated the normalization requirements  
16 of Section 168 by reducing rate base for the unamortized ADIT from prior  
17 to acquisition, pursuant to Section 168(f)(2), such a failure to adhere to the  
18 normalization method of accounting would prevent it from taking otherwise  
19 allowable accelerated depreciation deductions for federal income tax  
20 purposes. Depreciation expense for tax purposes would be on a straight-  
21 line basis, thus increasing the company's current tax liability. Such  
22 increased tax liability would limit cash flow, which would inhibit Spire  
23 Tennessee's financial ability to invest in business operations, and generally

1 work to the detriment of customers and the Company.

2 **Q. Are there any natural mitigations to the loss of ADIT balances at**  
3 **acquisition?**

4 A. Yes, the higher stepped-up basis in the tax basis of the assets will itself begin  
5 generating a new accumulation of deferred income taxes; in fact, due to  
6 accelerated depreciation schedules, it would generate the balance at a rate  
7 faster than would have been the case without the transaction. This is a point  
8 Witness Dittmore acknowledges in his Direct Testimony as a benefit  
9 which will accumulate over time; and would partially offset the loss of the  
10 historical ADIT.

11 In many transactions in which the acquisition premium or goodwill  
12 is placed on the books of the subsidiary, the amortization of said goodwill  
13 for tax purposes generates an even further accumulation of new ADIT.  
14 However, in the structure of the Proposed Transaction, Spire is placing  
15 goodwill at the Spire Inc. parent company such that the balance sheet of  
16 Spire Tennessee remains largely the same as pre-acquisition. The  
17 accumulation of ADIT on this balance sheet represents a tax benefit the  
18 parent company is receiving that can be shared to some degree with the  
19 subsidiary, as discussed below in my conclusion.

20 **Q. What about the Excess Accumulated Deferred Income Taxes**  
21 **(“EADIT”) referred to in Witness Dittmore’s testimony – how is that**  
22 **the same or different from ADIT?**

23 A. EADIT was established when the corporate tax rate changed, under the Tax

1 Cuts and Jobs Act of 2017, which lowered the corporate tax rate from 35%  
2 to 21%. ADIT prior to that point, which had been valued at 35% had to be  
3 revalued to 21%. Many companies took an income statement benefit at that  
4 time, but not public utilities, which instead established EADIT balances,  
5 which then are amortized as a reduction to tax expense over time. The  
6 unamortized balance was approximately \$46.5 million at the end of 2024.

7 Unlike ADIT, EADIT does not go away as a result of a taxable  
8 transaction and would not be impacted by the Proposed Transaction. Thus,  
9 absent any other intervention, it would remain on the balance sheet and  
10 continue amortization as originally scheduled. As Witness Dittmore notes,  
11 this item results in a credit to income tax expense of \$785,252, which will  
12 continue unaffected by the transaction.

13 **Q. What recommendations did the Consumer Advocate make regarding**  
14 **the ADIT issue?**

15 A. Witness Dittmore recommended that a regulatory liability be established  
16 to replace the ADIT (approximately \$201 million) and should be amortized  
17 over 28.74 years. Witness Dittmore points to Spire's settlement of Case  
18 No. GM-2013-0254 in Missouri for the acquisition of Missouri Gas Energy  
19 ("MGE"), now part of Spire Missouri. He mistakenly and interchangeably  
20 refers to a regulatory liability, which *was not established* in that proceeding,  
21 and a rate base offset, which *was agreed to* in that proceeding. Exhibit  
22 DND-3 to his Direct Testimony states:

23 The rate base offset is designed to reflect the fact that, as a

1 result of the acquisition, there will no longer be the same  
2 level of rate base offset there would be because of various  
3 kinds of tax effects that have to be paid off immediately. And  
4 while this is *not in any way directly related to the loss of that*  
5 *offset*, I think the approach in Missouri has been we don't  
6 want to put ratepayers in a position where, on day 1, they  
7 have a larger rate base to deal with because of the  
8 transaction...

9 (emphasis added). And when asked what was done to determine the amount  
10 of the rate base offset, he states:

11 It is one that is based... on the parties up-to-date  
12 understanding of what kind of impacts this would have based  
13 on... the financial situation of MGE will be at closing, and  
14 what's necessary to go ahead and give some consideration  
15 for that... it's kind of an adjustment where you know, you  
16 need to be very careful you're not doing something to run  
17 afoul of the IRS's normalization rule. *So it really is an*  
18 *independently determined number that's designed to just*  
19 *make sure there won't be a financial detriment to customers.*

20 **Q. How do you conclude on the issues related to ADIT and its offsets?**

21 A. Although we appropriately acknowledge the risk of IRS normalization  
22 violations if ADIT is not removed and other mitigations present if it is, we  
23 understand the removal of this item represents an eventual impact to  
24 customers. In addition, the goodwill amortization the parent company will  
25 realize for tax purposes is a benefit that can be shared with Tennessee  
26 customers in an indirect manner. For this and other reasons, we're making  
27 other concessions – discussed in Company Witness David Yonce's Rebuttal  
28 Testimony - meant to mitigate rate impacts.

29



1 the regulatory asset in question.<sup>26</sup>

2           Witness Dittmore also states that “the implication is that Spire  
3 customers should provide recovery of a cost that no longer exists for a  
4 benefit that is no longer offered to employees.” I fully disagree with this  
5 assertion. Should this Commission approve the Proposed Transaction and  
6 enable it to close, which would trigger the conveyance of ongoing  
7 employment of Piedmont’s Tennessee employees to Spire Tennessee, Duke  
8 Energy would retain a post-Transaction responsibility (liability) to pay  
9 employees according to their accrued benefit at retirement. If this asset  
10 were written off as Witness Dittmore suggests, Piedmont would retain the  
11 liability to pay former employees with no path to recover those legacy costs,  
12 despite their being incurred up to 20 years ago and having been previously  
13 approved for recovery by the Commission. In fact, if market conditions  
14 were to shift unfavorably, Duke Energy may in the future have additional  
15 cash contributions required to fund this liability to its then-required level.  
16 Were this shift to occur after closing, Duke Energy would have neither a  
17 path to recovery from customers nor any just compensation for legacy  
18 funding accomplished decades ago.

19 **Q. What about Spire’s position in this?**

20 A. Since the plan in question was offered by Piedmont, the liability to  
21 employees will not transfer to Spire, and Spire will instead offer separate

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<sup>26</sup> Direct Testimony of David N. Dittmore, TPUC Docket No. 20-00086 (November 30, 2020), at p. 110, DND – Exp. 7.1, <https://tpucdockets.tn.gov/archive/filings/2020/2000086aq.pdf>.

1 retirement benefits to the conveying employees. Per the Proposed  
2 Transaction, Spire is paying Duke Energy for its Tennessee assets,  
3 including any regulatory assets expected to be recovered from customers,  
4 this asset being one of them.

5 **Q. What happens to Spire's go-forward retirement costs?**

6 A. Witness Dittmore appears to conflate a cash balance pension plan and a  
7 401(k) type benefit. Spire does offer both types of plans and is working  
8 through the detail of go-forward retirement benefits for employees, based  
9 on their current benefit level with Piedmont. Employees hired by Piedmont  
10 prior to 2008/2009 (non-bargaining/bargaining), representing 25% of the  
11 total conveying employees, currently receive two types of benefits: a 6%  
12 401(k) match and a 7% cash balance plan. Employees hired by Piedmont  
13 on or after 2008/2009 (non-bargaining/bargaining), representing 75% of the  
14 total conveying employees, receive a 6% 401k match and a 4% 401k  
15 contribution. For both groups of employees, we are looking to approximate  
16 the benefits currently provided by Duke Energy. Regardless, similar to the  
17 discussion above, Spire is not proposing any changes in rates in this  
18 proceeding. The pension asset is being recovered from customers today and  
19 Spire's plan is to continue to recover that asset from customers in the future.  
20 Spire is not proposing any incremental cost recovery related to benefits in  
21 this proceeding and it would be premature to make a determination on  
22 recoverability of such costs in this proceeding.

