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Symphony Place | 150 Third Avenue South, Suite 2800 | Nashville, Tennessee 37201 | T +1.615.244.6380 | F +1.615.244.6804 Holland & Knight LLP | www.hklaw.com

Paul S. Davidson
+1 615-850-8942
Paul.Davidson@hklaw.com

August 21, 2026

VIA ELECTRONIC MAIL
and U.S. Mail

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

Re: Petition of Spire Tennessee Inc. For Approval of its 2026 Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)
Docket No. 26-00042

Dear Chairman Jones:

Pursuant to the Joint Procedural Schedule, enclosed please find for filing the original and four copies of Spire Tennessee Inc.'s ("Spire"):

- Rebuttal Testimony and Exhibits of Joe Hampton
- Rebuttal Testimony of David Yonce
- Rebuttal Testimony and Exhibit of Eddie Davidson
- Rebuttal Testimony and Exhibit of Eric Bouselli
- Rebuttal Testimony of Jay Neal
- Rebuttal Testimony of John D. Taylor

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

A PDF of the public testimony is also being filed today by way of email to the Tennessee Public Utility Commission docket manager, Ectory Lawless. Please file the original and provide a "filed" stamped copy of the same via our office courier.

If you have any questions regarding this letter, you may reach me at the number shown above.

Very truly yours,

Paul S. Davidson

PSD:jv
Enclosure

cc: Kelly Cashman-Grams
Michelle Mairs
Chris Eaton
Karen Stachowski
Vance L. Broemel
Shilina B. Brown
David A. Yonce
Matt Aplington
Eric Bouselli
Antonio Arias
James H. Jeffries IV
Brian L. Franklin
Charlotte A. Mitchell
Alexandra B. Breazeale
Adelaide E. Heigel

Before the
Tennessee Public Utility Commission

Docket No. 26-00042

2026 Annual ARM Filing

Rebuttal Testimony
of
Eric Bouselli

On Behalf Of
Spire Tennessee Inc.

spire

August 21, 2026

I. Introduction and Qualifications

Q. Please state your name and business address.

A. My name is Eric Bouselli. My business address is 700 Market Street, St. Louis, Missouri.

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

A. I am the Manager, Regulatory Strategy & Forecasting for Spire Missouri Inc. ("Spire Missouri") and filing rebuttal testimony on behalf of Spire Tennessee Inc. ("Spire Tennessee" or the "Company"). In this capacity, I am responsible for a variety of regulatory matters including, but not limited to, the development and execution of rate requests, report filings, and other matters supporting regulated utilities owned by Spire Inc. ("Spire").

Q. Did you file direct testimony in this proceeding?

A. Yes. I filed direct testimony on May 20, 2026, in support of Spire Tennessee's 2026 Annual ARM Filing. My direct testimony described the revenue requirement adjustments, earned return on equity, revenue deficiencies, and proposed rate changes computed pursuant to the ARM Tariff and the Order Approving Transfer of Authority to Provide Utility Services and Related Authorizations, issued by the Tennessee Public Utility Commission ("Commission") on June 2, 2026.[1]

[1] Order Approving Transfer of Authority to Provide Utility Services and Related Authorizations, Docket No. 25-00074 (June 2, 2026) ("Transfer Approval Order").

Q. Do you have any exhibits to your rebuttal testimony?

A. Yes. I have included Bouselli Rebuttal Exhibit 1, which is an excerpt from the Company's Service Schedule No. 318 containing the Global Definitions.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the positions and recommendations set forth in the direct testimony filed on August 6, 2026, by Consumer Advocate Division ("Consumer Advocate") witnesses Clark D. Kaml and Bradley O. Dixon, and the corrected direct testimony filed by Consumer Advocate witness David N. Dittemore on August 20, 2026, together with the schedules and exhibits sponsored through that testimony. Specifically, I address the Consumer Advocate's recommendations regarding: (1) the revenue requirement and historic base period ("HBP") treatment; (2) new business growth construction expenditures; (3) the operations and maintenance ("O&M") adjustment for organizational dues; (4) the Annual Base Rate Reset ("ABRR") calculation and the 4% rate cap; (5) rate design; and (6) Mr. Dittemore's request for clarification regarding the regulatory asset reflected on Schedule 20.

Q. Please summarize your rebuttal conclusions.

A. In summary, I conclude the following:

1. The Consumer Advocate's HBP proposal, sponsored principally by Mr. Dittemore and incorporated into Mr. Kaml's rate design

recommendation, does not merely correct the Company's calculation. It reworks the integrated HBP reconciliation to produce a $1,815,037 alleged earnings sufficiency to be returned to customers as a one-year credit. Spire Tennessee disagrees with that characterization and continues to support the Company's HBP calculation and treatment under the Transfer Approval Order.

