BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 2, 2026

IN 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 TENN. CODE ANN. § 65-4-113 AND RELATED AUTHORIZATIONS**	)	**DOCKET NO. 25-00074**

ORDER APPROVING TRANSFER OF AUTHORITY TO PROVIDE UTILITY SERVICES AND RELATED AUTHORIZATIONS

This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, and Commissioner Clay R. Good of the Tennessee Public Utility Commission (the "Commission" or "TPUC"), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on March 16, 2026. The panel convened to consider and deliberate the *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* ("*Joint Application*") jointly filed by Piedmont Natural Gas Company, Inc. ("Piedmont") and Spire Tennessee, Inc. ("Spire TN") (collectively, "Joint Applicants") on September 8, 2025. The Joint Applicants seek Commission approval of a transaction that would transfer Piedmont's assets, service territory, and authority to provide natural gas utility service, natural gas system, as well as its existing franchise agreements and, on an interim basis, its tariffs, rates, and regulatory mechanisms to Spire TN.

I. BACKGROUND, *JOINT APPLICATION*, AND TRAVEL OF THE CASE

Piedmont is a wholly owned subsidiary of Duke Energy Corporation ("Duke Energy"), incorporated in the state of North Carolina. Piedmont is a natural gas utility providing service to customers in Davidson County and portions of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson Counties, as well as within certain municipal jurisdictions located within the state. Piedmont is subject to the Commission's regulation and supervision.[1]

Spire TN is a wholly owned subsidiary of Spire, Inc. ("Spire"). Spire TN is a Tennessee corporation formed for the purpose of acquiring and operating the Piedmont utility assets in Tennessee.[2] Spire is an investor-owned, publicly traded, natural gas utility holding company incorporated in the state of Missouri. Spire owns and operates natural gas public utilities, through its subsidiaries, in Missouri, Alabama, and Mississippi. Parts of Spire's systems are regulated by the Federal Energy Regulatory Commission ("FERC") while other parts are regulated by respective state agencies. In addition to its public utility operations, Spire also owns and operates several non-state-regulated entities.[3]

Piedmont and Spire entered into an Asset Purchase Agreement wherein Spire, upon Commission approval, would acquire the totality of Piedmont's property, operations, and authorizations to operate as a natural gas public utility in Tennessee. Spire assigned its rights under the Asset Purchase Agreement to Spire TN, subject to a guaranty of Spire TN's Asset Purchase Agreement obligations by Spire.[4]

The *Joint Application* requests that the Commission authorize Spire TN to adopt, on an interim basis, Piedmont's existing approved tariffs, rates, and regulatory mechanisms in effect as of the date

[1] *Joint Application*, pp. 2-3 (September 8, 2025).
[2] *Id.* at 3.
[3] *Id.*
[4] *Id.* at 3-4.

of closing.[5] Further, the Joint Applicants request that the Commission authorize Spire TN to assume Piedmont's obligations under franchise agreements entered into with municipal entities within the State. The Joint Applicants assert that the Commission previously approved these franchise agreements and that approval of the assumption of the franchise obligations by Spire TN is consistent with the Commission's statutory role in approving such agreements.[6] Finally, the *Joint Application* requests that the Commission authorize Piedmont to abandon service to Tennessee customers upon the closing of the proposed transaction and the transfer of operational responsibility to Spire TN.[7]

The Joint Applicants' proposed transaction requires a waiver filing with the Federal Energy Regulatory Commission ("FERC") and approvals from the Antitrust Division of the U.S. Department of Justice ("DOJ") and the U.S. Federal Trade Commission ("FTC") relative to the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Act").[8] The Joint Applicants submitted their FERC waiver filing on September 8, 2025. The respective filings for DOJ and FTC approval were filed on August 22, 2025, with the 30-day waiting period required by the HSR Act expiring on September 22, 2025.[9]

In support of the *Joint Application*, the Joint Applicants filed the Pre-Filed Direct Testimonies of David Yonce, Managing Director of Regulatory Affairs for Spire Missouri Inc.; Brittany Mathis, Chief Financial Officer for Spire Alabama Inc., Spire Mississippi Inc., and Spire Gulf Inc.; and Joe Hampton, President of the natural gas utility business for Spire Services Inc.

On September 24, 2025, the Consumer Advocate Division of the Office of the Attorney General ("Consumer Advocate") filed its *Petition to Intervene*.[10] The Administrative Judge granted the Consumer Advocate's intervention by order entered October 2, 2025.[11] Following the exchange

[5] *Id*. at 8-9.
[6] *Id*. at 10.
[7] *Id*. at 11.
[8] *Id*.
[9] *Id*. at 12.
[10] *Petition to Intervene* (September 24, 2025).
[11] *Order Granting the Petition to Intervene Filed by the Consumer Advocate* (October 2, 2025).

of discovery, the Consumer Advocate filed the Pre-Filed Direct Testimonies of Clark D. Kaml, Financial Analyst for the Consumer Advocate; David N. Dittemore, utility regulatory consultant; and Bradley O. Dixon, consultant. Mr. Kaml, Mr. Dittemore, and Mr. Dixon raise a number of issues for consideration concerning the proposed transaction:

1. Acquisition Adjustment (Premium);[12]
2. Transaction Costs;[13]
3. Due Diligence Costs;[14]
4. Transition Services Agreement ("TSA") Costs;[15]
5. Transition and Integration Timeframe;[16]
6. Transition and Integration Costs;[17]
7. Deferred Legacy Pension Costs;[18]
8. Branding Costs;[19]
9. Accumulated Deferred Income Taxes ("ADIT) and Rate Base Offset;[20]
10. Capital Structure;[21]
11. Annual Rate Review Mechanism ("ARRM");[22]
12. Rate Case Filing Moratorium;[23]
13. Reporting;[24]
14. Personal Customer Information;[25]
15. Spire TN Technical, Managerial, and Financial Capabilities;[26] and
16. Public Interest.[27]

[12] Clark D. Kaml, Pre-Filed Direct Testimony, pp. 24, 30 (December 1, 2025); David N. Dittemore, Pre-Filed Direct Testimony, p. 7 (December 1, 2025).
[13] Clark D. Kaml, Pre-Filed Direct Testimony, pp. 25-26 (December 1, 2025); David N. Dittemore, Pre-Filed Direct Testimony, p. 7 (December 1, 2025).
[14] Clark D. Kaml, Pre-Filed Direct Testimony, p. 26 (December 1, 2025).
[15] David N. Dittemore, Pre-Filed Direct Testimony, pp. 6, 14, 28, 33-34 (December 1, 2025).
[16] Bradley O. Dixon, Pre-Filed Direct Testimony, pp. 6, 11 (December 1, 2025).
[17] David N. Dittemore, Pre-Filed Direct Testimony, pp. 6, 34-37 (December 1, 2025); Bradley O. Dixon, Pre-Filed Direct Testimony, pp. 13-14 (December 1, 2025).
[18] David N. Dittemore, Pre-Filed Direct Testimony, pp. 37-38 (December 1, 2025).
[19] *Id.* at 6, 37.
[20] *Id.* at 6, 19-27.
[21] Clark D. Kaml, Pre-Filed Direct Testimony, pp. 4, 30-42 (December 1, 2025).
[22] David N. Dittemore, Pre-Filed Direct Testimony, pp. 5-6, 8, 27-31, 40-42 (December 1, 2025); Bradley O. Dixon, Pre-Filed Direct Testimony, pp. 18-20 (December 1, 2025).
[23] David N. Dittemore, Pre-Filed Direct Testimony, pp. 6, 29-32 (December 1, 2025).
[24] *Id.* at 6-7, 40-43.
[25] *Id.* at 39.
[26] *Id.* at 5; Clark D. Kaml, Pre-Filed Direct Testimony, pp. 29-30 (December 1, 2025).
[27] David N. Dittemore, Pre-Filed Direct Testimony, pp. 9-11, 25, 36 (December 1, 2025); Clark D. Kaml, Pre-Filed Direct Testimony, pp. 46-47 (December 1, 2025).

The Parties generally agreed on the Reporting issue that Spire should provide the Commission and the Consumer Advocate quarterly and annual reports on transition progress, and on the Personal Customer Information Issue that Spire and Spire TN will not share, sell, or disclose personal customer information unless required to do so for limited purposes. In addition, the Consumer Advocate did not directly oppose the Joint Applicants' position with regard to Spire TN's Technical, Managerial, and Financial Capabilities, though Mr. Kaml offers the amount of assistance Spire TN will require from Piedmont during the transition and the amount of acquisition premium to be paid by Spire as potential considerations. However, the Consumer Advocate's witnesses opposed the positions presented by the Joint Petitioners on the remaining issues.[28]

The Joint Applicants filed the Pre-Filed Rebuttal Testimonies of David Yonce, Managing Director of Regulatory Affairs for Spire Missouri Inc.; Mike Switzer, Vice President of Corporate Development of Duke Energy Corporation ("Duke Energy"); Andrew Etheridge, Director of Retirement for Duke Energy;[29] and Brittany Mathis, Chief Financial Officer for Spire Alabama Inc., Spire Mississippi Inc., and Spire Gulf Inc., in response to the positions taken by the Consumer Advocate.

On December 23, 2025, the Consumer Advocate filed a motion requesting a preliminary determination on whether Piedmont's ARRM is transferable to Spire TN and whether the *Joint Application* contained language sufficient to convey the Joint Applicants' intent to transfer the ARRM to Spire TN.[30] The Joint Applicants filed their response on December 30, 2025.[31] The Administrative

[28] *See* David N. Dittemore, Pre-Filed Direct Testimony (December 1, 2025); Clark D. Kaml, Pre-Filed Direct Testimony (December 1, 2025); and Bradley O. Dixon, Pre-Filed Direct Testimony (December 1, 2025).
[29] The Administrative Judge granted the Joint Applicants' motion requesting to substitute the Pre-Filed Rebuttal Testimony of Ms. Renee Metzler, Vice President of Total Rewards and Human Resources Operations for Duke Energy due to the unavailability of Mr. Etheridge to appear at the scheduled Hearing. *See Order Granting Motion for Leave for Substitution of Witness and Adoption of Testimony* (February 6, 2026).
[30] *Preliminary Motion to Adress the Transferability of Piedmont Natural Gas Company's Alternative Review Mechanism Under Tenn. Code Ann. § 65-5-103(d)(6) December 23, 2025).*
[31] *Response of Applicants Piedmont Natural Gas Company, Inc. and Spire Tennessee Inc. to Consumer Advocate Motion for Preliminary Determination on the Transferability of Piedmont's Annual Review Mechanism* (December 30, 2025).