23

1 **IV. Information Availability & Reporting**

2 **Q. What recommendations did the Consumer Advocate make regarding**  
3 **personal customer information to third parties and rationales were**  
4 **provided?**

5 A. The Consumer Advocate, through Witness Dittmore's Direct Testimony,  
6 recommended that the Commission prohibit Spire from sharing, without  
7 consent, personal customer information other than for purposes necessary  
8 to operate the natural gas utility. Witness Dittmore indicated that  
9 Piedmont had discontinued its past practice of doing this and recommends  
10 a similar disallowance for Spire.

11 **Q. Do you agree with the Consumer Advocate's recommendation or**  
12 **recommendations on this topic?**

13 A. Yes. Spire's own policies, available on our website, address the acceptable  
14 uses of personal customer information which we define as "any information  
15 or combination of information that we collect or use that identifies you  
16 personally."<sup>27</sup> Our policy specifically states, in part, that "[w]e do not sell,  
17 rent, trade, share, license, or otherwise disclose your Personal Information  
18 to anyone else, except... requests from law enforcement... to protect our  
19 legal rights... to comply with regulators... to enable service to you... to  
20 comply with interchange functions, or [] resolve customer disputes...."<sup>28</sup>

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<sup>27</sup> See <https://www.spireenergy.com/privacy-policy>.

<sup>28</sup> *Id.*

1 **Q. What reporting requirements does the Consumer Advocate**  
2 **recommend?**

3 A. Consumer Advocate witnesses proposed robust reporting requirements to  
4 ensure transparency, especially during the transition. These requirements  
5 focus on 1) annual operating metrics, 2) quarterly reporting on transition  
6 and integration, and 3) Piedmont's responsiveness to requests for  
7 information and analysis with which to compare operations pre- and post-  
8 acquisition.

9 **Q. What recommendations did the Consumer Advocate make with respect**  
10 **to annual operating metrics?**

11 A. Witness Dittmore supported ongoing reporting obligations similar to those  
12 provided during discovery in Spire Tennessee's Confidential Response to  
13 Consumer Advocate DR No. 1-45.

14 **Q. How do you respond?**

15 A. Spire is certainly willing to keep the Consumer Advocate and the  
16 Commission updated on the transition and integration process and is open  
17 to developing annual or quarterly reports to provide such information.  
18 Regarding the annual operating metrics, Spire is open to sharing this  
19 information with the Consumer Advocate and Commission once available.

20 **Q. What recommendations did the Consumer Advocate make with respect**  
21 **to transition and integration activities?**

22 A. Witness Dixon recommended quarterly reports detailing integration  
23 progress, activities to date, and remaining activities by the Spire-Piedmont

1 workstreams; budgets and costs incurred to date; and a forecast of remaining  
2 cost and timeline to complete full integration. Witness Dixon's concerns  
3 with the transition plan center around the complex technology  
4 implementations required by the asset-acquiring nature of the Proposed  
5 Transaction, given that no technologies owned by Duke Energy are  
6 conveying with Piedmont's Tennessee assets. Witness Dixon  
7 recommended that the Commission limit the implementation timeline to 24  
8 months after the close of the Proposed Transaction.

9 **Q. How do you respond?**

10 A. I appreciate Witness Dixon's acknowledgement that Spire's "experience in  
11 integrating other utilities into [their] organization should be a benefit to the  
12 process." In addition to Spire's internal track record integrating the  
13 companies now known as Spire Missouri, Spire Alabama, and Spire Gulf,  
14 Spire is working with Boston Consulting Group to build and execute a  
15 comprehensive plan toward eventual integration. I also agree with Witness  
16 Dixon's assessment that it is normal for issues to arise through the process,  
17 and when encountered, we will adjust our implementation approach as  
18 needed. As Spire moves through milestones, including Day 1 preparedness,  
19 financial system implementation, and customer-facing application  
20 implementations, we will willingly share documents and/or updates  
21 outlining workstream activities, progress, milestones, and any impediments  
22 encountered.

23 Finally, anyone familiar with technology implementations can

1 understand concerns regarding a lingering project, for example, that  
2 flounders without making headway. Indeed, the APA between Spire and  
3 Piedmont addresses this concern, providing for Transition Services but  
4 limiting us to a total period of 24 months to accomplish integration. While  
5 we understand the rationale for Witness Dixon's proposal to limit the  
6 implementation timeframe to this same period, we believe setting an  
7 arbitrary deadline for transition and integration activities is unnecessary and  
8 could lead to higher costs and lower value in the completion of the  
9 integration.

10 **Q. What about reporting on the costs of the integration as progress is**  
11 **made?**

12 A. In Witness Dixon's testimony, the outlined quarterly report parameters  
13 include "[o]riginal budget for each workstream activity;" and "actual costs  
14 incurred to date." Currently, the estimated costs and costs incurred are not  
15 being tracked at the workstream level. In fact, the burden of budgeting,  
16 recording and reporting costs at the workstream (or lower level subfunction)  
17 level would be cost-prohibitive, requiring each team of internal people  
18 working on the integration to track their time at this level, and each vendor  
19 serving us to invoice similarly.

20 As Witness Dixon later recommends, referring specifically to the  
21 costs of technology implementations, "these costs [can] be captured for  
22 review in a future full rate case proceeding. This review would ensure that  
23 the costs were reasonably incurred and appropriate for recovery from

1 customers.”<sup>29</sup> In fact, Spire is not seeking recovery of the transition and  
2 integration costs through this proceeding, but if in the future we were to  
3 seek recovery, we anticipate needing to demonstrate they were prudently  
4 incurred and will be tracking them accordingly, as Witness Dixon  
5 recommends: “Budgeted costs, incurred costs, and expected remaining  
6 costs should be split between operations and maintenance expenses, and  
7 capital projects as well as projected future costs towards completion of the  
8 integration into the Spire TN system.”<sup>30</sup>

9 We have not begun any work that would be capitalized, but  
10 eventually we will begin tracking capital costs separately. The main  
11 transition and integration costs that Spire would capitalize would be for the  
12 development of internal-use software used to support Spire  
13 Tennessee. Practically speaking, this is mostly the configuration and setup  
14 of Spire’s existing technology platforms (financial systems, customer  
15 billing systems, etc.) to incorporate Tennessee. This is also addressed in  
16 Spire’s response to Consumer Advocate DR 2-19.

17 **Q. Does this conclude your pre-filed Rebuttal Testimony?**

18 **A. Yes.**

---

<sup>29</sup> Direct Testimony of Bradley O. Dixon, at p. 6, lines 1-3.

<sup>30</sup> Direct Testimony of Bradley O. Dixon, at p. 5, lines 17-20.

# **MATHIS EXHIBIT 1**

**CREDIT OPINION**

3 November 2025

Update

Send Your Feedback

**RATINGS**

**Spire Alabama Inc.**

Domicile	Birmingham, Alabama, United States
Long Term Rating	A2
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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**Spire Alabama Inc.**

Update to credit analysis

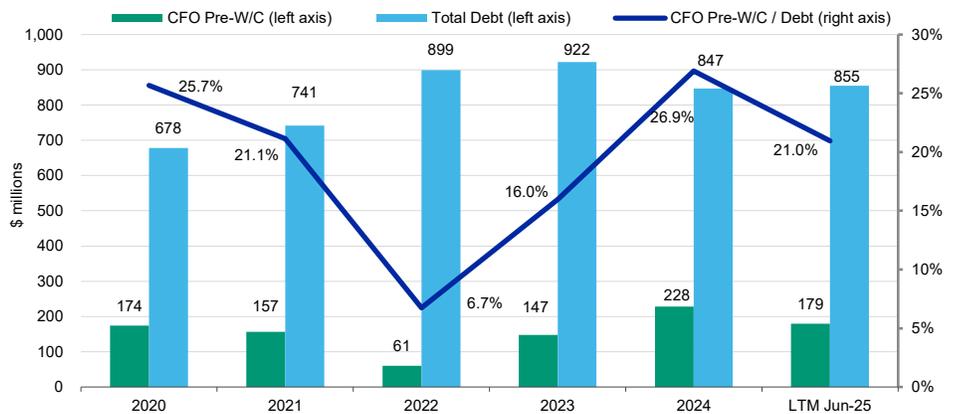
**Summary**

Spire Alabama's credit profile reflects its low business risk as a natural gas local distribution company (LDC) and the highly credit supportive regulatory environment in Alabama, which includes several timely cost and investment recovery mechanisms, such as formulaic type rates that allow for transparent and predictable cash flow generation. Spire Alabama's rating is constrained by its relatively small size and scale, as well as potential financial risks associated with substantial debt at its parent company, Spire Inc. (Spire, Baa2 stable).