2. Mr. Dittemore recommends applying the 4% limitation to what he defines as base rate revenue, excluding purchased gas and other non-base revenues, which produces an ABRR increase of $8,928,893 rather than the Company's proposed capped increase of $13,966,022. Spire Tennessee disagrees because neither the Transfer Approval Order nor the ARM Tariff directs the Company to change the ARM revenue base used in the filing. As discussed below, the ARM Tariff is detailed and prescriptive on the matter and the Transfer Approval Order did not suggest changing the applicable tariff language or process used consistently in previous Piedmont Natural Gas Company, Inc. ("Piedmont") ARM proceedings.
3. Mr. Dixon recommends reducing New Business/Growth Construction plant by $16,983,540, consisting of $12,351,684 assigned to residential growth and $4,631,856 assigned to commercial and industrial growth, based on his view that certain plant is in service but not yet serving customers. Spire Tennessee disagrees with that proposed disallowance because the assets were

properly placed in service under the applicable in-service criteria, and Mr. Dixon's timing theory—which he acknowledges does not appear to identify non-compliant accounting—is not a basis to remove prudent investment from rate base in this ARM proceeding.

4. Mr. Kaml recommends an O&M adjustment of approximately $238,160 to remove Chamber of Commerce dues, American Gas Association dues, Southern Gas Association dues, Energy Solutions Center dues, Natural Gas Vehicle Coalition dues, and certain dues or donations for which he asserts there was no adequate vendor explanation. Spire Tennessee disagrees because these are ordinary, recurring business costs that support safe, reliable, and informed utility operations.
5. Mr. Kaml supports the Consumer Advocate's proposed 4% rate design, criticizes the Company's rate-design presentation as insufficiently transparent, and raises concerns regarding cost studies and cross-subsidization. Spire Tennessee disagrees on the merits because the Company's rate design applies the same equal-percentage method used in prior Piedmont ARM filings and is supported by the cost of service study filed by Company witness John D. Taylor.

II. Revenue Requirement and HBP Treatment

Q. What is the Consumer Advocate's position regarding the HBP Revenue Requirement?

A. Mr. Dittemore recommends that the Commission adopt two distinct revenue requirement outcomes in this proceeding: a one-year HBP refund of $1,815,037, inclusive of carrying charges, and an ABRR increase of $8,928,893.[2] Mr. Kaml incorporates the HBP result into a rate-design proposal that would allocate the alleged surplus to customer classes based on class margins and apply it directly as a bill credit.[3]

Q. Do you agree with the Consumer Advocate's characterization of a "revenue excess"[4] in the HBP?

A. No. The Consumer Advocate's assumptions supporting their calculated "revenue excess" lack merit and should be disregarded. However, the Company does agree with its interpretation of the Transfer Approval Order regarding HBP revenue sufficiency/deficiency treatment. Any HBP sufficiency should be refunded to customers with carrying charges in accordance with a Commission-approved rate design, and any HBP deficiency will not be recovered in the current or future rate proceedings.[5]

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[2] Consumer Advocate Corrected Direct Testimony of David N. Dittemore at 4 (Aug. 20, 2026).

[3] Consumer Advocate Direct Testimony of Clark D. Kaml at 5-6 (Aug. 6, 2026).

[4] Consumer Advocate Witness Dittemore at 7.

[5] Transfer Approval Order at 31-32.

Q. Did Spire Tennessee calculate a HBP revenue sufficiency or deficiency in its direct filing?

A. The Company calculated an HBP revenue deficiency of $36,209 and, consistent with Transfer Approval Order, did not seek recovery of this amount in our revenue request.

Q. What are the drivers of the difference in the Company's calculated HBP revenue deficiency and the Consumer Advocate's revenue sufficiency?

A. There are two main drivers contributing to the divergence of the parties' positions. The first and primary driver of Consumer Advocate's calculated sufficiency is Mr. Dixon's adjustment for new business capital, which recommends that the Commission reduce New Business/Growth Construction Expenditures by $16,983,540. He states that these amounts represent new business plant placed in service during 2025 that, in his view, was not yet serving customers as of his review.[6] Mr. Dittemore incorporates that proposed plant adjustment into his revenue requirement schedules.[7] The second driver is the removal of $238,160 of association dues that Mr. Kaml's testimony challenges principally on the theory that certain organizations engage in advocacy,

[6] Consumer Advocate Direct Testimony of Bradley O. Dixon at 8 (Aug. 6, 2026).

[7] Consumer Advocate Witness Dittemore at 11.

promote natural gas industry interests, or have not been shown to provide a sufficiently direct benefit to customers.[8]

Q. Does the Company agree with either of these adjustments or the rationale behind the adjustments?

A. No. I will elaborate further on each item below and will also highlight where other Company witnesses address the subject matter as well. The Company's filing HBP Revenue Requirement Deficiency of $36,209 is correct and Spire Tennessee is foregoing recovery pursuant to the Transfer Approval Order. This is the treatment the Commission prescribed.

Q. Is there precedent for the Consumer Advocate's approach in prior ARM proceedings?

A. No. To my knowledge, in no prior Piedmont ARM proceedings, the 2023 ARM (Docket No. 23-00035), 2024 ARM (Docket No. 24-00036), and 2025 ARM (Docket No. 25-00036), has the Consumer Advocate attempted to disaggregate the HBP Reconciliation into sub-components and separately challenge individual elements to create a refund where the tariff calculation produces a net deficiency. The ARM Tariff treats the HBP Reconciliation as an integrated calculation that produces a single net result: either a deficiency or a sufficiency. The prior proceedings applied that integrated framework to the HBP results. They

[8] Consumer Advocate Witness Kaml at 6-14.

did not create a second calculation by isolating components after the net result was determined. The Consumer Advocate's current approach therefore has no basis in the language of the tariff, prior Commission orders, or established regulatory practice in Tennessee.