Judge held that while the ARRM is not explicitly referenced in the *Joint Application*, the request for Commission authorization for Spire TN "to adopt, on an interim basis, the existing approved Piedmont tariffs, rates, and regulatory mechanisms in effect as of the date of closing" was sufficient to convey the Joint Applicants' intent to transfer Piedmont's existing ARRM to Spire TN.[32] Further, the Administrative Judge relied on the absence of statutory language that neither permits or prohibits the transfer of alternative ratemaking mechanisms, the Commission's statutory authority to supervise and regulate public utilities, and the statutory directive to resolve any doubt as to the existence or extent of a power conferred on the Commission by statute to be in favor of the existence of the power, to find that the Commission is authorized to transfer the ARRM. However, the Administrative Judge determined that whether to transfer Piedmont's ARRM to Spire TN is an evidentiary issue that turns on whether a transfer of authority is in the public interest. Therefore, the Administrative Judge concluded that the Commission must determine whether transferring Piedmont's ARRM to Spire TN is in the public interest.[33]

II. HEARING ON THE MERITS

A hearing in this matter was held before the panel during the regularly scheduled Commission Conference on February 17, 2026, as noticed by the Commission on February 6, 2026. Participating in the hearing as counsel for the Parties were:

> Piedmont Natural Gas Company, Spire Tennessee Inc., and Spire Inc. – *Paul S. Davidson, Esq.*, Holland & Knight, LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37129; *James H. Jeffries, IV, Esq.*; and *Brian L. Franklin, Esq.*, McGuire Woods LLP, 201 North Tryon Street, Suite 3000, Charlotte, North Carolina 28202.
>
> Piedmont Natural Gas Company – *Brian S. Heslin, Esq.*, Deputy General Counsel, Duke Energy Corporation, 525 S. Tryon Street, Charlotte, North Carolina, 28202.

[32] *Order Denying In Part and Deferring In Part the Consumer Advocate's Preliminary Motion to Address the Transferability of Piedmont Natural Gas Company's Alternative Review Mechanism Under Tenn. Code Ann. § 65-5-103(d)(6)*, p. 8 (January 13, 2026).
[33] *Id.* at 12.

Spire Inc. and Spire Tennessee Inc. – *Henry M. Walker, Esq.*, Bradley Arant Boult Cummings, 1221 Broadway, Suite 2400, Nashville, Tennessee 27403; *Matthew J. Aplington, Esq.*, Vice President and Chief Legal Officer of Spire Inc., 700 Market Street, St. Louis, Missouri 63101-1829.

Consumer Advocate Division of the Office of the Attorney General – *Karen Stachowski, Esq.*; *Vance L. Broemel, Esq.*; and *Shilina B. Brown, Esq.* of the Office of the Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37202-0207.

The panel heard testimony from Joint Applicant witnesses: Joe Hampton, Brittany Mathis, David Yonce, Mike Swtizer, and Renee Metzler. The Consumer Advocate presented witness testimony from David Dittemore, Clark Kaml, and Bradley Dixon. The witnesses provided summaries of their respective Pre-Filed Testimonies, were subject to cross-examination, and were available for questions from the Commissioners and Commission Staff. Members of the public were given an opportunity to offer comments, but none sought recognition to do so.

The Commission convened a public meeting for the panel's deliberation during a regular Commission Conference on March 16, 2026, as duly noticed on March 5, 2026. After considering the entire record, including all exhibits, testimony, and witnesses, the panel deliberated on a motion by the Chairman regarding the issues for consideration, including findings and conclusions, and voted unanimously in favor of the motion.

III. STANDARD OF REVIEW

The Commission has "general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter."[34] The Tennessee Supreme Court has interpreted the supervisory and regulatory powers of the Commission as "practically plenary authority over the utilities within its jurisdiction."[35]

[34] Tenn. Code Ann. § 65-4-104(a) (2025).
[35] *BellSouth Adver. & Publ'g Corp. v Tenn. Reg. Auth.*, 79 S.W.3d 506, 512-513 (Tenn. 2002).

In the performance of its duties on the issues before the Commission in the current docket, several statutory provisions must be considered. First, Tenn. Code Ann. § 65-4-113(a) provides:

> No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issues by the commission, to any individual, partnership, corporation, or other entity without first obtaining the approval of the commission.[36]

When considering a transfer of authority to provide utility services, the Commission must consider all relevant factors, "including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer."[37] Upon finding that the transfer furthers the public interest, the Commission shall approve the transfer.[38] After the Commission approves the transfer, the transferee is granted full authority and the obligation to provide the transferred utility services, and the transferor's authority and obligation to provide those services are terminated.[39]

In addition, the Commission must consider whether to grant Spire TN a CCN to provide natural gas services in the current Piedmont service territory. A public utility is not permitted to begin construction or operation of a new utility service without first obtaining a CCN from the Commission, as set forth in Tenn. Code Ann. § 65-4-201(a), which states:

> No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory already receiving a like service from another public utility, or establish service therein, without first having obtained from the commission, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation, and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system, or route to be operated as a

[36] Tenn. Code Ann. § 65-4-113(a) (2025).
[37] Tenn. Code Ann. § 65-4-113(b) (2025).
[38] *Id*.
[39] Tenn. Code Ann. § 65-4-113(c) (2025).

> public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate; provided, however, that this section shall not be construed to require any public utility to obtain a certificate for an extension in or about a municipality or territory where it shall theretofore have lawfully commenced operations, or for an extension into territory, whether within or without a municipality, contiguous to its route, plant, line, or system, and not theretofore receiving service of a like character from another public utility, or for substitute or additional facilities in or to territory already served by it.[40]

Therefore, the Commission must consider whether Spire TN has the requisite financial, technical, and managerial capabilities to provide the water service to the Piedmont service territory.

IV. FINDINGS AND CONCLUSIONS

The panel considered the entire evidentiary record, the testimony of witnesses, and the arguments of counsel. The panel made findings concerning each of the issues raised for consideration by the Consumer Advocate.

A. ACQUISITION ADJUSTMENT (PREMIUM)

Commission Rule 1220-04-14.01 defines an "acquisition adjustment" as "the amount, whether positive or negative, the Commission determines should be incorporated into the acquired rate base under Rule 1220-04-14-.04."[41] The proposed transaction included a premium, which is the amount of the proposed $2.48 billion purchase price that exceeds the purchased assets' net book value. The Commission generally considers whether an acquisition adjustment should be incorporated into the acquired rate base during the acquisition case utilizing factors established in Commission Rules.[42]

In the present case, Spire does not seek an acquisition adjustment for any premium included in the purchase price. In the Joint Applicant's pre-filed testimony, Ms. Mathis notes that the Company

[40] Tenn. Code Ann. § 65-4-109 (2022).
[41] Tenn. R. & Regs. 1220-04-14-.04(4).
[42] *See* Tenn. R. & Regs. 1220-04-14-.04.

"does not expect to recover any acquisition premium in customer rates."[43] Additionally, the *Joint Application* includes Exhibit F, "Summary of Customer Costs and Benefits," which specifies that customers would not bear any acquisition premium costs, which "shall be paid exclusively by Spire Inc."[44]

Despite the Company's declaration that it will not seek recovery of the acquisition premium from customers, Consumer Advocate witness, Clark Kaml testified that "the Commission should explicitly exclude recovery of the acquisition premium from Tennessee customers or consumers, or any Spire subsidiary operations in Tennessee."[45] He asserted that, "[a]lthough Spire has made a commitment not to amortize the acquisition premium to its revenue requirement in a direct fashion, Spire intends to recover the premium from its customers in some form."[46] Mr. Dittemore included Mr. Kaml's position in his own testimony which summarizes the Consumer Advocate's overall recommendations.[47]

In his rebuttal testimony, Mr. Yonce reiterated that Spire and Spire TN are not seeking recovery of any acquisition premium. Specifically, Mr. Yonce asserted that, "Spire shall not seek recovery of the acquisition premium associated with this transaction." Further, Mr. Yonce clearly articulated that an acquisition premium is not a cost that should be borne by customers."[48]

Commission Rule 1220-04-14-.04 provides factors to consider when evaluating whether an acquiring company should be allowed to recover an acquisition adjustment or premium, or some portion thereof, from its customers. Generally, these provisions allow for full or partial recovery of an acquisition adjustment if the Commission determines that circumstances warrant recovery and the adjustment "will not result in unjust or unreasonable rates and charges for the acquiring utility or for

[43] Brittany Mathis, Pre-Filed Direct Testimony, p. 12 (September 8, 2025).
[44] *Joint Application,* Exhibit F, p.1 (September 8, 2025).
[45] Clark D. Kaml, Pre-Filed Direct Testimony, p. 24 (December 1, 2025).
[46] *Id*. at 30.
[47] David N. Dittemore, Pre-Filed Direct Testimony, p. 7 (December 1, 2025).
[48] Rebuttal Testimony David Yonce, pp. 43-44 (January 9, 2026).

customers."[49] Since Spire has stated that it is not seeking recovery of an acquisition premium, the panel finds that this position is just and reasonable. The panel unanimously held that Spire and Spire TN are not authorized to recover any portion of the purchase price that exceeds the net book value of the underlying assets purchased in this transaction and is further not authorized to record a regulatory asset related to such acquisition premium for recovery in any future rate proceeding.

B. TRANSACTION COSTS

A purchaser incurs fees and expenses that are often necessary to complete an acquisition transaction. These expenses may include legal fees, investment banking costs, and valuation costs. Ms. Mathis testified that Spire does not have an estimated total of such expenses, but that Spire "does not intend to seek recovery of any of these [transaction] fees."[50] Further, Exhibit F of the *Joint Application*, titled "Summary of Customer Costs and Benefits," specified that Spire would exclusively pay the transaction costs and customers bear none of these costs[51]

Mr. Kaml testified on behalf of the Consumer Advocate, expressing concern as to the Company's claims regarding recovery of transaction costs. He stated that Spire's position in the *Joint Application* is inconsistent in that it states an intention not to seek recovery of some transaction costs but also states that recovery of other transaction costs is not precluded.[52] Mr. Kaml recommended explicit exclusion of recovery of any transaction costs.[53] Mr. Dittemore reiterated Mr. Kaml's recommendation that recovery of transaction costs should be denied.[54]

In rebuttal, Mr. Yonce emphasized that the Company does not intend to seek recovery for its transaction costs, asserting, "[a]ll 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

[49] Tenn. Comp. R. & Regs. 1220-04-14-.04(1).
[50] Brittany Mathis, Pre-Filed Direct Testimony, p. 13 (September 8, 2025).
[51] *Joint Application,* Exhibit F, g.1 (September 8, 2025).
[52] Clark D. Kaml, Pre-Filed Direct Testimony, p. 25 (December 1, 2025).
[53] *Id*. at 25-26.
[54] David N. Dittemore, Pre-Filed Direct Testimony, p. 7 (December 1, 2025).

revenue requirement determinations."[55] Mr. Yonce also stated that Spire believes that transaction costs should not be borne by customers.[56]