For the last twelve months ended 30 June 2025, Spire Alabama's ratio of CFO pre-WC to debt was around 21%. Spire Alabama had previously recorded unusually low CFO pre-WC to debt ratios in 2022-2023 due to the adverse impact of higher natural gas prices in 2022, which have since been completely collected from customers.

We expect cash flow generation at the utility to remain stable over the next year, such that the company will produce a run-rate ratio of CFO pre-WC to debt in the low-20% range. Although this is lower than the historical average of about 25% before 2022, the company is still expected to maintain metrics at or above our stated downgrade threshold of 20% CFO pre-WC to debt.

Exhibit 1  
**Historical CFO Pre-W/C, Total Debt and CFO Pre-W/C to Debt**



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. Spire Alabama Inc.'s fiscal year ends on 30 September, and '2024' refers to the period ended 30 September 2024. LTM = Last 12 months. Source: Moody's Financial Metrics™

## Credit strengths

- » Regulated natural gas local distribution company with low business risk profile
- » Highly credit supportive regulatory framework in Alabama
- » Access to timely cost and investment recovery mechanisms

## Credit challenges

- » Rating constrained by leverage at the parent company
- » Longer-term, potential methane and carbon emission reduction policies could challenge gas delivery business growth or operations

## Rating outlook

Spire Alabama's stable outlook reflects our view that the Alabama regulatory environment will remain credit supportive. The stable outlook also incorporates our expectation that the company's financial metrics will stabilize this year such that Spire Alabama's ratio of CFO pre-W/C to debt will remain in the low-20% range.

The stable outlook also incorporates our view that the parent, Spire Inc., will not undertake significant debt financed acquisitions, increase unregulated investments beyond current expectations, or execute any shareholder friendly activities that will be detrimental to the credit quality of the entire corporate family.

## Factors that could lead to upgrade

Spire Alabama could be upgraded if the regulatory framework in Alabama becomes more credit supportive, if leverage is reduced materially and if key financial metrics improve such that its ratio of CFO pre-W/C to debt is sustained above 24%.

A rating upgrade of the utility is predicated on the parent not significantly increasing either its unregulated businesses or parent level debt as a proportion of consolidated debt that would result in increased contagion risk for its LDCs.

## Factors that could lead to downgrade

Spire Alabama could be downgraded if there is an adverse change in the Alabama regulatory framework that reduces credit support, or if financial metrics again deteriorate including a ratio of CFO pre-W/C to debt below 20% for an extended period. Spire Alabama could be downgraded if Spire is downgraded due to affiliation with a weaker parent.

Spire Alabama's rating could also be negatively pressured if contagion risk related to the parent or affiliate businesses increases due to incremental leverage resulting from additional acquisitions, increased unregulated business investments, or if the parent undertakes any material debt financed, shareholder friendly activities such that the risk profile of the corporate family deteriorates.

## Key indicators

Exhibit 2

### Spire Alabama Inc.

	2020	2021	2022	2023	2024	LTM Jun-25
CFO Pre-W/C + Interest Expense / Interest Expense	8.2x	7.3x	3.2x	4.7x	7.1x	6.3x
CFO Pre-W/C / Debt	25.7%	21.1%	6.7%	16.0%	26.9%	21.0%
CFO Pre-W/C – Dividends / Debt	22.1%	18.2%	4.1%	13.7%	20.6%	18.1%
Debt / Book Capitalization	44.4%	45.8%	49.9%	49.7%	46.3%	44.8%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

Spire Alabama Inc.'s fiscal year ends on 30 September, and '2024' refers to the period ended 30 September 2024. LTM = Last 12 months.

Source: Moody's Financial Metrics™

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

## Profile

Spire Alabama is the second largest utility subsidiary of Spire. It is the largest regulated natural gas local distribution company in Alabama serving over 430,000 primarily residential customers throughout the state including the cities of Birmingham and Montgomery, which approximates 40% of the state's total population. Its distribution network covers approximately 24,400 pipeline miles. Spire Alabama is regulated by the Alabama Public Service Commission (APSC).

## Detailed credit considerations

### Low business risk profile as a regulated natural gas distribution utility

As a regulated LDC, Spire Alabama has a business profile that is lower risk compared to vertically integrated regulated electric utilities since LDCs typically have moderate exposure to volume risk and/or commodity price volatility of natural gas distributed to customers. In addition, LDCs do not encounter the operating risks related to power generation and the higher capital expenditures, particularly strict environmental mandates, that such generation usually entails. With that said, natural gas is increasingly being called into question over environmental and greenhouse gas (GHG) emissions. Long-term challenges to natural gas infrastructure are increasing and, as carbon transition efforts gain ground, natural gas consumption may see a measured reduction in order to meet longer term GHG emission goals. It is clear that some state carbon and methane emissions restrictions are already starting to limit demand for natural gas. Right now we currently view natural gas challenges as a long-term risk with varied state and regional implications.

### Highly supportive Alabama regulatory environment includes several timely cost recovery mechanisms

Spire Alabama is in one of the more supportive regulatory jurisdictions in the US and operates under a Rate Stabilization Equalization (RSE) plan, a formulaic type of rate making framework. Alabama's RSE plan includes several credit supportive mechanisms that provide for automatic annual rate adjustments that allow for timely recovery of prudent costs and investments. The RSE parameters are evaluated every three to five years during the RSE renewal, which provides for an annual rate-setting process based on a forward year budget and quarterly reviews. This rate construct has historically resulted in stable, predictable cash flow and solid credit metrics. It also means that the sometimes unpredictable and contentious negotiations that can be associated with general rate case outcomes are typically avoided in Alabama, which instead functions as a mostly cooperative and constructive rate making environment.

In September 2022, the APSC approved a three-year renewal of the RSE through September 2025. Without a Commission order modifying the previously approved rates, the existing RSE parameters remain in effect beyond 30 September 2025. The APSC currently authorizes a ROE range of 9.5%-9.9 (9.7% midpoint) and an equity-rich capital structure of 55.5%.

Spire Alabama is also authorized a mechanism for off-system sales and capacity release sharing of excess natural gas supply when it is not needed. Through this mechanism, Spire Alabama is allowed to retain up to 25% of the net margins achieved as a result of such off-system sales and capacity releases, while customers receive 75% in the form of lower rates.

Exhibit 3

### The RSE construct has historically enabled Spire Alabama to generate predictable and stable cash flow

Regulatory Feature	Comments
Forward Test Year	Recover costs in a more timely fashion
Equity Capitalization	55.5%
Allowed ROE	9.5% - 9.9%
ROE Adjustment Point	9.7%
Maximum Revenue Increase	4% above prior year
Competitive Fuel Clause (CFC)	Adjusts rates to compete with alternate energy source in order to retain customers and margins
Gas Supply Adjustment (GSA)	Recovery of changes in natural gas commodity costs; includes some weather adjustments
Annual re-set of rates	Keeps cost recovery current

Source: Company filings

Spire Alabama utilizes a Gas Supply Adjustment (GSA) rider, which allows for the recovery of changes in the cost of gas supply from its rate payers. Also included in the GSA is a temperature adjustment mechanism that moderates the impact of deviations from

normal weather patterns. In addition, Spire Alabama can utilize a Competitive Fuel Clause (CFC) mechanism, which allows the LDC to immediately adjust prices to compete with any alternate fuel or gas supply source, and not lose earnings margin.