The Commission should reject this unprecedented attempt to rewrite the HBP treatment provisions of the Transfer Approval Order. Accepting the Consumer Advocate's position would discourage utilities from making concessions (such as foregoing deficiency recovery, which the Company introduced in its rebuttal testimony in Docket No. 25-00074) if those concessions can later be used as a springboard for even greater reductions.

III. New Business Construction Expenditures

Q. What is the Consumer Advocate's position regarding new business construction expenditures?

A. Mr. Dixon recommends that the Commission reduce New Business/Growth Construction Expenditures by $12,351,684 for residential growth and $4,631,856 for commercial and industrial growth, for a total reduction of $16,983,540. He states that these amounts represent new business plant placed in service during 2025 that, in his view, was not yet serving customers as of his review.[9] Mr.

[9] Consumer Advocate Witness Dixon at 4-9.

Dittemore incorporates that proposed plant adjustment into his revenue requirement schedules.[10]

Q. Do you agree with the Consumer Advocate's characterization?

A. No. As Company witness Jay Neal details in his rebuttal testimony, the Company classifies plant as in-service based on established accounting criteria consistent with GAAP and the Uniform System of Accounts.

Q. Did the Consumer Advocate witness Mr. Dixon believe that the Company used improper accounting?

A. No. In fact, Mr. Dixon implied that Spire Tennessee was properly accounting for the new business plant.[11]

Q. Did the Consumer Advocate identify any differences between Spire Tennessee's methodology in proposing Residential and Commercial New Business/Growth Construction Expenditures for inclusion in rate base in this proceeding compared to previous ARM filings by Piedmont?

A. No. The Consumer Advocate states that the methodologies appear to be similar.[12] The Company is not aware of the Commission having ever disallowed new business construction expenditures in any prior ARM proceeding based on the theory that some plant, while meeting accounting standards for in-service classification, is "not yet serving

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[10] Consumer Advocate Witness Dittemore at 11; Exhibit DND-13.

[11] Consumer Advocate Witness Dixon at 4.

[12] *See* Consumer Advocate's Response to Spire Tennessee Discovery Request No. 1-5, https://tpucdockets.tn.gov/filings/2026/2600042ab.pdf (filed Aug. 11, 2026).

customers." The Consumer Advocate's proposed $16.98 million reduction is unprecedented, lacks support in prior ARM orders, and would penalize the Company for investments made by Piedmont in 2025 necessary to serve the growing Tennessee customer base.

Q. Is there merit to the proposed disallowance given that the Consumer Advocate agrees that new business expenditures have been properly accounted for and that the Company's treatment has been consistent between the current and past ARM proceedings?

A. No.

Q. Do other Company witnesses address the Consumer Advocate's other concerns about new growth spending?

A. Yes. See the rebuttal testimony of Company witness Eddie Davidson for information refuting Mr. Dittemore's assertions that legacy residential customers are subsidizing growth.

IV. O&M Organizational Dues Adjustment

Q. What O&M adjustment does the Consumer Advocate recommend?

A. Mr. Kaml recommends an O&M adjustment of approximately $238,160, which he identifies as the sum of dues and donations associated with Chambers of Commerce, the American Gas Association, the Southern Gas Association, the Energy Solutions Center, the Natural Gas Vehicle Coalition, and dues or donations for which he asserts the Company did not provide an adequate vendor name or explanation.[13]

Q. Do you agree with this adjustment?

A. No. Organizational dues are legitimate, recurring business expenses that are necessary for the Company to participate in industry organizations, stay current with safety and regulatory developments, and maintain industry relationships that benefit operations and customers. These expenses have been included in prior ARM filings under Piedmont's ownership.

Mr. Kaml challenges those costs principally on the theory that certain organizations engage in advocacy, promote natural gas industry interests, or have not been shown to provide a sufficiently direct benefit to customers. Spire Tennessee disagrees with that characterization. The fact that an industry organization monitors legislation, regulation, technology, safety, market developments, or operating practices does not make the membership imprudent or non-utility in nature. Nor does the existence of some advocacy activity justify removing 100% of a membership cost without separating any alleged lobbying component from the operational, safety, training, and customer-service benefits the Company identified. The per books O&M expense amounts reflected in the Company's filing represent actual costs incurred by Piedmont in the

[13] Consumer Advocate Witness Kaml at 6-14; Exhibit CDK-1.

ordinary course of business during the HBP. These costs are prudent and recoverable under the ARM Tariff.