Commission rule 1220-04-14-.06 provides guidance for apportioning reasonable and prudent regulatory, transaction, and closing costs between a utility's shareholders and its customers. Generally, this rule directs the Commission to order an allocation between utility owners/shareholders and customers based on its evaluation of the acquisition's relative benefits to each.[57]

The Parties' respective positions are generally in agreement that no recovery of transaction costs is sought or should be ordered, other than the legal costs directly related to this proceeding. The panel found that this position is reasonable, and thus, unanimously found that regulatory, transaction, and closing costs incurred by Spire in this docket, aside from those legal costs directly related to this proceeding, should be denied from future recovery from its customers in this or any future proceeding. Further, if Spire or Spire TN ultimately petitions for future recovery in a Commission filing, any legal costs directly associated with the filing should be fully auditable and clearly supported by appropriate documentation. Finally, those legal costs directly incurred as a result of this proceeding should not be deferred to a regulatory asset(s) on either Spire or Spire TN's books and records, and any requested recovery of such legal costs should be evaluated in a future rate proceeding.[58]

C. DUE DILIGENCE COSTS

The due diligence costs of an acquisition are those expenditures, normally incurred prior to the execution of a purchase agreement, related to evaluating whether the acquisition of a company or its assets would be in the acquiring company's best interests. Ms. Mathis testified on behalf of the

[55] David Yonce, Pre-Filed Rebuttal Testimony, pp. 42 (January 9, 2026).
[56] *Id.* at 44.
[57] Tenn. Comp. R. & Regs. 1220-04-14-.06.
[58] The future rate proceeding in which recovery of the described legal costs shall not occur in a proceeding under the temporary ARRM transferred to Spire herein.

Joint Applicants that Spire may ultimately seek recovery of reasonable and prudent due diligence costs related to this proceeding once a total is available.[59]

The Consumer Advocate opposed recovery of any due diligence costs from utility customers. Mr. Kaml testified that due diligence costs are incurred prior to the decision to enter into a purchase agreement and are, therefore, for the benefit of the purchaser rather than the customer. He also stated that the amount of due diligence costs should already be known.[60]

Mr. Yonce offered a solution in his rebuttal testimony. Mr. Yonce testified that, "[t]he Company shall not seek recovery of due diligence costs in this matter or in any future docket related to this issue in this docket."[61]

Based on Mr. Yonce's position in his rebuttal testimony, the panel determined that the Parties agree that there will be no recovery of due diligence costs. The panel found that this agreed position is reasonable in that due diligence costs typically provide greater benefit to shareholders than customers. Therefore, the panel unanimously held that Spire is not authorized to recover due diligence costs from customers in this proceeding, nor to defer due diligence costs as a regulatory asset for recovery in any future rate proceeding.

D. TRANSITION SERVICES AGREEMENT ("TSA") COSTS

Spire TN will not utilize the applications, technology, or shared-services employees of Duke Energy or Piedmont, but will integrate its own support infrastructure into its operations. Because this integration will require system migration and upgrades, the Joint Applicants proposed to operate under a TSA for a period after the transaction closes.[62] The *Joint Application* includes a general form of the TSA as part of the Asset Purchase Agreement. During the transition period, Piedmont and/or

[59] Brittany Mathis, Pre-Filed Direct Testimony, p. 13 (September 8, 2025).
[60] Clark D. Kaml, Pre-Filed Direct Testimony, p. 26 (December 1, 2025).
[61] David Yonce, Pre-Filed Rebuttal Testimony, p. 42 (January 9, 2026).
[62] Brittany Mathis, Pre-Filed Direct Testimony, pp. 5, 13-14 (September 8, 2025).

Duke Energy would provide services to Spire TN at agreed-upon fees to ensure that operations are transitioned to Spire TN as seamlessly as possible.[63]

The Consumer Advocate asserted that any costs incurred under the TSA for ongoing operations should be charged to Spire Tennessee's operating expenses as incurred and therefore should not be authorized for recovery from customers.[64] Mr. Dittemore stated that the transition period will necessarily include many unknowns, and he noted that Piedmont's existing tariff does not contemplate the questions that may arise during operations under the TSA.[65] He further testified that, while operating under the TSA, it is likely that a duplication of costs will occur as both Piedmont and Spire TN will be performing similar work. Because Spire TN would already be recouping Piedmont's cost of service through customer service rates, additional costs incurred by Spire under the TSA should not be permitted for inclusion under a future alternative regulatory mechanism or revenue requirement calculation. Finally, Mr. Dittemore asserted that this proposed transaction is primarily driven by the benefits accruing to shareholders of both utilities.[66]

In rebuttal, Mr. Yonce testified that, "[t]he 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 costs of services provided by Piedmont to Spire are already included in customer rates, and any incremental costs associated with the TSA will not be recovered in rates."[67]

Based upon Mr. Yonce's rebuttal testimony, the parties agree that TSA-related charges from Piedmont to Spire Tennessee during the integration and transition period would not be recoverable from customers. The panel found that the customers' existing service rates include a provision for technology-related costs. Hence, permitting additional technology-related costs associated with the

[63] *Joint Application*, Confidential Ex. A (September 8, 2025).
[64] David N. Dittemore, Pre-Filed Direct Testimony, p. 6 (December 1, 2025).
[65] *Id*. at 14, 28.
[66] *Id*. at 33-34.
[67] David Yonce, Pre-Filed Rebuttal Testimony, p. 42 (January 9, 2026).

TSA for recovery from customers would effectively duplicate these types of charges. Therefore, the panel unanimously held that Spire is not authorized to recover any costs related to the TSA between Piedmont and Spire from customers in this proceeding and is not authorized to defer such costs to a regulatory asset for recovery in any future rate proceeding.

E. TRANSITION AND INTEGRATION TIMEFRAME

The Consumer Advocate recommended that the Commission require the Joint Applicants to complete all transition and integration activities within 24 months of the closing date of the proposed transaction. Mr. Dixon asserted that customers should not potentially have to bear the costs of an integration period that exceeds a reasonable timeframe.[68] Further, Mr. Dixon noted that his 24-month recommendation is based on his experience with transition implementations.[69]

Mr. Yonce testified that while he has no concerns that all transition and integration activities will be completed within 24 months of closing, he disagrees with Mr. Dixon's recommendation because it is both unnecessary and could have unintended consequences.[70] Mr. Yonce further stated that the TSA contemplates an 18-month completion and includes two, three-month extensions if necessary.[71] He further explained that a set deadline could lead to higher costs due to rushing work and potentially paying premium work rates.[72]

The panel found that, inclusive of extensions, the TSA contemplates a maximum integration timeframe of 24 months, which is the same time period requested by the Consumer Advocate for mandated completion. As discussed further herein, Spire will provide quarterly reports on the status of the transition and integration process. Therefore, the panel found that establishing an explicit time limit for transition and integration is not necessary.

[68] Bradley O. Dixon, Pre-Filed Direct Testimony, p. 6 (December 1, 2025).
[69] *Id.* at 11-12.
[70] David Yonce, Pre-Filed Rebuttal Testimony, p. 18 (January 9, 2026).
[71] *Id.* at 38.
[72] *Id.* at 18.

F. TRANSITION AND INTEGRATION COSTS

Throughout the documents and testimony contained in the evidentiary record, the terms "transition costs" and "integration costs" are often used interchangeably. Mr. Yonce stated in his rebuttal testimony that Mr. Dixon's testimony on behalf of the Consumer Advocate refers to transition costs in the same manner that he defines integration costs.[73] Ms. Mathis testified that the proposed transaction will likely include costs associated with integration consultants, regulatory approvals, and technology integration since Spire TN will not retain use of the applications or technology owned by Piedmont or Duke Energy.[74] She specified that costs of new technology systems or system enhancements necessary to serve customers are expected to be recovered through service rates, either through direct charge to Spire TN or proportionately through the prescribed methodologies established in Spire's CAM. These types of transition and integration costs represent costs outside of the TSA with Piedmont, as discussed above.[75]

On behalf of the Consumer Advocate, Mr. Dittemore asserted that recovery of "integration costs incurred to establish technology should be subject to a demonstration by Spire that overall operating costs have not increased from those incurred by Piedmont."[76] Mr. Dittemore expressed concern that transition and integration costs under Spire Tennessee may be higher than those incurred by Piedmont and that Piedmont customers should not be left with higher bills as a result of this transaction that they did not request.[77] Mr. Dittemore stressed the importance of a thorough prudence review of transition and integration costs and emphasized that the failure to present a budget for these costs makes it more difficult to evaluate prudence.[78] Mr. Dittemore asserted that a proper review and prudence determination related to these costs would require more time than is permitted within the

[73] *Id*. at 29.
[74] Brittany Mathis, Pre-Filed Direct Testimony, pp. 5, 13 (September 8, 2025).
[75] *Id*. at 13.
[76] David N. Dittemore, Pre-Filed Direct Testimony David N. Dittemore, p. 6 (December 1, 2025).
[77] *Id*. at 35.
[78] *Id*. at 36-37.

time constraints and discovery limitations of an ARRM proceeding.[79] Mr. Dixon agreed with this position and recommended that Spire be required to track transition and related integration testing costs for proper review in a future rate case, but not an ARRM proceeding.[80]

In rebuttal, Mr. Yonce proposed a potential solution. He stated, "Spire shall track all integration costs so they are easily auditable. Spire shall not seek recovery of integration costs in an ARRM proceeding. Spire reserves the right to seek recovery of these costs in a future rate proceeding."[81] He elaborated that, given the Consumer Advocate's stated concerns, Spire is willing to forgo seeking recovery of these costs via an alternative regulatory mechanism. Rather, recovery of these costs will be sought in a future rider proceeding or general rate proceeding.[82]

The panel found that while the Consumer Advocate's position that consumers should not be required to pay more for their service simply due to a change in their natural gas provider is reasonable, it also recognized a potential for reasonable and prudent integration costs associated with an acquisition of this magnitude. Therefore, the panel held that Spire may seek recovery of integration and transition costs that are unrelated to the TSA in a future rate proceeding.[83] There is no presumption on the likelihood of recovery, and the Commission will evaluate the request for reasonableness, verifiability, and conformity with Commission rules and policy in a future proceeding. For these reasons, the panel did not authorize Spire to record the deferral of such non-TSA integration and transition costs as a regulatory asset for future ratemaking purposes.

[79] *Id*.
[80] Bradley O. Dixon, Pre-Filed Direct Testimony, p. 13 (December 1, 2025).
[81] David Yonce, Pre-Filed Rebuttal Testimony, p. 43 (January 9, 2026).
[82] *Id*. at 44-45.
[83] The future rate proceeding in which recovery of the described non-TSA integration and transition costs shall not occur in a proceeding under the temporary ARRM transferred to Spire herein.