### Financial profile expected to remain stable

For the last twelve months ended 30 June 2025, Spire Alabama's ratio of CFO pre-WC to debt was around 21%, consistent with expectations for the credit profile. Spire Alabama had previously recorded unusually low CFO pre-WC to debt ratios in 2022 and 2023 due to the adverse impact of higher natural gas prices in 2022, which have since been completely collected from customers.

We expect cash flow generation at the utility to remain stable throughout 2025-2026, such that the company will produce a run-rate ratio of CFO pre-WC to debt in the low-20% range. Although this is lower than the historical average of about 25% during the 2019-2021 period, the company is still expected to maintain metrics at or above our stated downgrade threshold of 20% CFO pre-WC to debt.

Spire Alabama has invested significantly in its distribution system over the past several years in order to replace aging infrastructure in its service territory, though capex spend is beginning to moderate. The utility spent \$115 million annually on average from 2023-2024, compared to \$155 million annually on average during 2020-2022. Going forward, we expect Spire Alabama's capital investment program to remain around \$130-\$150 million annually.

### Credit constrained by parent leverage and minimal ring-fence type provisions

Spire's growth by acquisition strategy several years ago has resulted in a substantial, albeit declining, amount of holding company debt, which is serviced by upstream distributions from its operating companies. The annual parent level interest expense is essentially a fixed obligation that, at times, relies heavily on residual cash flows from the regulated utilities, since the unregulated net income and distributable cash of Spire's other unregulated businesses, such as Spire Marketing, can be more volatile, less certain and may be insufficient to service the debt.

We also consider the corporate dividend to be akin to a fixed obligation, since utility management teams are unlikely to reduce this cash distribution unless under significant financial duress. Through LTM 30 June 2025, Spire's dividend was about \$186 million, whereas Spire Alabama paid \$25 million in dividends up to the parent company during the same period. We expect that the majority of parent level cash requirements are likely to come from Spire Missouri, the largest utility in the Spire corporate family.

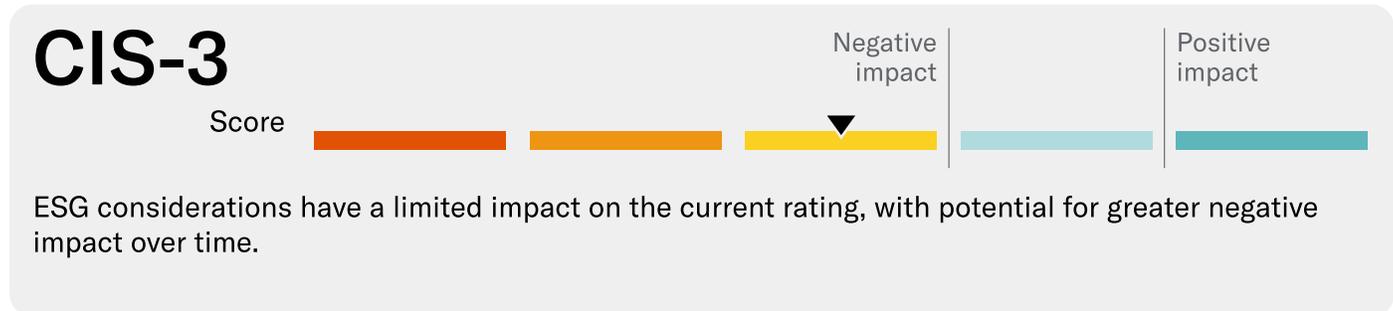
At over 30% of consolidated debt, Spire's holding company leverage, although lower than in prior years, remains substantial and increases the financial risk of the entire corporate family. As such, the holding company debt constrains the credit profiles of both Spire Missouri and Spire Alabama. Spire's parent debt is mainly used to finance the company's non-utility businesses, which provide cash flow that can be volatile from year to year, and can help service the debt.

Other than dividend restrictions at Spire Missouri, there are no significant legal or ring-fencing provisions (e.g. independent directors, minimum equity requirements) that provide additional utility credit protection in the unlikely scenario of a Spire bankruptcy. Moreover, Spire Missouri and Spire Alabama do not have their own revolving credit facilities as their respective short-term borrowing availability comes from the parent's credit facility. However, both Spire Missouri and Spire Alabama are required to get preapproval from their respective regulators before they issue debt.

ESG considerations

Spire Alabama Inc.'s ESG credit impact score is CIS-3

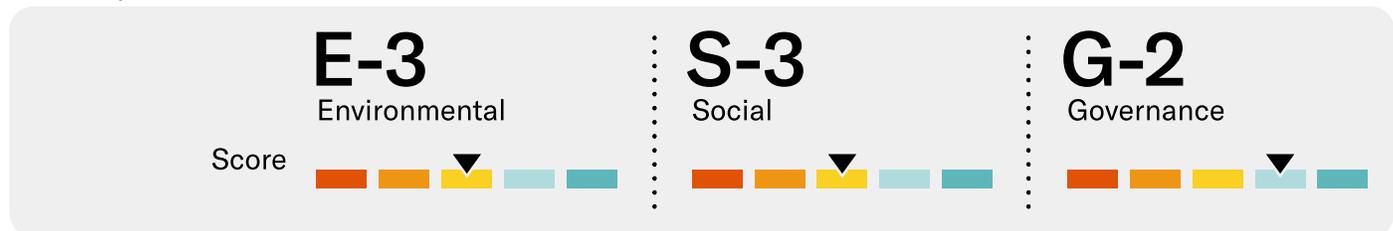
Exhibit 4  
ESG credit impact score



Source: Moody's Ratings

Spire Alabama's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. Increased exposure to demographical and social trends, including a less supportive regulatory environment, and customer affordability concerns could weaken credit quality over the long-term.

Exhibit 5  
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Spire Alabama's **E-3** issuer profile score reflects carbon transition risk, including the potential for methane leakage, and a degree of exposure to physical climate risks from the increasing occurrences of extreme weather events due to climate change. Environmental considerations included in our credit assessment of Spire Alabama are primarily related to its exposure to carbon regulations. Spire Alabama has low carbon transition risk within the utility sector because it is a gas local distribution company and natural gas commodity purchase costs are fully passed through to customers with an effective cost recovery mechanism. However, its operations of natural gas distribution inherently involves a variety of hazards and operational risks, such as leaks.

Social

Spire Alabama's **S-3** issuer profile score incorporates the fundamental risk for regulated utilities that public concern over environmental, social or affordability issues could result in adverse regulatory or political outcomes. Gas distribution utilities also face some degree of responsible production risks due to the inherent risk for potential explosions common to all gas networks. Social risks for Spire Alabama are primarily related to health and safety, demographic and societal trends and regulatory relations. Spire Alabama continues to work towards providing reliable and affordable service to customers and safe working conditions to employees by improving its infrastructure through pipeline replacement investments. Social risks could increase from a rare operating event such as a pipeline explosion which can result in casualties and property damage.

Governance

The **G-2** issuer profile score is broadly in line with other utilities and does not pose a particular risk. We view the management and governance of parent company Spire as strong, reflecting consistent management credibility and track record.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

### Liquidity analysis

Spire Alabama has an adequate liquidity profile driven by stable cash flow generation and access to good external liquidity sources.

For the last 12 months ended 30 June 2025, Spire Alabama's cash flow from operations was \$170 million, capital expenditures were \$144 million and dividends to its parent were \$25 million, resulting in a modestly positive free cash flow position. We expect Spire Alabama will use its internally generated cash flow as well as incremental debt borrowings to help fund ongoing capital investments. However, we anticipate that any borrowings will be done in a manner that will maintain Spire Alabama's regulated capital structure.