Q. Can you explain the specific types of organizational dues at issue?

A. Yes. The challenged dues include American Gas Association dues of $129,856, Southern Gas Association dues of $9,891, Energy Solutions Center dues of $4,378, Natural Gas Vehicle Coalition dues of $5,935, and several Chamber of Commerce dues amounts. These memberships provide operational and customer-related benefits, including access to safety research and best practices for pipeline operations, peer exchanges regarding utility programs and procedures, benchmarking and training resources, cybersecurity and workforce-development information, and timely information about regulatory, legislative, market, and technology developments affecting natural gas service. Those benefits support the Company's ability to operate safely and reliably and to stay informed on matters that directly affect Tennessee customers. These are not discretionary or extravagant expenses. They are fundamental business costs that virtually every regulated natural gas utility in the United States incurs. Organizational dues have not materially changed from previous ARM filings. Again, these membership costs included in this filing were made under Piedmont's ownership.

Disallowing these costs would require the Company to either withdraw from these organizations, thereby losing access to critical safety information and industry resources, or absorb these costs at the expense of shareholders, despite the clear business purpose and customer benefit they provide. Neither outcome serves the public interest. The Commission should reject the Consumer Advocate's proposed adjustment as inconsistent with sound ratemaking principles and prior Commission practice.

Q. Did the Federal Energy Regulatory Commission ("FERC") recently interact with the issues of accounting for membership dues?

A. Yes. On April 16, 2026, FERC withdrew a 2021 Notice of Inquiry regarding industry association dues. This move effectively allows the continuation of the status quo which permits those entities regulated by FERC to continue to include trade association dues in rates.[14]

Q. Did the Company record the dues in question in accordance with the FERC guidance prescribed in the Uniform System of Accounts?

A. Yes. The costs are recorded in the "above the line" account 930200 in accordance with the guidance.[15]

Q. Why is this important?

A. This is relevant because while the Company is not directly regulated by FERC, commissions around the country generally look to FERC

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[14] *See Rate Recovery, Reporting, and Accounting Treatment of Industry Association Dues and Certain Civic, Political, and Related Expenses*, 91 Fed. Reg. 21,286 (Apr. 21, 2026) (withdrawing Notice of Inquiry in Docket No. RM22-5-000 and denying Petition in Docket No. RM21-15-000), available at: https://www.govinfo.gov/content/pkg/FR-2026-04-21/html/2026-07711.htm.

[15] *See* 18 C.F.R. pt. 201 (Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act).

and Uniform System of Account for guidance when evaluating utility books and records used in rate proceedings. The Company is compliant with this practice.

Q. Do you have any further information regarding the items categorized as "unidentified from AG 1-9" in exhibit DND-14?

A. Yes. The $39,701 was composed of two general types of costs: approximately $20,000 was from employee expense reports and $19,000 was from corporate/service company allocations pools. The employees fill out their expense report and select the resource type which is how these costs were characterized as dues and donations. We believe that these are legitimate business expenses like the other costs the Consumer Advocate has called for removal.

Q. Did the Company identify any adjustments that could be made regarding organizational dues and donations?

A. Yes. The Company identified $1,500 of lobbying costs that could have been removed from the Nashville Area Chamber of Commerce dues. This amount will not impact the HBP revenue deficiency as recovery is not being sought and it will not impact the ABRR revenue deficiency as the 4% cap is in place.

V. ABRR Calculation and 4% Rate Cap

Q. What is the Consumer Advocate's recommendation regarding the ABRR calculation?

A. The Consumer Advocate recommends reducing the Company's capped ABRR increase from $13,966,022 to $8,928,893. Mr. Dittemore reaches that result by applying the 4% limitation to a narrower revenue base that excludes purchased gas revenues, home protection revenue, forfeited discounts, and miscellaneous revenues.[16] In practical terms, the Consumer Advocate's recommendation would deny the Company $5,037,129 in annual recovery that is permitted under the Company's application of the Transfer Approval Order and the ARM Tariff.

Q. How did the Company calculate the 4% cap?

A. The Company applied the 4% cap to the revenue base used in its ARM cap calculation. The revenue base is $349,150,549. Applying the 4% limitation to that amount produces a capped increase of $13,966,022. The Company's calculation follows the Transfer Approval Order, which provides that the ARM transfer is limited to a temporary, three-year period and that, "[i]f any individual [ARM] filing calculates an average base rate increase in excess of 4%, collection of such amount exceeding 4% shall not be authorized or deferred."[17] The Company's filing does exactly what that language requires: it calculates the average base rate

[16] Consumer Advocate Witness Dittemore at 4-5, 8-10; Exhibit DND-4.

[17] Transfer Approval Order at 31.

increase in the ARM filing, determines that the uncapped amount exceeds 4%, and limits the requested increase to the 4% cap.

Q. How does the Consumer Advocate's calculation differ?

A. The Consumer Advocate seeks to change the plain reading of the prescribed ARM tariff. Instead of applying the 4% limitation to the Company's ARM revenue base of $349,150,549, Mr. Dittemore excludes approximately $121 million of purchased gas revenue, $2.75 million of home protection revenue, $1.26 million of forfeited discounts, and $285,000 of miscellaneous revenue. Those exclusions reduce the denominator to $223,222,322. This distinction drives the entire dispute. Four percent of the Company's revenue base is $13,966,022. Four percent of the Consumer Advocate's narrowed revenue base is $8,928,893. The difference is $5,037,129.