G. DEFERRED LEGACY PENSION COSTS

The Commission authorized Piedmont to retain nearly $11.9 million in deferred legacy pension costs, to be amortized over eight years, in Docket No. 20-00086.[84] On behalf of the Consumer Advocate, Mr. Dittemore testified that the remaining unamortized balance on December 31, 2024, was nearly $5.2 million.[85] He recommended that the Commission find that the remaining unamortized balance at closing should be written off and not permitted to be transferred to Spire TN, asserting that approving such a transfer implies that Spire customers should provide recovery for a cost that no longer exists for an employee benefit no longer offered. In addition, Piedmont would retain the cash from an over-funded pension plan.[86]

Ms. Metzler, testifying on behalf of Duke Energy, claimed that Mr. Dittemore's recommendation is a flawed conclusion based upon incorrect facts and unfounded speculation.[87] She further asserted that Piedmont's pension plan is not being terminated and that Piedmont has no access to pension plan assets, as they are held in an irrevocable trust solely for the benefit of retirees. She states that Mr. Dittemore's recommendation is inconsistent with prior Commission Orders.[88]

Spire's Ms. Mathis also opposed Mr. Dittemore's recommendation to write off the unamortized deferred legacy pension costs, stating that the legacy pension plan at issue is one offered by Piedmont to its vested retirees, not one related to Spire.[89] She explained, however, that eliminating this balance would leave Piedmont with the liability of paying former employees with no ability to recover these previously approved legacy costs incurred up to 20 years prior. Additionally, she noted

[84] *In re: Petition of Piedmont Natural Gas Company, Inc. for Approval of an Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee*, Docket No. 20-00086, *Order Approving Settlement Agreement Setting Rates and Approving the Procedures for Refunds to Customers*, Ex. A, p. 5 (May 6, 2021) ("*2020 Rate Case Order*").
[85] David N. Dittemore, Pre-Filed Direct Testimony, p. 38 (December 1, 2025).
[86] *Id*. at 37-38.
[87] Renee Metzler, Pre-Filed Rebuttal Testimony, p. 3 (February 3, 2026).
[88] *Id*. at 4-6.
[89] Brittany Mathis, Pre-Filed Rebuttal Testimony, p. 27 (January 9, 2026).

that upon approval of the proposed transaction, Spire will offer its own pension benefits to former Piedmont employees with the aim of approximating the benefits currently offered by Piedmont.[90]

The panel recognized that the approved *Stipulation and Settlement Agreement* in the *2020 Rate Case Order* expresses an agreement between the parties in that docket to permit Piedmont to recover nearly $11.9 million in pension plan contributions made by Piedmont prior to 2018 over a period of eight years.[91] The Commission found these past contributions to be reasonable and a legitimate cost of providing natural gas service and approved the agreed-upon deferred regulatory asset and its amortization.[92] The panel found that Piedmont's pension obligation for its current and former employees still exists and noted that Spire intends to keep all of Piedmont's Tennessee employees post-closing in its provision of natural gas services to the transferred service area. Further, the panel found that the proposed transaction would transfer all of Piedmont's Tennessee assets to Spire. Included in these assets is the regulatory asset on these approved legacy pension-related expenditures. The transfer of this asset would result in Spire making Piedmont whole regarding these expenditures by satisfying Piedmont's Commission-approved receivable on behalf of its customer base. Spire then would obtain the regulatory asset, which would allow Spire to be reimbursed by its customers for the remaining unrecovered balance at the proposed transaction's closing. Therefore, the panel unanimously authorized the transfer of the remaining net balance of its deferred legacy pension regulatory asset to Spire TN at closing.

H. BRANDING COSTS

Branding costs are not specifically mentioned in the *Joint Application*. However, the Consumer Advocate asserted that any costs incurred by Spire to develop and implement its branding over its newly acquired Tennessee service territory should be ineligible for recovery from

[90] *Id*. at 28.
[91] *2020 Rate Case Order*, Ex. A, p. 5 (May 6, 2021).
[92] *Id*. at 6.

ratepayers.[93] Mr. Dittemore explained that while these costs may be necessary for informing customers of the new ownership, branding costs provide no incremental value to customers and primarily serve to advance the position of shareholders.[94]

Mr. Yonce rebutted Mr. Dittemore's recommendation, arguing that a future rate proceeding would be the proper venue for deliberating these particular costs as the costs would then be known and the Consumer Advocate would have an opportunity to evaluate the actual costs and make a prudency recommendation. He stated that these costs should not be preemptively disallowed.[95]

The panel noted that Commission Rule 1220-04-05-.45 generally prohibits recovery of both direct and indirect promotional and political advertising expenditures, and that Piedmont has excluded advertising expenditures from its costs of service in previous years via its Schedule 38. However, the panel found that the recoverability of branding costs is better adjudicated in a rate proceeding. Therefore, the panel deferred this issue to a future rate proceeding.

I. ACCUMULATED DEFERRED INCOME TAXES ("ADIT") AND RATE BASE OFFSET

ADIT represents the cumulative amount of revenues that have been collected from customers that are earmarked for income taxes and are not yet due, and therefore have not been remitted to the taxing authorities. This delay is largely driven by tax code provisions that allow more aggressive current deductions than those recorded for accounting purposes. These deferred taxes will normally become due in the future. Regulatory practice allows the balance of these deferred taxes to benefit customers by reducing a utility's rate base when computing its authorized return, since the ADIT balance has been provided by customers through their service rates and serves as a cost-free source of capital for the utility.

[93] David N. Dittemore, Pre-Filed Direct Testimony, p. 6 (December 1, 2025).
[94] *Id*. at 37.
[95] David Yonce, Pre-Filed Rebuttal Testimony David Yonce, p. 27 (January 9, 2026).

The Consumer Advocate expressed concern over the Joint Applicants' proposed post-closing elimination of Piedmont's existing ADIT balance, which was $247.5 million on December 31, 2024. Mr. Dittemore recommended that Spire be required to establish a regulatory liability equal to Piedmont's ADIT balance, to include the remaining excess ADIT related to the 2017 Tax Cuts and Job Act ("TCJA"), at the transaction's closing.[96] Mr. Dittemore testified that establishing this regulatory liability to mirror the current ADIT balance would prevent an improper transfer of customer wealth to Spire, ensure Spire TN's balance sheet is properly stated, and ensure that customers do not lose the benefit of the existing ADIT balance on Piedmont's books.[97] Mr. Dittemore proposed that the excess ADIT portion of his recommended regulatory liability, which was $46.5 million on December 31, 2024, be amortized over 59.2 years at its current amortization rate, with the much larger remaining traditional ADIT balance amortized over 28.7 years, the remaining weighted-average book life of the underlying assets.[98]

Though acknowledging the loss of ADIT at closing would ultimately impact customers, Ms. Mathis asserted that the Internal Revenue Service's (IRS) normalization rules require the traditional ADIT balance to be settled at closing and therefore not available for transfer to Spire TN.[99] Ms. Mathis explained that the acquisition is a taxable transaction that triggers remittance of deferred taxes owed by Piedmont. Further, she stated that the ADIT balance could not be transferred to Spire because it relates to a different taxable entity. She also noted that failure to comply with the IRS's rules would prevent Spire from taking otherwise allowable accelerated depreciation deductions going forward, severely impacting the Company's cash flow and ability to invest in its operations.[100] Given this, she

[96] David N. Dittemore, Pre-Filed Direct Testimony, p. 5 (December 1, 2025).
[97] *Id.* at 22, 24-25.
[98] *Id.* at 26-27.
[99] Brittany Mathis, Pre-Filed Rebuttal Testimony, pp. 20-22 (January 9, 2026).
[100] *Id.* at 22-24.

concludes that in his rebuttal testimony, Mr. Yonce discussed other concessions that serve to mitigate any ADIT-related rate impacts.[101]

In his rebuttal testimony, Mr. Yonce testified that Spire will establish a $250 million rate base offset for rate-making purposes, to be amortized over 20 years commencing upon the closing of the proposed transaction. Mr. Yonce stated that Spire can demonstrate its commitment to affordability to both the Commission and its future customers through this rate base offset.[102]

The panel noted the importance of the ADIT issue. The Consumer Advocate correctly states that upon closing of this proposed transaction, a nearly $250 million rate base offset consisting of customer funds earmarked for income taxes that are not payable until sometime in the future, will be removed from the customers' natural gas provider's balance sheet. This removal would result in a rate base upon which future authorized earnings for Spire TN will be computed that is higher by a like amount for some time, due to IRS rules, whereby the purchaser incurs a stepped-up tax basis equal to book value for the acquired assets pre-close tax basis. While lost ADIT of nearly $250 million would eventually be reestablished at some time in the future, the panel found that the Spire's willingness to book a regulatory liability post-closing as a proxy for the lost ADIT balance is fair and reasonable. This regulatory rate base offset would mitigate any initial customer benefits otherwise lost. In addition, the panel found that Spire's proposed 20-year amortization period substantially satisfies the Consumer Advocate's concerns. Therefore, the panel unanimously voted to require Spire to establish a $250 million regulatory liability as an offset to rate base, amortized over 20 years commencing upon the closing of the proposed transaction.

[101] *Id* at 25.
[102] David Yonce, Pre-Filed Rebuttal Testimony, pp. 43, 45 (January 9, 2026).

J. CAPITAL STRUCTURE

The *Joint Application* states that Spire intends to fund the acquired assets through both debt and equity in a manner whereby Spire TN's capital structure would approximate Piedmont's existing capital structure as closely as possible.[103] To emphasize this, Ms. Mathis testified, "Spire does not intend to materially change the existing capital structure of the utility, as it believes it is currently established with a prudent balance of debt and equity in light of current market conditions."[104] Piedmont's existing capital structure is approximately comprised of 50% debt and 50% equity."[105]

Clark Kaml expressed concern that Spire's debt rate will be higher than Piedmont's existing rate.[106] In addition, he stated that, due to financing choices, Spire may employ debt or hybrid-debt financing in a larger relative proportion at the holding company level to subsequently fund equity at the Spire TN level. This double leveraging would benefit Spire's shareholders to the detriment of the Company's customers.[107] To the extent that debt will be used in place of equity at Piedmont's authorized levels, Mr. Kaml concluded that the difference in financing costs should be refunded to ratepayers until such time as the parent company's and subsidiary's capital structures are both consistent with each other and also aligned with Piedmont's authorized capital structure.[108] Based on these concerns, Mr. Kaml averred that the Commission should closely examine the capital structure and cost of capital of Spire to "protect customers from increased debt costs resulting from this transaction[,]"[109] and ensure that Spire TN's approved capital structure does not reflect theoretical levels of equity that are funded by debt at the parent company level in future revenue requirement determinations.[110]

---

[103] *Joint Application,* p.7 (September 8, 2025).
[104] Brittany Mathis, Pre-Filed Direct Testimony, p. 6 (September 8, 2025).
[105] *2020 Rate Case Order*, p. 4 (May 6, 2021).
[106] Clark D. Kaml, Pre-Filed Direct Testimony, p. 36 (December 1, 2025).
[107] *Id*. at 36-41.
[108] *Id*. at 41.
[109] *Id*. at 4.
[110] *Id*. at 4, 41.