Spire Alabama's liquidity is supported by its parent's \$1.5 billion revolving credit facility, expiring in October 2029, which backstops its \$1.5 billion commercial paper program. The facility includes sublimits for Spire of \$525 million, Spire Missouri of \$700 million and Spire Alabama of \$275 million. At 30 June 2025, Spire Alabama had approximately \$56.4 million of commercial paper (CP) borrowings outstanding, included in the approximately \$1 billion CP outstanding on the total Spire family's credit facility. The facility has same-day borrowing ability and no material adverse change representation for ongoing borrowings. It also has one financial maintenance covenant which limits consolidated debt, including short-term debt, to capitalization at 70%. As of 30 June 2025, Spire reported that all of the borrowing entities were in compliance with this covenant as total debt was less than 60% of total capitalization for each borrower.

Spire Alabama's next scheduled debt maturities are an aggregate \$190 million notes due in 2029.

### Methodology and scorecard

The principal methodology used for this rating is the Regulated Electric and Gas Utilities rating methodology.

Exhibit 6

#### Rating factors Spire Alabama Inc.

Regulated Electric and Gas Utilities Industry Scorecard	Current LTM Jun-25		Moody's 12-18 month forward view	
Factor 1 : Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
<b>Factor 2 : Ability to Recover Costs and Earn Returns (25%)</b>				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	A	A	A	A
<b>Factor 3 : Diversification (10%)</b>				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	na	na	na	na
<b>Factor 4 : Financial Strength (40%)</b>				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.7x	A	6x - 6.5x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	20.0%	A	20% - 22%	A
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	16.3%	A	17% - 19%	A
d) Debt / Capitalization (3 Year Avg)	46.4%	A	45% - 47%	A
<b>Rating:</b>				
Scorecard-Indicated Outcome Before Notching Adjustment		A2		A1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A2		A1
b) Actual Rating Assigned		A2		A2

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.

LTM = Last 12 months.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

## Appendix

Exhibit 7

Peer comparison  
Spire Alabama Inc.

	Spire Alabama Inc.			Southern California Gas Company			DTE Gas Company			Piedmont Natural Gas Company, Inc.		
	A2 Stable			A2 Stable			A3 Stable			A3 Stable		
	FY Sep-23	FY Sep-24	LTM Jun-25	FY Dec-22	FY Dec-23	FY Dec-24	FY Dec-23	FY Dec-24	LTM Mar-25	FY Dec-22	FY Dec-23	FY Dec-24
<b>(in \$ millions)</b>												
Revenue	571	579	545	6,840	8,289	6,209	1,726	1,783	1,946	2,124	1,628	1,729
CFO Pre-W/C	147	228	179	1,672	1,920	1,960	638	538	625	557	624	708
Total Debt	922	847	855	7,317	8,018	8,520	2,642	2,883	2,861	3,890	4,218	4,751
CFO Pre-W/C + Interest / Interest	4.7x	7.1x	6.3x	8.0x	6.9x	6.4x	7.2x	5.5x	6.1x	5.0x	4.8x	4.8x
CFO Pre-W/C / Debt	16.0%	26.9%	21.0%	22.9%	23.9%	23.0%	24.1%	18.7%	21.8%	14.3%	14.8%	14.9%
CFO Pre-W/C – Dividends / Debt	13.7%	20.6%	18.1%	22.8%	22.7%	20.6%	16.9%	11.4%	14.4%	14.3%	14.8%	12.6%
Debt / Capitalization	49.7%	46.3%	44.8%	47.8%	47.2%	45.7%	42.3%	42.2%	40.8%	46.1%	45.8%	46.9%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.

Source: Moody's Financial Metrics™

## Ratings

Exhibit 8

Category	Moody's Rating
<b>SPIRE ALABAMA INC.</b>	
Outlook	Stable
Senior Unsecured	A2
<b>PARENT: SPIRE INC.</b>	
Outlook	Stable
Senior Unsecured	Baa2
Pref. Stock	Ba1
Commercial Paper	P-2

Source: Moody's Ratings

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# **MATHIS EXHIBIT 2**

**CREDIT OPINION**

3 November 2025

Update

Send Your Feedback

**RATINGS**

**Spire Missouri Inc.**

Domicile	St. Louis, Missouri, United States
Long Term Rating	A1
Type	First Mortgage Bonds - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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**Spire Missouri Inc.**

Update to credit analysis

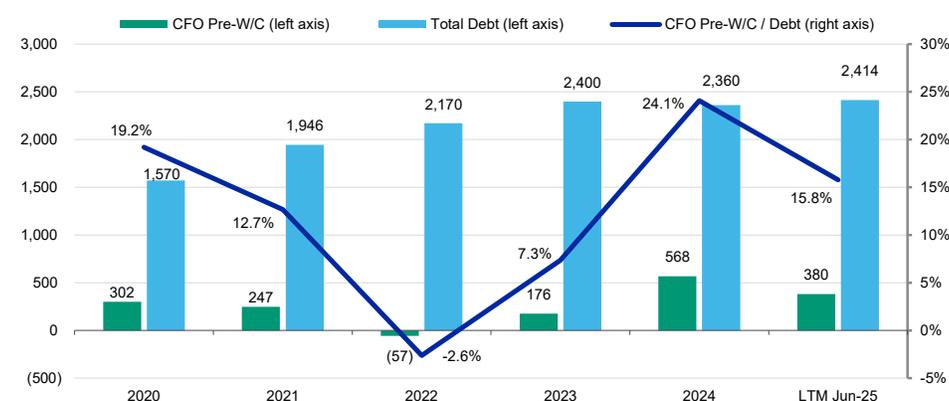
**Summary**

Spire Missouri's credit profile reflects its low business risk as a regulated natural gas local distribution company (LDC) and the historically credit supportive regulatory framework for gas utilities in Missouri, which has typically included timely investment and cost recovery mechanisms. The credit rating reflects the strong security provided by a first mortgage lien on the utility's assets, which secure all of the company's rated bonds.

As of the last twelve months (LTM) ended 30 June 2025, Spire Missouri's ratio of cash flow from operations before changes in working capital (CFO pre-W/C) to debt was weak at around 16%, largely due to changes in regulatory assets and liabilities negatively impacting CFO. Spire Missouri's CFO pre-WC to debt metric is expected to be around 16%-17% at fiscal year-end 2025 and then improve to the high-teens range on a sustained basis thereafter, supported by new rates effective October 2025.

The credit profile is constrained by the substantial leverage at its parent company, Spire Inc. (Spire, Baa2 stable), at over 30% of consolidated debt. The parent's debt service obligations are partly supported by Spire Missouri including upstream dividend distributions from time to time.

Exhibit 1  
**Historical CFO Pre-W/C, Total Debt and CFO Pre-W/C to Debt**



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are fiscal year-end unless indicated. Spire Missouri Inc's fiscal year ends on 30 September. LTM = Last 12 months. Source: Moody's Financial Metrics™

## Credit strengths

- » Relatively low risk business profile as a regulated natural gas distribution utility
- » Missouri regulatory framework is becoming considerably more constructive, including passage of SB4
- » Several investment and cost recovery mechanisms allow for typically stable and predictable cash flow generation

## Credit challenges

- » Elevated capital investment program will continue to require debt financing
- » Credit constrained by parent leverage
- » Small scale operating in a single state

## Rating outlook

Spire Missouri's stable outlook reflects our expectation that the utility's financial profile will stabilize, such that the ratio of CFO pre-W/C to debt will be sustained in the high-teens. The stable outlook also incorporates a supportive regulatory framework in Missouri and our expectation that future rate case outcomes will be constructive and supportive of credit quality.

The stable outlook also incorporates our view that the parent company will not undertake significant debt financed acquisitions, increase unregulated investments beyond current expectations or execute any shareholder friendly activities that will be detrimental to the credit quality of the corporate family.

## Factors that could lead to upgrade

Spire Missouri could be upgraded if the Missouri regulatory environment becomes more credit supportive through additional recovery mechanisms such as full revenue decoupling, or financial metrics improve such that its ratio of CFO pre-W/C to debt is above 22% on a sustained basis.

A rating upgrade for Spire Missouri is predicated on the parent, Spire, not significantly increasing either its unregulated businesses or parent level debt as a proportion of consolidated debt that would result in increased financial risk throughout the corporate family.