Q. What does the Consumer Advocate rely upon to support its calculation?

A. The Consumer Advocate references Sheet No. 1 in Spire Tennessee's currently effective tariffs, which is the Company's summary table of its currently effective rates. Mr. Dittemore claims that his definition of base rates is consistent with that of the Company as reflected in that summary table, specifically and exclusively Column <1>.[18]

[18] Consumer Advocate Witness Dittemore at 8-9.

Q. Why should the Commission ignore the Consumer Advocate's calculation?

A. The Commission should ignore the Consumer Advocate's calculation for at least two reasons. First, Spire Tennessee's Schedule 318, which comprises the tariff sheets applicable to the ARM approved by the Commission and transferred to Spire Tennessee as part of the Transfer docket, contains the actual definition of base rates for the purposes of the ARM mechanism and calculation. Second, both the Company and the Consumer Advocate use Total Operating Revenues inclusive of both margin and purchased gas revenues to determine net operating income for return purposes. This then flows to the revenue requirement deficiency (sufficiency) calculation as shown in the Company's lead schedule 1 in the direct filing and in the Consumer Advocate witness Mr. Dittemore's exhibit DND-3.[19]

Q. Why is the Company's calculation correct?

A. The Company's calculation is correct because it applies the Transfer Approval Order as written and in the context of the ARM mechanism the Commission approved and is consistent with calculations and characterization in past ARM proceedings.[20] The Transfer Approval

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[19] Note that the Company identified calculation errors on DND-6 impacting rate base that flow through and impact the calculations in DND-3. It is a moot point because the resulting ABRR Total Revenue Requirement Deficiency is above the 4% cap put forward by both the Company and the Consumer Advocate.

[20] See the "Computation of Revenue Change Percentage" presented on PDF page 4 of the ARM filing schedules Piedmont provided in the 2025 Annual ARM Filing, available at:

Order imposes a 4% limitation on an "average base rate increase." It does not state that the cap must be calculated using only the subset of revenue categories selected by the Consumer Advocate. Nor does it direct the Company to remove purchased gas revenues, home protection revenue, forfeited discounts, or miscellaneous revenue from the denominator, all items that were factored into Piedmont's prior ARM filings.

Further, when examining the Commission's Ordering paragraphs in the Transfer Approval Order applicable to the ARM in the context of the actual ARM tariff, it is clear and unambiguous how base rates should be defined, because the tariff itself includes a definition. Schedule 318 defines Base Rates as "those base rates per therm shown in Columns <1>, <2> and <3> of the Company's Tariff Sheet No. 1."[21] The subparagraphs under this definition further define the two components of Base Rates as Base Margin Rates and Base PGA Rates. Mr. Dittemore, on the other hand and in direct contravention of the tariff approved by the Commission and utilized in all prior ARM filings by Piedmont, attempts to convince the Commission that base rates should only include Column <1> of Sheet No. 1. In doing so, he asks the

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https://tpucdockets.tn.gov/archive/filings/2025/2500036.pdf. The revenue percentage change is calculated by taking the revenue increase divided by the total operating revenue as prescribed by the ARM tariff.

[21] *See* Bouselli Rebuttal Exhibit 1, 4 (Global Definition R).

Commission to add a limitation that the Transfer Approval Order does not contain.

If the Commission had intended to impose the narrower definition Mr. Dittemore proposes, it would have said so. It did not. The more natural, plain-meaning, reading of the Commission's Transfer Approval Order is that the 4% limitation applies to the average base rate increase calculated in the ARM filing under the Company's approved ARM methodology, which is consistent with how the ARM has historically operated. In prior ARM proceedings, rate changes were calculated and expressed by reference to the full base margin revenue amount used in the ARM calculation.[22] The Consumer Advocate has not identified language in the Transfer Approval Order or the ARM Tariff to support its request to depart from prior practice and change the methodology for this filing.

Q. Does the Consumer Advocate think that the Company's calculation of Base Rates is consistent with what is put forth in the ARM tariff?

A. In the Consumer Advocates' own words, "Mr. Dittemore acknowledges that Spires' Service Schedule 318 includes the phrase 'Base PGA Rates' as a sub-heading within the paragraph titled 'Base Rates'. Within this

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[22] See the "Computation of Revenue Change Percentage" presented on PDF page 4 of the ARM filing schedules Piedmont provided in the 2025 Annual ARM Filing, available at: https://tpucdockets.tn.gov/archive/filings/2025/2500036.pdf. The revenue percentage change is calculated by taking the revenue increase divided by the total operating revenue as prescribed by the ARM tariff.

context, the Company's calculation is consistent with its definition of Base Rates as used in Schedule 318."[23]

Q. Does the fact that purchased gas costs are recovered through separate mechanisms change the cap calculation?

A. No. The Company does not dispute that purchased gas costs are recovered through separate mechanisms, including the Purchase Gas Adjustment, Incentive Plan Account, and Actual Cost Adjustment. But that point does not answer the question presented here. The question is not whether purchased gas costs are separately recovered; it is whether the Transfer Approval Order adopts the Consumer Advocate's narrower cap definition. It does not. The Transfer Approval Order does not define "average base rate increase" by excluding the revenue categories Mr. Dittemore removes, and the ARM Tariff does not require the Company to depart from the methodology used to calculate the capped increase in the filing.