Ms. Mathis acknowledged that while new debt obtained by Spire would not likely be the same interest rates locked in by Piedmont due to market conditions, she asserted that mitigation of the impact of market interest rates is accomplished by the debt placement for Spire TN, noting Spire's strong creditworthiness and industry credit ratings.[111] Further, she explained that Mr. Kaml's concern regarding increased annual interest expense is overestimated by $2.5 million because he only cited Spire's long-term debt in his discussion, failing to compare Piedmont's *overall* debt rate to that of Spire's post-close.[112] Next, in addressing Mr. Kaml's concerns about potential double leveraging, Ms. Mathis testified that Spire does not plan for any of the equity contributed to the Spire TN business unit to be associated with incremental holding company debt.[113] She explained that about 50% of Spire TN's rate base will be funded via senior notes issued by Spire and connected with Spire TN, with the remaining 50% funded by equity through one of two currently undecided options: the issuance of common equity shares or the sale of a Spire non-regulated business. She also noted that Mr. Kaml apparently cited Spire's consolidated capital structure in his testimony, when only evaluating Spire's regulated utility business's capital structure would have been more appropriate. She averred that Spire's unregulated businesses have different risk and market profiles.[114]

The panel noted that the capital structure issues raised and discussed by the Consumer Advocate and the *Joint Applicants* are important. It further noted that Piedmont has an approved capital structure ratio of almost a 50/50 mix of equity and overall debt, and that Spire witnesses stated that Spire TN's capital structure would closely resemble Piedmont's. The panel also observed that, in general, the Commission sets the capital structures of its regulated utilities at the level of their parent company, which serves to mitigate double-leveraging concerns. However, since this is not a rate

[111] Brittany Mathis, Pre-Filed Rebuttal Testimony, p. 17 (January 9, 2026).
[112] *Id*. at 12.
[113] *Id*. at 15.
[114] *Id*. at 16-17.

proceeding and Piedmont's existing rates, based on Piedmont's capital structure, will be utilized by Spire TN upon closing of the proposed transaction, the panel deferred consideration of these capital structure issues for evaluation in a future rate proceeding.

K. EXISTING ANNUAL RATE REVIEW MECHANISM ("ARRM")

The *Joint Application* also requests that the Commission authorize Spire TN "to adopt, on an interim basis, the existing approved Piedmont tariffs, rates, and regulatory mechanisms in effect at the date of closing[,]"[115] the assignment of Piedmont's existing Commission-approved franchise agreements to Spire TN, and Piedmont's abandonment of regulated service to customers in Tennessee.[116] According to the Spire, Tenn. Code Ann. § 65-4-113(a) contemplates more than a simple CCN transfer, and the Company maintains that these related approvals will promote a smooth, predictable transition of services post-closing from Piedmont to Spire TN.[117]

Though the *Joint Application* contemplates the interim transfer of Piedmont's existing tariffs, rates, and regulatory mechanisms, the Consumer Advocate's opposition concentrated upon Piedmont's existing alternative regulatory mechanism, its ARRM. Mr. Dittemore opined that Spire is ineligible under Tennessee law to operate under an alternative regulatory mechanism and, therefore, Piedmont's existing ARRM should not be allowed to transfer to Spire. He asserted that Tenn. Code Ann. § 65-5-103(d)(6) requires a utility to have undergone a general rate case within the past five (5) years to be eligible for alternative regulatory consideration, and he further argued that an alternative regulatory mechanism should be tailored to each regulated utility.[118] Mr. Dittemore argued that Spire will have issues related to its revenue requirement that are unique to Spire, not related to Piedmont or its current operations. He further testified that Spire TN can request a general rate case and,

[115] *Joint Application*, p. 9 (September 8, 2025).
[116] *Id*.
[117] *Id*. at 9-11; *see also* David Yonce, Pre-Filed Direct Testimony, pp. 16-17 (September 8, 2025).
[118] David N. Dittemore, Pre-Filed Direct Testimony, pp. 5-6, 27-29 (December 1, 2025).

subsequently, an alternative regulatory mechanism, once its normal operating costs are known.[119] Next, Mr. Dittemore recommended that Piedmont's current ARRM-related deferrals should terminate at closing, with any future recovery of said costs to be determined in a future proceeding, and that no accrued carrying charges should apply to these ARRM-related deferred balances at closing.[120] Corresponding to the proposed ARRM termination, Mr. Dittemore proposed two accounting requirements.[121] First, he recommended that Spire be permitted to defer general tax expenses that differ from the 2024 balance and that 2026 general tax deferrals should be made on a pro rata basis, assuming a 2026 closing date.[122] Second, Mr. Dittemore proposed that all amounts collected by Spire TN under ARRM-related rider rates on or after October 1, 2026, should be deferred as a regulatory liability, with its appropriate disposition determined as a part of Spire Tennessee's next base rate proceeding.[123] Mr. Dittemore testified that Piedmont's current rider surcharges were designed to recover over $1.9 million in associated revenue shortfalls over the twelve-month period ending September 30, 2026. He asserted that, as long as these rider chargers persist, they will result in Spire Tennessee collecting roughly $1.9 million in annual overcollections.[124] Mr. Dixon also testified concerning the ARRM, recommending that, assuming the Commission were to allow Spire TN to operate under Piedmont's existing ARRM, Spire TN be prohibited from making an ARRM filing until it has gained additional insights into the Piedmont system that allow it to make an independent determination on capital budgets.[125] Mr. Dixon asserted that Spire's estimated capital expenditures budgets are based on those provided by Duke Energy and Piedmont, which, if left unchecked, could be used to flow capital dollars into rate base without corresponding customers to support the

[119] *Id*. at 28-29.
[120] *Id*. at 5-6.
[121] *Id*.at 40-42.
[122] *Id.* at 41-42.
[123] *Id*. at 42.
[124] *Id*.
[125] Bradley O. Dixon, p. 20 (December 1, 2025); *see also* David Dittemore, Pre-Filed Direct Testimony, p. 8 (December 1, 2025).

expenditures. Consequently, Mr. Dixon argued that these budgeted investments should only be allowed in rate base when there are physical customers benefiting from projects. [126]

Mr. Yonce disagreed with the Consumer Advocate's recommendations prohibiting the transfer of Piedmont's existing ARRM to Spire Tennessee. Mr. Yonce argued that the Commission has the latitude to authorize the transfer if doing so would benefit the public. [127] Further, Mr. Yonce stated that the ARRM is good for the customers, as it allows for more frequent rate adjustments, mitigates rate shock, and ensures rates correspond to actual costs. [128] To address some of the Consumer Advocate's concerns. Mr. Yonce offered three restrictions relating to allowing the ARRM's transfer to Spire Tennessee:

1. Spire TN shall be permitted to file an ARRM in 2026, 2027, and 2028 for years 2025, 2026, and 2027, respectively;
2. For each of these filings, Spire TN will forgo related rate increases when there is a historic period deficiency and will refund to customers any computed historic period surplus; and
3. For each of these filings, however, Spire TN's rates will be adjusted via the ARRM's annual base rate reset ("ABRR") calculations to reflect up-to-date costs and rate base. [129]

Finally, in the event the Commission were to disallow transfer of the ARRM, Mr. Yonce asserted that Spire TN would be placed at a serious disadvantage compared to other state LDCs and have no ability to adjust its rates, if needed, until filing a formal rate case. [130]

The panel found that, as a matter of policy, an ARRM should not generally be transferred from one company to another in any event, including an acquisition or merger. An ARRM established under Tenn. Code Ann. § 65-5-103(d)(6), unlike other types of alternative regulatory methods

[126] *Id.* at 20.
[127] David Yonce, Pre-Filed Rebuttal Testimony, p. 30 (January 9, 2026).
[128] *Id.* at 34-35.
[129] *Id.* at 43, 46-48.
[130] Rebuttal Testimony David Yonce, pp. 47-48 (January 9, 2026).

("ARM") set forth in other subsections of Tenn. Code Ann. § 65-5-103(d), is an annual comprehensive review of the cost of service based on the utility's authorized return on equity ("ROE"). Hence, while other types of mechanisms provide for rate adjustments to recover certain qualifying investments or discrete operating expenses passed through to customers, the ARRM uses the utility's authorized ROE, as well as company-specific ratemaking methodologies, to determine whether earnings are sufficient or deficient based on its total cost of service each year. Service rates are then adjusted to achieve the utility's approved ROE. The utility's authorized ROE is established in a comprehensive proceeding, where the Commission considers testimony of economic experts and the analysis of company-specific and comparable company data. The resulting approved ROE corresponds to the specific utility's operations and level of risk so that it can attract the capital needed to ensure safe and reliable service at reasonable rates for customers. In addition, the reasonableness of particular cost characteristics, specific operations, and detailed methodologies that are used to derive a company's cost of service is studied in a general rate case and materially incorporated into a company's ARRM. This customized ARRM is used to determine, on an annual basis, whether a particular company is operating with an earnings sufficiency or deficiency relative to its specifically authorized ROE.

In acquisition dockets, the surviving utility may petition the Commission to incorporate the acquired system into its regulated operations, and the surviving utility may petition for a new or modified ARRM for ratemaking purposes in a separate proceeding. Under this procedure, the Commission may consider all the factors relevant to establishing an appropriate ARRM for the surviving company, including the hearing and determination of reasonable ratemaking methodologies and equity returns tailored to the surviving utility.

In the present docket, ruling upon the Consumer Advocate's motion requesting a preliminary determination on whether Piedmont's ARRM is transferable to Spire TN, the Administrative Judge

held that, because Tenn. Code Ann. § 65-5-103(d) does not contain language that explicitly permits or prohibits the transfer of an ARRM, the Commission has the power under the statute and Tenn. Code Ann. § 65-4-113 (the "Transfer Statute") to transfer an ARRM established under subsection (d)(6) of the statute. The Commission must, however, find that such a transfer is in the public interest.[131]

Hence, while as a general policy, transference of an ARRM is disfavored, the Commission is authorized to transfer an ARRM where the specific circumstances establish that public interest favors such transfer. Spire is a large, multibillion-dollar entity that is seeking to acquire and incorporate Piedmont's Tennessee operations, the largest Commission-regulated utility in Tennessee with an investment rate base of approximately $1.6 billion. The evidentiary record establishes that, because certain material operations of Spire and Piedmont are dissimilar, an integration period of up to two years will be required to fully integrate Piedmont-Tennessee into Spire. The integration process will require the cooperation and assistance of Piedmont under the terms of the TSA.