## Factors that could lead to downgrade

Spire Missouri could be downgraded if the regulatory environment in Missouri becomes less credit supportive or contentious through a reduction in the timeliness of cost recovery or if the utility's financial metrics deteriorate such that its ratio of CFO pre-W/C to debt falls below 18% on a sustained basis.

Spire Missouri could also be pressured if contagion risk related to the parent company or affiliate businesses increases due to incremental leverage resulting from additional acquisitions, from increased unregulated business investments, or if the parent undertakes aggressive, debt financed, or shareholder friendly activities such that the risk profile of the utility is adversely affected.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Spire Missouri Inc.

	2020	2021	2022	2023	2024	LTM Jun-25
CFO Pre-W/C + Interest / Interest	6.6x	5.6x	0.1x	2.7x	6.2x	4.7x
CFO Pre-W/C / Debt	19.2%	12.7%	-2.6%	7.3%	24.1%	15.8%
CFO Pre-W/C – Dividends / Debt	17.0%	12.7%	-2.6%	5.0%	24.1%	15.8%
Debt / Capitalization	45.7%	48.6%	49.1%	50.2%	48.3%	46.3%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are fiscal year-end unless indicated. Spire Missouri Inc's fiscal year ends on 30 September. LTM = Last 12 months. Source: Moody's Financial Metrics™

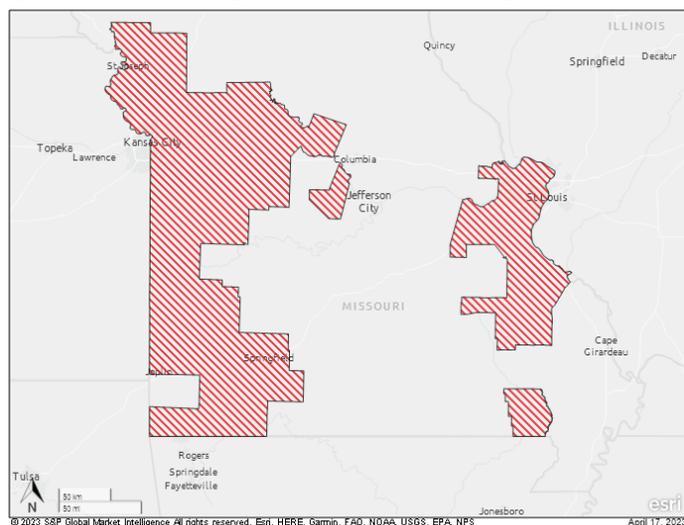
## Profile

Spire Missouri is a regulated natural gas local distribution company serving 1.2 million customers, primarily residential, in Missouri, including the cities of St. Louis and Kansas City. Spire Missouri is the largest utility subsidiary of Spire Inc. (Baa2 stable), a public utility holding company based in St. Louis, MO, and typically accounts for about 65% of Spire Inc.'s consolidated cash flows. Spire Missouri is regulated by the Missouri Public Service Commission (MPSC).

Spire Missouri serves approximately 1.2 million residential customers, which account for over 90% of total customers and over 70% of total revenues. We view the company's high residential customer base as a credit positive given the usual stability of such revenues.

Exhibit 3

### Spire Missouri is the largest LDC in Missouri, serving major cities like St. Louis and Kansas City



Source: S&P Global Market Intelligence

## Detailed credit considerations

### Low risk business profile as a regulated natural gas distribution utility

As a regulated LDC, Spire Missouri has a lower business risk profile compared to vertically integrated regulated electric utilities since LDCs typically have limited exposure to the volume and/or price volatility of natural gas distributed to customers. In addition, LDCs do not encounter any operating risks related to power generation and the higher capital expenditures that such generation usually entails. With that said, in certain areas of the country, natural gas is increasingly being called into question over environmental concerns and greenhouse gas (GHG) emissions. Long-term challenges to natural gas infrastructure are increasing and, as carbon transition efforts gain ground, natural gas consumption may experience a measured reduction in order to meet longer term GHG emission goals. However, we expect to see regional differences in the impact of these developments on natural gas infrastructure companies across

the US. For example, Missouri has passed legislation that effectively prohibits cities and counties from restricting gas use in homes and buildings.

Spire Missouri's location in the Midwest provides it with some distinct operational opportunities that differentiates it from other LDCs. Numerous interstate pipelines cross its service territory transporting gas to and from the Gulf coast and the Mid-Continent supply regions. Consequently, Spire Missouri holds transportation and storage capacity on a number of these pipelines, which the company can temporarily lend (capacity release) or use to sell excess gas (off-system sales) when it does not need it. These capacity release and off-system sales have typically provided a modest addition to Spire Missouri's revenues. Spire Missouri is allowed to retain up to 25% of the net margins achieved as a result of these off-system sales and capacity releases, while customers receive 75%.

### Missouri regulatory jurisdiction is becoming more credit supportive

The company's credit quality factors in the credit supportive Missouri regulatory jurisdiction which includes several timely cost recovery mechanisms allowed by the MPSC.

Most recently, the passage of Missouri Senate Bill 4 (SB4) in 2025 is credit supportive for Spire Missouri, as it introduces a future test year ratemaking framework for natural gas and water utilities in the state. Effective for rate cases filed after 1 July 2026, the future test year mechanism allows utilities to base rate requests on projected costs and revenues for the 12-month period following rate implementation. This reduces regulatory lag and enhances cash flow visibility, supporting the utility's ability to recover capital investments in a timely manner.

In November 2024, Spire Missouri filed a new rate case requesting a net \$236 million base rate increase (after moving around \$54 million from riders to base rates), premised on a 10.5% ROE and 55% equity layer. The filing was based on a historical test year ended 30 September 2024. On 3 September 2025, the MPSC approved a settlement agreement, authorizing Spire Missouri a net \$137 million rate increase, after considering the transfer of around \$73 million from riders to base rates. Moody's views Spire Missouri's ability to reach a settlement with key parties as credit positive. Although the settlement was black-box with traditional regulatory parameters not made public, a 7.05% allowed after-tax rate of return for Infrastructure System Replacement Surcharge (ISRS) capital spending was disclosed and compares favorably to the established ISRS after-tax return in the prior rate case of 6.75%. New rates are placed in effect as of 24 October 2025.

### Several authorized cost recovery mechanisms help reduce regulatory lag

Spire Missouri is able to use several supportive cost recovery mechanisms including the purchased gas adjustment (PGA), a weather normalization adjustment rider (WNAR), which is a more limited form of revenue decoupling, and the Infrastructure System Replacement Surcharge (ISRS), as illustrated in the table below. Under the ISRS rider, Spire Missouri is required to maintain a 3-year filing cycle, in which the company can make revenue adjustment filings every six months. In addition to this rider, Spire Missouri also utilizes mechanisms for addressing pensions, energy efficiency and conservation expenses.

The PGA and WNAR help address two of the more important LDC operating risks, fuel costs (which can be volatile) and demand fluctuations. The PGA can be adjusted four times per year to more accurately track actual commodity costs. Parts of Spire Missouri's service territory were impacted by the severe cold weather in the Southern/Midwestern region of the US from winter storm Uri in February 2021. As a result of the energy market crisis that resulted, Spire Missouri was exposed to substantial increases in gas costs. The utility deferred these costs on its balance sheet as a regulatory asset and agreed with state regulators to recover the increased costs from customers over a three year period in order to mitigate monthly customer bill spikes. The WNAR mechanism allows for two annual adjustments to align rates with actual customer usage. These mechanisms help to stabilize margins and enhance variable and fixed cost recovery.

The ISRS allows Spire Missouri to file two rate increases during a twelve month period to incorporate costs associated with the pipeline replacement and safety program. This allows for the recovery of costs and a return on investment until these capital projects are fully incorporated into rate base as part of the company's next general rate filing. The MPSC authorized an incremental annual revenue increase of \$19 million under Spire Missouri's ISRS effective in May 2025. The total ISRS revenue requirement for Spire Missouri is around \$72.6 million.