Q. What would be the practical impact of adopting the Consumer Advocate's interpretation?

A. Adopting the Consumer Advocate's interpretation would reduce the Company's authorized annual increase by $5,037,129. That is not a technical adjustment. It is a material disallowance produced by changing the cap methodology *after* the Transfer Approval Order

[23] *See* Consumer Advocate's Response to Spire Tennessee Discovery Request No. 1-2, https://tpucdockets.tn.gov/filings/2026/2600042ab.pdf (filed Aug. 11, 2026).

established the framework for the three-year ARM transition period. The Transfer Approval Order's cap was designed to limit rate impacts under new ownership while still allowing service rates to remain current with ongoing investments during the integration period.

The fact is that this entire proceeding utilizes financial activities under Piedmont ownership before Spire Tennessee entered the picture. The Consumer Advocate's interpretation would convert that customer-protection measure into a substantially more restrictive earnings limitation, just because the entity name providing service is different. That result is difficult to reconcile with the regulatory principle reflected in Tenn. Code Ann. § 65-5-103(d)(6), which requires rates sufficient to allow a utility a fair opportunity to earn a fair rate of return.

It would also create uncertainty for the remaining two years of the transition period. The Transfer Approval Order established a temporary, three-year structure. The cap should be applied consistently across that period. Changing the definition now would undermine the predictability and stability that the Transfer Approval Order was designed to provide.

Q. What are the implied impacts to the fair rate of return under the different parties' positions?

A. Please see the following table depicting what the rates of return and implied returns on equity ("ROE") are:

	PNG[1]	Spire TN[2]	CAD[3]
Implied Revenue Requirement Deficiency (Sufficiency)	18,233,708	13,966,022	8,928,893
Fair/Implied Rate of Return	6.94%	6.73%	6.48%
Fair/Implied ROE	9.80%	9.38%	8.88%

Notes:
[1] Assumes no cap limit, the rate of return calculated in Spire Tennessee ARM schedule 10b, and authorized ROE.
[2] Assumes 4% cap as applied by Spire Tennessee and the rate of return and ROE are derivative of the implied deficiency.
[3] Assumes 4% cap as applied by the Consumer Advocate and the rate of return and ROE are derivative of the implied deficiency.

The application of the 4% cap consistent with the Transfer Approval Order already strains the implied ROE Spire Tennessee is able to earn. However, the Consumer Advocate's erroneous application of the 4% cap would drive the implied ROE down nearly 1% from the ROE had Piedmont filed this ARM filing. It also is important to note that the impact on the rate of return will only be compounded in the subsequent ARM filings under the cap. The cap will likely lead to an HBP deficiency next year, which, at minimum, will be the approximately $4.0 million forgone this year.

Q. Ultimately, what is the Company's position concerning the ABRR calculation and 4% rate cap?

A. The Commission's Transfer Approval Order was straightforward. It imposes a 4% limitation on the average base rate increase calculated in the ARM filing, the Company applied that limitation to the revenue base used in its ARM cap calculation, and that calculation produces a capped increase of $13,966,022. The Consumer Advocate reaches a lower number only by substituting a narrower denominator that the Transfer Approval Order does not require. That approach would reduce the Company's recovery by $5,037,129, depart from the established ARM methodology, and impose a more restrictive cap than the Commission ordered and intended. The Commission should reject the Consumer Advocate's proposed ABRR cap calculation.

VI. <u>Application of the Rate Increase Cap</u>

Q. Does the Consumer Advocate raise a concern about how the rate increase cap is applied?

A. Yes. Mr. Kaml states that the Company's proposed tariff rates reflect a 6.3% increase in base rates for each applicable rate class and recommends rates reflecting a 4% increase.[24] Mr. Dittemore similarly recommends limiting the rate cap to 4% applied to base rate revenues, which yields the Consumer Advocate's proposed $8,928,893 cap calculation.[25] The Consumer Advocate's position therefore combines a methodology dispute regarding the cap denominator with a rate-design concern regarding how the resulting capped increase is presented and applied.

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[24] Consumer Advocate Witness Kaml at 18.

[25] Consumer Advocate Witness Dittemore at 10.

Q. How does the Company respond?

A. This is only an issue because of how the Consumer Advocate defines "base rates" and was discussed adequately in the previous section. First, the Company's filing does not implement an uncapped 6.3% increase. As stated in my direct testimony, the ARM Tariff requires the Company to compute the full ABRR Revenue Requirement Deficiency. That calculation produces an unrestricted percentage above 4%. However, the Company's proposed rate change is limited to the 4% cap. The $13,966,022 revenue increase reflected in the Company's proposed tariff rates represents the maximum allowed under Transfer Approval Order. The Company presents the full uncapped calculation for transparency purposes only, so that the Commission and parties can see the complete ARM computation. The Company is not seeking to collect the amount in excess of the 4% cap.

To clarify the mechanics, the ARM Tariff requires the Company to compute the full ABRR Revenue Requirement Deficiency based on actual costs, actual rate base, and the authorized rate of return. This calculation is a mathematical exercise prescribed by the tariff, not a request for a specific rate increase. The Transfer Approval Order then imposes a separate constraint: regardless of what the full ABRR calculation produces, the Company may only implement the capped rate change allowed under the Transfer Approval Order. The Company has faithfully applied this two-step process. The first step is to compute the full ABRR per the tariff, and the second is to limit the proposed increase to the amount authorized by the Transfer Approval Order.