Spire proposed that a modified version of the Piedmont ARRM should be transferred to Spire in order to mitigate regulatory lag that would occur during the integration period and to limit customer rate shock.[132] Spire's proposal included limitations on the modified ARRM. Specifically, Spire would restrict the authority to submit ARRM filings to address costs experienced in 2025, 2026, and 2027, with annual filings made in 2026, 2027, and 2028, respectively. For the historical review period in each year's filing, Spire would waive its right to collect any rate deficiency calculated under the modified ARRM but would refund to customers any rate sufficiency calculated under the modified ARRM. The modified ARRM would, however, allow Spire to adjust prospective rates annually

[131] *Order Denying In Part and Deferring In Part the Consumer Advocate's Preliminary Motion to Address the Transferability of Piedmont Natural Gas Company's Alternative Review Mechanism Under Tenn. Code Ann. § 65-5-103(d)(6)* (January 13, 2026).
[132] Transcript of Hearing, pp. 113-114, 135-136.

during the integration period based on the cost of service calculated in accordance with the rate-reset provisions of the ARRM, after such costs and related rate adjustments have been heard and approved by the Commission. After the three authorized annual ARRM filings, Spire would seek any additional rate increases through a general rate case proceeding. The panel found that applying such modifications to Piedmont's ARRM to allow for the temporary transfer to Spire is reasonable.

The panel also found that the existing recovery of the earnings deficiency from Piedmont's last ARRM filing in Docket No. 25-00036 related to the 2024 historic base period, which is presently recovered through a surcharge, should be terminated upon Spire's acquisition of Piedmont's Tennessee operations at closing. This existing surcharge was approved prior to Spire's application to acquire Piedmont, and it is designed to compensate Piedmont's shareholders for the earnings deficiency experienced in 2024. This action does not affect the approved base service rates under the ARRM's rate-reset provisions, which are designed to recover the full cost of service. These base rates will be transferred and adopted by Spire as its initial post-closing service rates.

The panel agreed with the Consumer Advocate's concern that customers should not be required to pay more for gas service during the integration period under Spire's ownership than they would have had to pay if Piedmont retained ownership. The record contains no evidence that customers were receiving poor or substandard service under Piedmont. Thus, the panel concluded that a change of ownership would not likely materially affect the quality of service provided to customers such that a rate adjustment during the integration period related to improved service would be justified. Therefore, the panel found that an inflationary cap on any base rate increase is just and reasonable. This cap is intended to limit the annual increase in total revenue requirements. Spire presented evidence that a range of 3% to 5% represents a reasonable range of estimated annual rate increases. This range aligns with the average cost of service increase of 4.2% for Piedmont's ARRM filings in 2024 and 2025. As such, the panel found it reasonable to limit the average annual base rate

increase to 4% for any individual temporary ARRM filing. If any individual ARRM filing calculates an average base rate increase in excess of 4%, collection of such amount exceeding 4% shall not be authorized or deferred as a regulatory asset for recovery in a future rate proceeding. The panel found that applying this limitation to the temporary ARRM filings balances the interests of Spire to keep its service rates current to reflect its ongoing investments during the integration period and the customers to be protected from unforeseen cost spikes above anticipated costs, which could occur through application of a temporary ARRM that utilizes methodologies and an ROE that are not tailored to Spire's Tennessee operations.

For the foregoing reasons, the panel unanimously held that, while ARRMs established under Tenn. Code Ann. § 65-5-103(d)(6) should not generally be transferred from one utility to another, in this case, the public interest is served by transferring a modified version of Piedmont's ARRM to Spire to operate only during the integration period, after which it should be automatically terminated. The panel unanimously voted to apply the following modifications and mandatory conditions to all interim ARRM filings:

1. The transfer of the ARRM is limited to a temporary, three-year period. The only ARRM filings that are authorized are for the ARRM years of 2025, 2026, and 2027, which shall be filed in 2026, 2027, and 2028, respectively. Any proposed base rate increase following the three-year temporary ARRM period must be heard in a general rate case proceeding. If Spire files a general rate case petition prior to the expiration of the three-year temporary ARRM period, the temporary ARRM is automatically terminated upon such filing.
2. If any of the individual temporary ARRM filings calculate an earnings deficiency for the historic base period, Spire shall not be authorized to collect any of the calculated deficiency or associated carrying charges from customers. Further, Spire shall not be authorized to defer any amount of the earnings deficiency or related carrying charges as a regulatory asset and

shall not be authorized to seek recovery of any such deficiency or carrying charges in any future rate proceeding. Consistent with this decision, any existing recovery of an earnings deficiency related to Piedmont shall terminate at closing, with an accompanying write-off of any associated regulatory asset.

3. If any of the individual temporary ARRM filings calculate an earnings sufficiency for the historic base period, Spire shall refund the earnings sufficiency with related carrying charges to customers in accordance with a rate design or rate decrement approved by the Commission.
4. The average annual service rate increase shall not exceed 4% for any of the individual temporary ARRM filings. If an individual temporary ARRM filing calculates an average service rate increase in excess of 4%, Spire shall not be authorized to collect such amount exceeding 4%. Further, Spire shall not be authorized to defer such excess amount as a regulatory asset and shall not be authorized to seek recovery of such excess amount in any future rate proceeding.

L. RATE CASE FILING MORATORIUM

In addition to opposing the transfer of Piedmont's existing ARRM to Spire and Spire TN, whether on an interim basis or permanently, the Consumer Advocate recommended that Spire TN be prohibited from submitting a general rate case for adjustment of its rates until it is no longer operating under the TSA with Piedmont and until its costs of service are known and measurable. Mr. Dittemore asserted that such a rate case moratorium is needed because there is no normalized test period upon which to set base rates. He argued that normalized operating costs will not be reliably known until after the transition period is complete and Spire TN is operating the utility without Piedmont's assistance.[133] Mr. Dittemore also asserted that the potential recovery of TSA-related costs could disincentivize Spire TN from operating the system as cost-effectively as possible during the TSA

[133] David N. Dittemore, Pre-Filed Direct Testimony, pp. 30 (December 1, 2025).

period; a rate case moratorium would incentivize Spire TN to minimize costs during the transition.[134] He further argued that the benefits to customers described by the Joint Applicants are merely maintaining the status quo as the ownership changes, whereas a rate moratorium would provide a meaningful benefit to customers. Mr. Dittemore further asserted that Spire TN's customers should not be required to incur higher costs as a result of the transaction, even if the increased expenses were prudently incurred.[135] In lieu of an evaluation of necessity and prudence, Mr. Dittemore suggests that Spire TN's permissible costs should be based on Piedmont's 2024 operating and maintenance expenses, adjusted for inflation, and net of any productivity factor.[136]

Mr. Yonce asserted that the recommended rate case moratorium is very concerning. Mr. Yonce stated that, without an ARRM or the ability to file a rate case, the earliest Spire TN could be able to adjust its service rates would be October 1, 2027.[137] He further elaborated that experience has demonstrated that inflationary pressures and necessary capital investments over the moratorium period would ultimately lead to rate shock for its customers.[138] Consequently, as discussed above, Mr. Yonce proposed that Spire TN be allowed to operate under an ARRM, with filings in 2026, 2027, and 2028, and a general rate case petitioned no later than 2029. In addition, Mr. Yonce recommended that Spire TN adjust rates only for historical periods if there are revenue surpluses and that Spire TN would forego any rate increase for any historical period revenue deficiencies. Adjustments would be made based on forward-looking Annual Base Rate Reset methodologies.[139] He also opposed the Consumer Advocate's recommendation to put an inflation-based cap on the Company's operating and maintenance expenses, stating that he is unaware of any jurisdiction that has authorized an inflation-based cost adjustment mechanism as part of an acquisition proceeding. He asserted that the

[134] *Id.* at 30.
[135] *Id.* at 31.
[136] *Id.* at 6, 31-32.
[137] David Yonce, Pre-Filed Rebuttal Testimony, pp. 38-39 (January 9, 2026).
[138] *Id.* at 39.
[139] *Id.* at 47-48.

more appropriate, proven solution is to audit the costs after they have been incurred, allowing the Commission to make a determination based upon a full evaluation.[140]

The panel recognized that utilities generally have the right to petition the Commission for rate evaluations when they believe they are unable to earn a fair return. However, the filing of a rate case petition does not always guarantee recovery. Each rate proceeding is unique and must be evaluated based on the attendant circumstances and the evidentiary record developed during the resulting rate investigation and hearing. Only after the hearing and development of the evidentiary record is complete will the Commission exercise its rate-setting discretion and authority to ensure that just and reasonable rates are established. Therefore, the panel unanimously declined to order a moratorium on rate cases in this proceeding.

M. REPORTING

The Consumer Advocate also raised concerns about the quality of service provided to customers during the proposed transition period. Mr. Dixon testified that Spire TN should be required to submit quarterly status reports to the Commission during the transition.[141] Mr. Dixon recommended that quarterly transition status reports include:

1. All workstream tasks included in the transition plan, to include the progress made toward full integration;
2. Activities completed towards full integration;
3. Expected remaining action items necessary for full integration;
4. Originally budgeted costs for each workstream activity;
5. Actual costs incurred to date by workstream activity;
6. Expected remaining costs by workstream necessary for full integration;
7. The expected completion date for full integration of each workstream; and

[140] *Id*. at 23-24.
[141] Bradley O. Dixon, Pre-Filed Direct Testimony, p. 5 (December 1, 2025).