**Financial metrics are expected to improve, supported by new rates**

Spire Missouri's financial profile was steadily improving since gas cost related weakness in 2021 through 2023. However, as of the LTM ended 30 June 2025, Spire Missouri's ratio of CFO pre-WC to debt was a weak 16%, partially due to a negative impact of changes in long-term regulatory assets and liabilities. We expect Spire Missouri's cash flow metrics to improve next year as a result of new rates that were just implemented in October 2025. In addition, Spire Missouri's next general rate case filing is expected to be based on future test years, which will improve the utility's timeliness of recovery and transparency of cash flows thereafter. We expect Spire Missouri's credit metrics to improve and maintain ratio of CFO pre-WC to debt in the high-teens range going forward after fiscal-year end 2025.

**Credit constrained by parent leverage and minimal ring-fence type provisions**

Spire's growth by acquisition strategy several years ago has resulted in a substantial amount of holding company debt, which is serviced by upstream distributions from its operating companies. The annual parent level interest expense is essentially a fixed obligation that, at times, relies heavily on residual cash flows from the regulated utilities, since the unregulated net income and distributable cash of Spire's other unregulated businesses, such as Spire Marketing, can be more volatile, less certain and may be insufficient to service the debt.

We also consider the corporate dividend to be akin to a fixed obligation, since utility management teams are unlikely to reduce this cash distribution unless under significant financial duress. Through the LTM 30 June 2025, Spire's dividend was about \$187 million. We expect that the majority of parent level cash requirements are likely to come from Spire Missouri, the largest utility in the Spire corporate family.

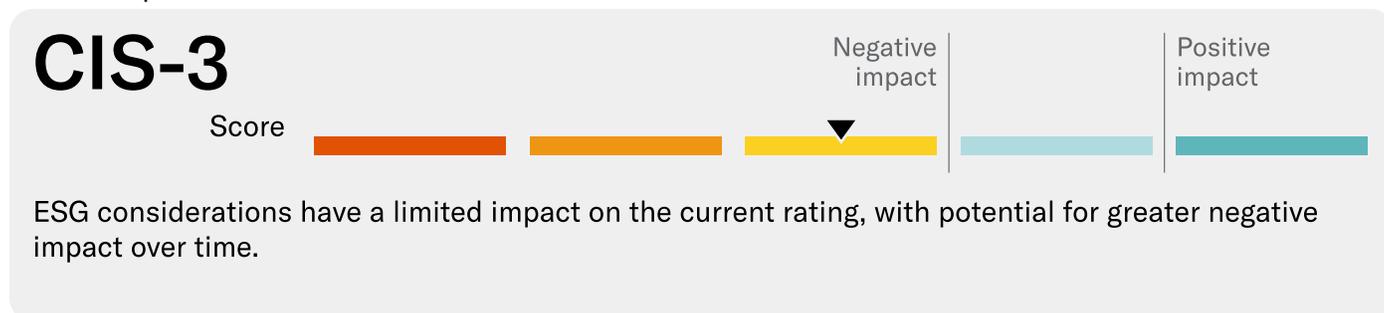
At over 30% of consolidated debt, Spire's holding company leverage, although lower than in prior years, remains substantial and increases the financial risk of the entire corporate family. As such, the holding company debt constrains the credit profiles of both Spire Missouri and Spire Alabama. Spire's parent debt is mainly used to finance the company's non-utility businesses, which provide cash flow that can be volatile from year to year, and can help service the debt.

Other than dividend restrictions at Spire Missouri, there are no significant legal or ring-fencing provisions (e.g. independent directors, minimum equity requirements) that provide additional utility credit protection in the unlikely scenario of a Spire bankruptcy. Moreover, Spire Missouri and Spire Alabama do not have their own revolving credit facilities as their respective short-term borrowing availability comes from the parent's credit facility. However, both Spire Missouri and Spire Alabama are required to get preapproval from their respective regulators before they issue debt.

**ESG considerations**

**Spire Missouri Inc.'s ESG credit impact score is CIS-3**

Exhibit 4  
ESG credit impact score



Source: Moody's Ratings

Spire Missouri's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. Increased exposure to demographical and social trends, including a less supportive regulatory environment, and customer affordability concerns could weaken credit quality over the long-term.

Exhibit 5

## ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Spire Missouri's **E-3** issuer profile score reflects carbon transition risk, including the potential for methane leakage, and a degree of exposure to physical climate risks from the increasing occurrences of extreme weather events due to climate change. Environmental considerations included in our credit assessment of Spire Missouri are primarily related to its exposure to carbon regulations.

Spire Missouri has low carbon transition risk within the utility sector because it is a gas local distribution company and natural gas commodity purchase costs are fully passed through to customers with an effective cost recovery mechanism. However, its operations of natural gas distribution inherently involves a variety of hazards and operational risks, such as leaks.

### Social

Spire Missouri's **S-3** issuer profile score incorporates the fundamental risk for regulated utilities that public concern over environmental, social or affordability issues could result in adverse regulatory or political outcomes. Gas distribution utilities also face some degree of responsible production risks due to the inherent risk for potential explosions common to all gas networks. Social risks for Spire Missouri are primarily related to health and safety, demographic and societal trends and regulatory relations. Spire Missouri continues to work towards providing reliable and affordable service to customers and safe working conditions to employees by improving its infrastructure through pipeline replacement investments. Social risks could increase from a rare operating event such as a pipeline explosion which can result in casualties and property damage.

### Governance

The **G-2** issuer profile score is broadly in line with other utilities and does not pose a particular risk. We view the management and governance of parent company Spire as strong, reflecting consistent management credibility and track record.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

### Liquidity analysis

Spire Missouri has an adequate liquidity profile driven by its stable cash flow generation and good access to external liquidity sources.

Spire Missouri's capital expenditures remain elevated, primarily due to an acceleration of pipeline infrastructure replacements under the ISRS program. We expect capital spending levels to remain elevated for the next few years as Spire Missouri continues with these investments. We expect Spire Missouri's capital expenditures will be in the \$500-\$600 million range over the next two years. Going forward, we anticipate that cash flow from operations should generally cover the majority of Spire Missouri's capex levels. Shortfalls in funding capital expenditures will likely be supplemented with short and long-term debt issuances as well as equity contributions from the parent that are funded in a balanced manner that maintains Spire Missouri's targeted capital structure.

Spire Missouri's liquidity is supported by its parent's \$1.5 billion revolving credit facility, expiring in October 2029, which backstops its \$1.5 billion commercial paper program. The facility includes sublimits for Spire of \$525 million, Spire Missouri of \$700 million and Spire Alabama of \$275 million. At 30 June 2025, Spire Missouri had approximately \$398.7 million of commercial paper (CP) borrowings outstanding, included in the approximately \$1 billion CP outstanding on the total Spire family's credit facility. The facility has same-day borrowing ability and no material adverse change representation is required for ongoing borrowings. It also has one financial maintenance covenant which limits consolidated debt, including short-term debt, to capitalization at 70%. As of 30 June 2025, Spire

reported that all of the borrowing entities were in compliance with this covenant as total debt was less than 60% of total capitalization for each borrower.

Spire Missouri's next debt maturity is \$45 million of First Mortgage Bonds due in March 2028.

### Rating methodology and scorecard factors

The principal methodology used for this rating is the Regulated Electric and Gas Utilities rating methodology. Spire Missouri's A1 First Mortgage Bonds rating is equivalent to a senior unsecured rating of A3.

Exhibit 6

#### Rating factors Spire Missouri Inc.

Regulated Electric and Gas Utilities Industry Scorecard	Current LTM Jun-25		Moody's 12-18 month forward view	
	Measure	Score	Measure	Score
<b>Factor 1 : Regulatory Framework (25%)</b>				
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
<b>Factor 2 : Ability to Recover Costs and Earn Returns (25%)</b>				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
<b>Factor 3 : Diversification (10%)</b>				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	na	na	na	na
<b>Factor 4 : Financial Strength (40%)</b>				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.6x	A	5.0x - 6.0x	A
b) CFO pre-WC / Debt (3 Year Avg)	15.3%	Baa	16% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	14.5%	Baa	14% - 17%	A
d) Debt / Capitalization (3 Year Avg)	47.4%	A	46% - 48%	A
<b>Rating:</b>				
Scorecard-Indicated Outcome Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		A3		A3
b) Actual Rating Assigned		A1 (secured)		A1 (secured)

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

LTM = Last 12 months.

Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

## Appendix

Exhibit 7

### Peer comparison Spire Missouri Inc.

	Spire Missouri Inc.			Spire Alabama Inc.			Piedmont Natural Gas Company, Inc.			Public Service Co. of North Carolina, Inc.		
	A1 senior secured, Stable			A2 Stable			A3 Stable			Baa1 Stable		
	FY	FY	LTM	FY	FY	LTM	FY	FY	FY	FY	FY	FY
(in \$ millions)	Sep-23	Sep-24	Jun-25	Sep-23	Sep-24	Jun-25	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Revenue	1,763	1,737	1,546	571	579	545	2,124	1,628	1,729	820	715	666
CFO Pre-W/C	176	568	380	147	228	179	557	624	708	194	234	190
Total Debt	2,400	2,360	2,414	922	847	855	3,890	4,218	4,751	1,236	1,219	1,248
CFO Pre-W/C + Interest / Interest	2.7x	6.2x	4.7x	4.7x	7.1x	6.3x	5.0x	4.8x	4.8x	5.3x	5.3x	3.9x
CFO Pre-W/C / Debt	7.3%	24.1%	15.8%	16.0%	26.9%	21.0%	14.3%	14.8%	14.9%	15.7%	19.2%	15.2%
CFO Pre-W/C – Dividends / Debt	5.0%	24.1%	15.8%	13.7%	20.6%	18.1%	14.3%	14.8%	12.6%	8.2%	17.7%	8.4%
Debt / Capitalization	50.2%	48.3%	46.3%	49.7%	46.3%	44.8%	46.1%	45.8%	46.9%	45.8%	44.2%	38.0%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

LTM = Last 12 months.

Source: Moody's Financial Metrics™

## Ratings

Exhibit 8

Category	Moody's Rating
<b>SPIRE MISSOURI INC.</b>	
Outlook	Stable
First Mortgage Bonds	A1
Senior Secured Shelf	(P)A1
<b>PARENT: SPIRE INC.</b>	
Outlook	Stable
Senior Unsecured	Baa2
Pref. Stock	Ba1
Commercial Paper	P-2

Source: Moody's Ratings

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# **MATHIS EXHIBIT 3**

# MOODY'S RATINGS

## Rating Action

GLOBAL CREDIT RESEARCH – 14 NOV 2025

### MOODY'S ASSIGNS UNPUBLISHED MONITORED PRIVATE PLACEMENT RATING TO SPIRE TENNESSEE, INC.

New York, November 14, 2025 – Moody's Ratings (Moody's) assigned A3 senior unsecured notes ratings to Spire Tennessee, Inc. The outlook is assigned to be stable.

Assignment:

Borrower: Spire Tennessee, Inc.

...Senior Unsecured Rating, Assigned A3

Outlook Action:

Issuer: Spire Tennessee, Inc.

...Outlook, Assigned stable

#### RATINGS RATIONALE

Spire Tennessee Inc.'s (Spire Tennessee) A3 rating reflects its low business risk as a local natural gas distribution company (LDC), a credit supportive Tennessee regulatory environment and our expectation that the company's credit metrics will improve such that its cash flow from operations before changes in working capital (CFO pre-WC) to debt ratio in the high teens range. Spire Tennessee's service territory is also economically strong with a highly residential customer base and strong annual customer growth. Spire Tennessee anticipates that is capital investments in new residential construction and infrastructure hardening will support a projected annual rate base growth rate of ~7.5% over the next five years.

Spire Tennessee's rating is constrained by its relatively small size and scale with operations in a single state, as well as potential financial risks associated with substantial debt at its new owner, Spire Inc. (Spire, Baa2 stable). At over 30% of consolidated debt, Spire's holding company leverage remains material and could put financial pressure on the financial risk of the entire corporate family. The annual parent level interest expense is essentially a fixed obligation that, at times, relies heavily on residual cash flows from the regulated utilities. We also consider the corporate dividend to be akin to a fixed obligation, since utility management teams are unlikely to reduce this cash distribution unless under significant financial duration.

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We view the regulatory framework in Tennessee to be constructive. Under the purview of the Tennessee Public Utilities Commission (TPUC), Spire Tennessee is authorized to use an Annual Review Mechanism (ARM) as allowed by Tennessee law. Under the formulaic ARM, Spire Tennessee adjusts rates annually to achieve its allowed ROE (currently 9.8%) over the upcoming year and to true up any difference between its allowed ROE and actual ROE from the prior calendar year. The ARM rate structure provides relief outside of general rate case and allows the utility to earn a return on and of its capital expenditures on a timely basis.

Tennessee gas utilities are also allowed to benefit from a Weather Normalization Adjustments (WNA) clause but not from a decoupling mechanism. However, Spire Tennessee is allowed to use a forward test year with its general rate case filings, while the ARM filings are based on a historical year. We expect that the cooperative and constructive rate-making environment in Tennessee will continue to support Spire Tennessee's credit profile under its new ownership.

Going forward, we project Spire Tennessee's financial profile to remain stable through the first half of 2026 when the acquisition is anticipated to close, and then improve beginning in 2027. We estimate that the CFO pre-WC debt ratio will range between 16%-18% over the next 12 to 18 months with a stronger longer-term run rate ranging between 17%-19%. These estimates include about \$150-\$200 million of annual capital expenditures during 2026-2029. We estimate capital investment funding will align with the current allowed regulatory capital structure. However, over time, we expect that Spire will aim to align the Tennessee LDC's capital structure closer to that of its other existing LDC subsidiaries.

Spire Tennessee's stable outlook reflects our view that the Tennessee regulatory environment will remain credit supportive. The stable outlook also incorporates our expectation that the company's CFO pre-WC to debt will be maintained above 16%.

The stable outlook also incorporates our view that the parent, Spire, will not undertake significant debt-financed acquisitions, increase unregulated investments beyond current expectations, or execute any shareholder-friendly activities that would be detrimental to the credit quality of the entire corporate family.

We consider governance to be a key ESG factor for first-time rating assignments on new issuers which, for Spire Tennessee, is driven by the policies of its parent, Spire, Inc. Spire's governance risk profile is broadly in line with other utility holding companies and does not pose a particular risk. Spire's governance risk reflects consistent management credibility and track record but is also exposed to some degree of financial strategy risk due to the company's historical growth by acquisitions, including the pending acquisition of Spire Tennessee.

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# MOODY'S RATINGS

## *FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS*

Spire Tennessee could be upgraded if the regulatory framework in Tennessee becomes more credit supportive, if leverage is reduced materially and if key financial metrics improve such that its ratio of CFO pre-W/C to debt is sustained above 20%.

A rating upgrade of the utility is also predicated on the parent not significantly increasing either its unregulated businesses or parent level debt as a proportion of consolidated debt that would result in increased contagion risk for its LDCs.

Spire Tennessee could be downgraded if there is an adverse change in the Tennessee regulatory framework that reduces credit support; or if financial metrics deteriorate including a ratio of CFO pre-W/C to debt below 17% for an extended period. Spire Tennessee could be downgraded if Spire is downgraded due to affiliation with a weaker parent.

Spire Tennessee's rating could also be negatively pressured if contagion risk related to the parent or affiliate businesses increases due to incremental leverage resulting from additional acquisitions, increased unregulated business investments or if the parent undertakes any material debt financed, shareholder friendly activities such that the risk profile of the corporate family deteriorates.

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in August 2024 and available at <https://ratings.moody.com/rmc-documents/426183>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

## *REGULATORY DISCLOSURES*

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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# MOODY'S RATINGS

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For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

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Spire Inc.  
Nov 17, 2025 9:18 AM EST

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