If the Consumer Advocate's concern is that customers might be confused by seeing a 6.3% figure in the filing, the Company is willing to work with Commission Staff and the Consumer Advocate on presentational changes that make it clearer which figure represents the actual proposed increase (4%) versus the computed mathematical result (6.3%) in that particular schedule. However, the Company should not be required to alter prior accepted methodology simply because a presentational concern exists. The tariff requires the full computation, and the Transfer Approval Order limits what may be collected. The Company's filing satisfies both obligations.

VII. Request for Clarification Regarding Schedule 20

Q. Does Mr. Dittemore raise any other issue for Commission clarification?

A. Yes. Mr. Dittemore requests clarification regarding the Transfer Approval Order condition that terminates, at closing, existing recovery of an earnings deficiency related to Piedmont, with an accompanying write-off of any associated regulatory asset. He states that there are two possible interpretations of that language: (1) a narrow interpretation limited to the earnings deficiency identified in the most recent ARM proceeding; and (2) a broader interpretation that could include the approximately $41 million ARM regulatory asset reflected on Schedule 20 and supported by Schedules 52E and 52F.[26]

Q. How does Spire Tennessee respond to that request?

A. Spire Tennessee does not think that clarification is needed. In fact, it is very clear that the regulatory asset being referred to only pertains to the legacy HBP earnings deficiency unrecovered balance. The Transfer Approval Order states, "Consistent with this decision [prohibiting HBP earnings deficiency recovery], 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."[27] To comply with this requirement, the Company wrote off the remaining balance of $1,183,802 as of the close of the transaction on March 31, 2026, and the ARM rider rate to recover the historical HBP deficiency balance was zeroed out on the published tariff sheets approved by the Commission on April 16, 2026, and effective as of April 1, 2026.

The ARM regulatory assets Mr. Dittemore references in Schedule 20 are not related to HBP earnings deficiency balances. The Schedule 20 balance was presented in the Company's ARM schedules reflects deferred depreciation, deferred return, and amortization mechanics embedded in the ARM Tariff and in prior approved ARM

[26] Consumer Advocate Witness Dittemore at 23-24.

[27] Transfer Approval Order at 45.

calculations, and Mr. Dittemore does not identify a current calculation error in the Company's filed revenue requirement. Absent clear direction from the Commission, the condition terminating existing recovery of an earnings deficiency at closing should not be converted into a retroactive write-off of a separate ARM schedule balance. This result, however, is precisely what the Consumer Advocate seeks. The Commission can resolve the request on the merits by confirming that the closing condition addressed the identified earnings-deficiency regulatory asset recovery, not a separate retroactive write-off of the Schedule 20 balance.

VIII. Rate Design

Q. What is the Consumer Advocate's position on rate design?

A. Mr. Kaml recommends that the alleged HBP surplus be returned to customer classes based on class margins and applied directly as a bill credit.[28] He also addresses the allocation of the ABRR margin increase to customer classes and states that, although Spire Tennessee is following the general approach used in prior Piedmont ARM filings and the last rate case, the method changes rate design by placing the increase in volumetric billing rates rather than changing the monthly service charge. He recommends that future filings more expressly identify rate structure changes, provide customer notice, and compare proposed rates

[28] Consumer Advocate Witness Kaml at 5-6.

and class revenue contributions with the rates approved in prior proceedings.[29] Those future-disclosure recommendations do not identify a calculation error in the Company's 2026 ARM filing or justify replacing the Company's proposed rate design in this proceeding.

Q. Do you have comments on Mr. Kaml's HBP surplus proposal?

A. Yes, I believe his proposal is a moot point based on my earlier rebuttal testimony about how the proposed adjustments by the Consumer Advocate that created the fictitious HBP surplus are invalid. It is the Company's position that there is no surplus to return and hence no bill credit to provide.

Q. Why is an equal percentage increase across all customer classes appropriate?

A. The Company's approach is supported by the cost of service study filed by Company witness John D. Taylor and is consistent with the methodology used in prior Piedmont ARM filings and approved by the Commission. Mr. Taylor addresses the Consumer Advocate's criticisms related to the cost of service study, concerns regarding cross-subsidization, and the merits of the equal percentage methodology in his rebuttal testimony.

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[29] Consumer Advocate Witness Kaml at 14-28.

IX. Conclusion

Q. Is there anything else you would like to state to the Commission?

A. Yes. In summary, Spire Tennessee's 2026 Annual ARM Filing is consistent with the ARM Tariff, the Transfer Approval Order, past practice under Piedmont's ARM filings, and applicable Tennessee law. The Consumer Advocate's filed testimony asks the Commission to order a $1,815,037 HBP refund, reduce the ABRR increase to $8,928,893, remove $16,983,540 of new business plant from rate base, disallow approximately $238,160 of organizational dues, and impose additional rate-design and cost-study requirements. For the reasons explained above and in testimony by other Company witnesses, those recommendations should be rejected on the merits in this proceeding. They are inconsistent with the Transfer Approval Order, unsupported by the ARM Tariff, unsupported by the current-period record, or answered by the Company's testimony in this ARM. As a result, I reiterate my request from my direct testimony, namely, that the Commission approve Spire Tennessee's 2026 Annual ARM Filing as filed.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

SERVICE SCHEDULE NO. 318
Annual Review Mechanism (ARM)

I. OVERVIEW

Applicable

To service provided to customers under all Rate Schedules, including service provided to customers under approved special contracts.