8. Impediments or unexpected issues that have occurred, along with proposed solutions and revised timelines for full integration.[142]

The report's budgeted, actual, and forecasted remaining costs necessary for full integration should be separated and categorized into operating and maintenance expenses and capital expenditures by project.[143] In addition, Mr. Dittemore recommended that, upon approval of the proposed transaction, Spire be required to file annual operating metrics reports.[144] Specifically, Mr. Dittemore argued that the Commission should require Spire to submit an annual filing containing the information for its Tennessee operations that was provided to the Consumer Advocate during discovery in response to Consumer Advocate DR No. 1-45. He asserted that reporting these annual metrics will not be unduly burdensome to Spire, as it already captures and accumulates the information for its other utility operating companies.[145] Mr. Dittemore also suggested that Piedmont should be required to provide information and analysis on comparisons of Spire's Tennessee operations and Piedmont's former operations in response to regulatory inquiry. Mr. Dittemore argues that Spire's customers should not be disadvantaged in future regulatory proceedings due to Piedmont's unwillingness or inability to provide requested information or reports in the transition process.[146]

Spire responded to the Consumer Advocate's recommendation by agreeing to provide quarterly and annual reporting to the Commission and the Consumer Advocate regarding integration activities, as well as be responsive to questions throughout the transition process.[147] Similarly, Mr. Switzer testified that Piedmont is contractually obligated to maintain books and records for six years following the closing of the transaction, and would reasonably respond to regulatory requests for

[142] *Id*.
[143] *Id*.
[144] David N. Dittemore, Pre-Filed Direct Testimony, p. 6 (December 1, 2025).
[145] *Id*. at 40.
[146] *Id*. at 43.
[147] David Yonce, Pre-Filed Rebuttal Testimony, pp. 43, 45 (January 9, 2026).

information for Piedmont's Tennessee service area.[148] Ms. Mathis stated that Spire would keep the Commission and the Consumer Advocate updated on transition and integration progress.[149] However, she asserted that Spire will not budget for or track transition and integration costs at the workstream level, as recommended by Mr. Dixon, because such tracking is cost-prohibitive. She also reiterated that Spire will not seek recovery of any transition or integration costs in this proceeding, but if doing so in a future proceeding, the Company would be required to demonstrate that the costs were prudently incurred and will, therefore, track these costs accordingly.[150] Ms. Mathis averred that Spire would share with the Commission and the Consumer Advocate the annual operating metrics report information that Mr. Dittemore recommended once available.[151]

The panel recognized that the proposed transaction includes a technology-driven integration period of 18 to 24 months. While the costs charged to Spire and Spire TN by Piedmont under the TSA are ineligible for recovery, as discussed previously, non-TSA integration or transition costs incurred may be evaluated for recovery in a separate rate proceeding, though such costs may not be deferred to a regulatory asset account on either Spire's or Spire TN's books and records. The Parties generally agreed that Spire will provide the Commission and the Consumer Advocate with quarterly reports on the progress of the transition and integration process. The panel found that these quarterly reports are reasonable due to the extended time necessary to complete the transition process. Therefore, the panel held that Spire shall provide quarterly integration status reports to the Commission and the Consumer Advocate on a timely basis. These status reports should be as detailed as reasonably possible and, at a minimum, include the following types of information:

1. The projects or activities planned for full integration.

[148] Mike Switzer, Pre-Filed Rebuttal Testimony, p. 9 (January 9, 2026).
[149] Brittany Mathis, Pre-Filed Rebuttal Testimony, p. 30 (January 9, 2026).
[150] *Id.* at 31-33.
[151] *Id*. at 30.

2. The capital and operating budgets for each project or activity.
3. The cumulative progress made compared to the original timeline, by project or activity.
4. The actual cumulative capital and operating costs incurred at each quarter-end, by project or activity.
5. The expected capital and operating costs remaining for full integration by project or activity.
6. The expected date of full integration.
7. Any other issues relevant to achieving full integration, such as unforeseen obstacles or circumstances.

In addition, the panel found that the Parties' agreement regarding the reporting of annual operating metrics data was reasonable. Therefore, the panel unanimously held that Spire shall submit annual operating metrics reports for its Tennessee operations with substantially the same information as provided in other jurisdictions and as reflected in the reports provided by Spire in discovery.

Finally, the panel noted that the agreement of both Piedmont and Spire to be responsive and available to answer requests from both the Commission and the Consumer Advocate during this integration process and for a reasonable time thereafter is a reasonable commitment to ensure the smooth transition of the system operations. Therefore, the panel directed that Piedmont shall remain available for, and responsive to, requests for information made during the integration period and shall be required to cooperate with such requests until its obligations under the TSA are fulfilled.

N. PERSONAL CUSTOMER INFORMATION

Mr. Dittemore referenced Piedmont's past practice of sharing certain personally identifying information of its customers to third parties and stated that he believed Piedmont had ceased this practice. He stressed the importance of Spire and Spire TN to protect its customers' personal information and recommended that the Commission explicitly prohibit Spire from sharing its

customers' personal information with third parties without customer consent for any purpose other than operation of the regulated utility.[152]

Ms. Mathis agreed with Mr. Dittemore's recommendation and noted that Spire's policy concerning customer information is provided on its website. Further, she explains that Spire does not sell, share, or disclose personal customer information to anyone except to comply with law enforcement requests, protect its legal rights, comply with regulators, comply with interchange functions, or resolve customer disputes.[153]

The Parties agreed that customers' personally identifying information is to be protected. The panel found this agreement to be a reasonable practice in the best interest of utility customers. Therefore, the panel directed Spire to protect and safeguard any personally identifying customer information and not to share such information with any other party for any other reason, unless legally required or requested by this Commission for regulatory purposes.

O. SPIRE'S TECHNICAL, MANAGERIAL, AND FINANCIAL CAPABILITIES

The *Joint Application* detailed Spire's technical, managerial, and financial qualifications to provide natural gas service in Tennessee, citing Spire's experience providing gas utility service to its more than 1.7 million customers in Missouri, Alabama, and Mississippi.[154] The Joint Applicants also averred that Spire has the financial ability to continue operations and expansion of the Piedmont system, referencing Spire's access to capital, its enterprise value, and its creditworthy bond ratings from Moody's and Standard & Poor's.[155] The *Joint Application* further states that Spire is a capable provider of gas utility services, as evidenced by its operational history, experience, and expertise in providing high-quality, safe, and reliable services in its other jurisdictions.[156] These positions are

[152] David N. Dittemore, Pre-Filed Direct Testimony, pg. 39 (December 1, 2025).
[153] Brittany Mathis, Pre-Filed Rebuttal Testimony, pg. 29 (January 9, 2026).
[154] *Joint Application*, p. 5-6 (September 8, 2025).
[155] *Id.* at 6-7.
[156] *Id.* at 8.

supported by the testimony of Joe Hampton, who stated, "Spire has the experience, expertise, resources, and financial strength and wherewithal to ensure that Piedmont's Tennessee operations have access to a continued focus on excellent service metrics, innovative programs, funding, and credit as needed to support the operations and growth of Piedmont's Tennessee operations as part of Spire's larger natural gas utility platform."[157]

The Consumer Advocate does not raise any prohibitive concerns regarding Spire's technical, managerial, and financial abilities to own and operate the Piedmont system and serve its Tennessee territory. Mr. Dittemore stated that Spire is a well-established utility with extensive experience in Missouri, Alabama, and Mississippi. The operating metrics reported through discovery demonstrate Spire's ability to manage and operate a gas utility system. He further testified that the Consumer Advocate does not object to Spire as a utility operator. However, the Consumer Advocate offered other thoughts for the Commission's consideration. Mr. Dixon stated that Spire will be able to provide safe and reliable service with the extensive assistance of Piedmont if the TSA plan is effectively executed.[158] Mr. Kaml asserted financial capability concerns, questioning whether the acquisition premium to be paid by Spire as part of the proposed transaction will impact Spire's financial capabilities in any material way.[159]

Mr. Yonce's rebuttal testimony emphasized general agreement with the Consumer Advocate on Spire's managerial, technical, and financial capabilities to provide gas utility services in Tennessee.[160] Ms. Mathis testified that Spire is financially stable and that its ability to secure permanent financing should alleviate any concerns with regard to the use of a bridge loan.[161]

[157] Joe Hampton, Pre-Filed Direct Testimony, p.5 (September 8, 2025).
[158] Bradley O. Dixon, Pre-Filed Direct Testimony, p. 9 (December 1, 2025).
[159] Clark D. Kaml, Pre-Filed Direct Testimony, pp. 29-30 (December 1, 2025).
[160] David Yonce, Pre-Filed Rebuttal Testimony, pp. 7-11 (January 9, 2026).
[161] Brittany Mathis, Pre-Filed Rebuttal Testimony, pp. 3-6 (January 9, 2026).

In accordance with Tenn. Code Ann. § 65-4-201, the Commission must find that Spire has the technical, managerial, and financial qualifications to provide natural gas services in the Piedmont-Tennessee service territory before approving the sale and transfer of authority requested in this docket. The panel acknowledged that Spire presently provides natural gas services to over 1.7 million customers in Missouri, Alabama, and Mississippi. The record evidences Spire's history, experience, and operational expertise in providing quality natural gas services in these jurisdictions. In addition, the record demonstrates Spire's enterprise value of nearly $10 billion, ready accessibility to sufficient levels of capital, and creditworthy bond ratings from Moody's and Standard & Poor's. The panel also noted that Spire will continue to charge the same base service rates as Piedmont is presently billing, with any post-closing increases in current service rates requiring the Commission's approval.

The panel found that the Consumer Advocate, while addressing some factors for consideration, does not challenge Spire's technical, managerial, or financial capabilities to operate the Piedmont-Tennessee system. The panel found, as previously stated, that as an integral part of the transition process, Piedmont should remain accountable to the Commission and subject to the Commission's authority for purposes of integrating the transfer of authority until its obligations under the TSA are complete. However, Piedmont's temporary and limited involvement in operations during the integration period does not materially affect the panel's analysis and conclusions regarding Spire's technical, managerial, and financial capabilities to successfully operate the Piedmont-Tennessee system. Therefore, based upon the evidentiary record, the panel found that Spire possesses the technical, managerial, and financial qualifications and capabilities to operate Piedmont's Tennessee system.

P. PUBLIC INTEREST

The Joint Applicants claim Spire's proposed acquisition of Piedmont serves the public interest. The *Joint Application* avers that the public interest will be served by Spire's access to capital,

its focus on the business of gas distribution, and its intent to prudently expand natural gas service in the Nashville area.[162] Mr. Hampton stated that Tennessee customers will benefit from receiving service from the larger Spire group of service companies, continued reliable service, consistent rates, terms, conditions of service, and regulatory structure, a local commitment with regional strength, and economic and community support.[163] He further testified that Spire will utilize its experience in operating utilities in the region to ensure the Spire TN's new customers will receive exceptional customer service while they continue to receive safe and reliable natural gas service at reasonable rates.[164]

The Consumer Advocate, however, asserted that the Joint Applicants have not demonstrated that the proposed transaction is in the public interest. Mr. Dittemore testified that proving that the transaction benefits the public interest extends beyond merely confirming Spire has a history of providing quality service to its customers.[165] Mr. Dittemore cited cost of service uncertainty, the Joint Applicants' failure to identify and discuss the elimination of ADIT as a rate base offset, and the lack of budgeted technology integration costs raise serious concerns as to whether this proposal will provide benefits to customers and therefore further the public interest.[166] Similarly, Mr. Kaml argued that while Spire asserted that lack of a change in rates, charges, or terms, is not a detriment to customers, the lack of a detriment is not a customer benefit.[167] He further testified that the transaction only demonstrates that customers will like have the same quality of service but does not demonstrate a benefit to the consuming public to be gained from the transfer. Consumers are likely to have the same quality of service that they currently experience, but will have different risks associated with integrating with another utility provider, increased financing costs, and potential loss of ADIT, as

[162] *Joint* Application, p.2 (September 8, 2025).
[163] Joe Hampton, Pre-Filed Direct Testimony, p. 5-6 (September 8, 2025).
[164] *Id.* at 7.
[165] David N. Dittemore, Pre-Filed Direct Testimony, p. 9 (December 1, 2025).
[166] *Id.* at 10-11, 25, 36.
[167] Clark D. Kaml, Pre-Filed Direct Testimony, p. 46 (December 1, 2025).

well as potential long term implications for Spire's operating costs. He concluded that these risks raise significant questions about whether the transaction is in the public interest, and that without improvements or restrictions, the transaction is not in the public interest.[168]

Mr. Yonce rebutted that the Consumer Advocate's witnesses defined benefit more narrowly than Tenn. Code Ann. § 65-4-113 contemplates.[169] He testified that the short-term concerns described by the Consumer Advocate are not at issue since no changes to rates, terms, or conditions of service are proposed and that utilities provide benefits to customers beyond cost benefits, including their ability to provide safe and reliable service. Additionally, Mr. Yonce stated that Spire is committed to serving Tennessee customers and expanding its services in the state, while Duke Energy desires to leave its footprint in Tennessee and concentrate its capital investments on its other businesses. Finally, Mr. Yonce noted that the Consumer Advocate's uncertainty concerns are mitigated by the fact that Spire TN would be regulated in Tennessee and therefore, its operations would be subject to review and scrutiny by the Commission and the Consumer Advocate.[170]

In accordance with Tenn. Code Ann. § 65-4-113, the Commission must find that the sale and transfer of authority to provide utility services from Piedmont to Spire furthers the public interest in order to approve the proposed transaction. The panel previously found Spire has the technical, managerial, and financial capability to operate the natural gas distribution system owned by Piedmont. The panel found that Duke Energy no longer desires to serve Piedmont's Tennessee service area and the existing residents, businesses, and institutions will benefit from the continued level of services that Spire plans to provide. Therefore, the panel found a public need for Spire to operate the utility. The record demonstrates Spire's commitment to continue providing reliable, safe, and affordable natural gas services with the assistance of its larger group of service companies, to

[168] *Id*. at 46-47.
[169] David Yonce, Pre-Filed Rebuttal Testimony, p. 12 (January 9, 2026).
[170] *Id*. at 13-17.

maintaining local personnel, and to investing resources in system expansion and community involvement.

While the panel noted the Consumer Advocate's concerns regarding the potential impact that Spire's acquisition may have on costs and services, the acquisition does not affect the Commission's supervisory authority over Spire or its power to establish just and reasonable post-acquisition service rates through general rate cases and alternative rate mechanisms. The panel concluded that Spire's level of commitment to operations and capital investments will benefit ratepayers, and that Spire's acquisition of Piedmont-Tennessee will not impair the Commission's ability to assure the reasonableness of Spire's post-acquisition service rates and service quality standards. Therefore, the panel held that the sale and transfer of authority from Piedmont to Spire furthers the public interest.

IT IS THEREFORE ORDERED THAT:

1. The proposed acquisition of Piedmont Natural Gas Company, Inc. by Spire Inc. and subsequent assignment to Spire Tennessee Inc. as presented in the *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* jointly filed by Piedmont Natural Gas Company, Inc., Spire Inc. and Spire Tennessee Inc. is approved.

2. In accordance with Tenn. Code Ann. § 65-4-201, a Certificate of Public Convenience and Necessity is granted to Spire Tennessee Inc. to serve the natural gas system and entire service territory currently served by Piedmont Natural Gas Company, Inc.

3. Approval of the sale and transfer of authority of Piedmont Natural Gas Company, Inc. to own and operate a natural gas utility system to Spire Inc., as well as the transfer of the Certificate of Public Convenience and Necessity and related service territory of Piedmont Natural Gas Company, Inc. to Spire Tennessee Inc., is subject to the following conditions:

a. Except for the transfer and adoption of Piedmont Natural Gas Company, Inc.'s Annual Rate Review Mechanism, which shall be addressed separately, Piedmont Natural Gas Company, Inc.'s presently approved tariffs, rates, and terms and conditions of service shall be adopted by Spire Inc. at closing as Spire Tennessee Inc.'s initial tariffs, rates, and terms and conditions of service. Within a reasonable time after closing, Spire Tennessee Inc. shall make all necessary administrative filings to substitute itself for Piedmont Natural Gas Company in all such tariffs. Any substantive modifications to such initial tariffs, rates, and terms and conditions of service shall require the Commission's approval.

b. Piedmont Natural Gas Company Inc.'s existing Annual Rate Review Mechanism established under Tenn. Code Ann. § 65-5-103(d)(6) shall be transferred to Spire Tennessee Inc. on a temporary basis, subject to the following modifications and conditions, which must be observed and reflected in all temporary Annual Rate Review Mechanism filings:

    i. The transfer of the Annual Rate Review Mechanism is limited to a three-year period. The only authorized temporary Annual Rate Review Mechanism filings shall be for the years of 2025, 2026, and 2027, which shall be filed in 2026, 2027, and 2028, respectively. Any proposed base rate increase(s) subsequent to the three-year temporary Annual Rate Review Mechanism period must be heard in a general rate case proceeding. If Spire Tennessee Inc. files a general rate case petition prior to the expiration of the three-year temporary Annual Rate Review Mechanism period, the temporary Annual Rate Review Mechanism shall automatically terminate upon such filing.

ii. If any of the individual temporary Annual Rate Review Mechanism filings calculate an earnings deficiency for the historic base period, Spire Tennessee Inc. shall not be authorized to collect any of the calculated deficiency or associated carrying charges from customers. Further, Spire Tennessee Inc. shall not be authorized to defer any amount of the earnings deficiency or related carrying charges as a regulatory asset and shall not be authorized to seek recovery of any such deficiency or carrying charges in any future rate proceeding. Consistent with this decision, any current surcharge designed to recover an earnings deficiency related to Piedmont Natural Gas Company, Inc.'s operations shall terminate at closing, with an accompanying write-off of any associated regulatory asset.

iii. If any of the individual temporary Annual Rate Review Mechanism filings calculate an earnings sufficiency for the historic base period, Spire shall refund the earnings sufficiency with related carrying charges to customers in accordance with a rate design or rate decrement approved by the Commission.

iv. The average annual base rate increase shall not exceed 4% for any of the individual temporary Annual Rate Review Mechanism filings. This 4% limit on the average annual base rate increase is intended to limit the increase in total revenue requirements to no more than 4% annually. If an individual temporary Annual Rate Review Mechanism filing calculates an average base rate increase in excess of 4%, Spire Tennessee Inc. shall not be authorized to collect such amount exceeding 4%. Further, Spire Tennessee Inc. shall not be authorized to defer such excess amount as a regulatory asset and shall not be authorized to seek recovery of such excess amount in any future rate proceeding.

v. Each temporary Annual Rate Review Mechanism filing shall continue to be subject to the 120-day review period, and any rate adjustments resulting from a temporary Annual Rate Review Mechanism filing shall be approved by the Commission after hearing and determination that such adjustments are just and reasonable.

c. Spire Inc. is not authorized to recover any portion of the purchase price that exceeds the net book value of the underlying assets purchased in this transaction. Moreover, Spire Inc. is not authorized to record a regulatory asset related to any such acquisition premium for recovery in any future rate proceeding.

d. Spire Inc. is not authorized to recover due diligence costs from customers in this proceeding. Moreover, Spire Inc. shall not defer such costs to a regulatory asset for recovery in any future rate proceeding.

e. Spire Inc. is not authorized to recover any costs related to the Transition Services Agreement between Piedmont Natural Gas Company, Inc. and Spire Inc. Moreover, Spire Inc. shall not defer such costs to a regulatory asset for recovery in any future rate proceeding.

f. Spire Inc. is not authorized to recover transaction costs, other than legal costs directly related to this proceeding, from customers in this proceeding. Moreover, Spire Inc. shall not defer such costs to a regulatory asset for recovery in a future rate proceeding.

g. Spire Inc. may request recovery of legal costs directly related to this proceeding in a future rate proceeding other than the temporary Annual Rate Review Mechanism transferred to Spire Tennessee Inc. Any such request shall be evaluated for reasonableness, verifiability, and conformity with Commission policy and rules, with

no presumption regarding the likelihood of recovery of such costs in this proceeding. Spire Inc. shall not defer such costs to a regulatory asset for ratemaking purposes.

h. Spire Inc. may request recovery of integration or transition costs that are unrelated to the parties' Transition Services Agreement in a future rate proceeding other than the temporary Annual Rate Review Mechanism transferred to Spire Tennessee Inc. Any such request shall be evaluated for reasonableness, verifiability, and conformity with Commission policy and rules, with no presumption regarding the likelihood of recovery of such costs in this proceeding. Spire Inc. shall not defer such costs to a regulatory asset for ratemaking purposes.

i. Spire Inc. shall establish a $250 million regulatory liability as an offset to rate base, in recognition of the non-transferability of Piedmont Natural Gas Company, Inc.'s existing Accumulated Deferred Income Tax balance.

j. The remaining net balance of Piedmont Natural Gas Company's deferred legacy pension regulatory asset shall be transferred to Spire Inc. at closing and continue to be amortized per the existing schedule.

k. Personally identifying customer information held by Spire Inc. shall be protected and safeguarded and shall not be shared with any other party for any other reason, unless legally required or requested by this Commission for regulatory purposes.

l. Spire Inc. shall provide quarterly integration status reports on a timely basis to the Commission and the Consumer Advocate Division of the Attorney General's Office. These status reports shall be as detailed as reasonably possible and, at a minimum, include the following information:

    i. The projects or activities planned for full integration.

    ii. The capital and operating budgets for each project or activity.

iii. The cumulative progress made compared to the original timeline, by project or activity.

iv. The actual cumulative capital and operating costs incurred at each quarter-end, by project or activity.

v. The expected capital and operating costs remaining for full integration by project or activity.

vi. The expected date of full integration.

vii. Any other issues relevant to achieving full integration, such as unforeseen obstacles or circumstances.

m. Spire Inc. shall submit annual operating metrics reports to the Commission and the Consumer Advocate Division of the Attorney General's Office for its Tennessee operations containing substantially the same information as provided to other jurisdictions as reflected in the reports provided by Spire Inc. in discovery.

n. Piedmont Natural Gas Company, Inc. shall remain available for, and responsive to, requests for information made during the integration period and shall cooperate with such requests until its obligations under the Transition Services Agreement are fulfilled.

4. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within 15 days from the date of this Order.

5. Any person aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within 60 days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

Chairman David F. Jones,

Vice Chairman John Hie,

Commissioner Herbert H. Hilliard,

Commissioner Robin L. Morrison, and

Commissioner Clay R. Good concurred.

None dissented.

ATTEST:

Earl R. Taylor, Executive Director