Purpose

This Annual Review Mechanism ("ARM") is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d)(6), which authorizes the Company to elect to opt into an annual review of the Company's rates. Pursuant to this ARM and the annual filings described herein, the Company's rates shall be adjusted to provide that the Company earns its Authorized Return on Equity on prudently incurred costs as defined by the Tennessee Public Utility Commission ("TPUC" or the "Commission"). The rate adjustments implemented under the ARM, which are to the Company's Base Margin Rates and its ARM Rider Rates, will reflect changes in the Company's jurisdictional operating revenues, cost of service, and rate base. Jurisdictional operating revenues and expenses exclude gains or losses related to gas supply hedging activities, off system sales, other gas supply and capacity secondary marking activities, and other non-jurisdictional transactions as determined by the Commission. The ARM may be terminated or modified as provided under of Tennessee Code Annotated Section 65-5-103(d)(6)(D).

Spire Tennessee / Piedmont's Base Margin Rates and ARM Rider Rates shall be reset on an annual basis pursuant to the procedures and information specified in this Tariff.

Nothing in this Tariff shall preclude intervenors or the Commission from identifying errors, omissions, or inconsistencies in the Company's ARM calculations, including adjusting such items within the determination of HBP results.

Global Definitions

A. **Annual ARM Filing** shall consist of the components described below. The Company will simultaneously copy the Consumer Advocate on all Annual ARM Filings.
B. **Annual ARM Filing Date** shall be the date the Company submits its Annual ARM Filing to the TPUC. The Annual ARM Filing Date shall be no later than May 20 of each year. The initial Annual ARM Filing shall be submitted by May 20, 2023 and shall include results for the Historical Base Period of calendar year 2022.

C. **Annual ARM Proceeding** refers to the annual docketed proceedings in which the Company's Annual ARM Filings shall be reviewed.
D. **Historic Base Period ("HBP")** is defined as the Company's most recently completed 12-month fiscal year ended December 31 prior to each ARM Annual Filing Date. The initial HBP shall be the 12-month fiscal year ended December 31, 2022.
E. **Effective Date of ARM Rates** refers to the date that new ARM Rider Rates and new Base Margin Rates take effect. The Effective Date of ARM Rates shall be October 1 of each year pursuant to the Annual ARM Filing. As such, all bills rendered starting with October cycle 1 each year shall be billed under the new ARM Rider Rates and new Base Margin Rates.
F. **2020 Rate Case Settlement** refers to the Stipulation and Settlement Agreement between Piedmont and the Consumer Advocate filed with the TPUC on February 2, 2021 in Docket No. 20-00086, which was subsequently approved by the TPUC.
G. **Authorized Return on Equity** is defined as the 9.80% return on equity established in Docket No. 20-00086, or that which is established by the TPUC in any subsequent general rate case for the Company.
H. **Overall Cost of Capital** is defined as the overall cost of capital for the applicable period, as stated on ARM Filing Schedule 10.
I. **HBP Net Operating Income Deficiency (Sufficiency)** shall be computed as the difference between the net operating income for return in the HBP and the net operating income for return in the HBP that is required to produce the Authorized Return on Equity.
J. **HBP Revenue Requirement Deficiency (Sufficiency)** shall be the HBP Net Operating Income Deficiency (Sufficiency) multiplied by the Revenue Conversion Factor.[1]
K. **Carrying Costs** are computed by applying an interest rate to the HBP Revenue Requirement Deficiency (Sufficiency) from the midpoint date of the HBP to the effective date of the ARM Rider Rates, which reflects a total of 15 months from July 1 of the HBP thru Sept 30 of the following year. The interest rate used shall be the net-of-tax Overall Cost of Capital rate including the Authorized Return on Equity, for the HBP.
L. **ARM Reconciliation Deferred Account** shall be the interest-bearing regulatory asset or liability account to which the approved HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs are recorded each October. The actual collections from customers (or refunds to customers) arising from the ARM Rider Rates shall be applied to the ARM Reconciliation Deferred Account each month in order to relieve its balance. Interest shall be accrued monthly to the ARM Reconciliation Deferred Account at a rate equivalent to the Company's net-of-tax Overall Cost of Capital under which Base Margin Rates were last established. Interest shall be applied to the average of the beginning and ending monthly balances. The ARM Reconciliation Deferred Account shall not be included in rate base for purposes of determining the HBP Net Operating Income Deficiency (Sufficiency) or the Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency).
M. **ARM Regulatory Asset** shall be the account(s) to which the Company records Interest Deferrals and Depreciation Expense Deferrals associated with plant in service that has not

yet been included in rate base. The Company shall be authorized to establish and include in rate base this ARM Regulatory Asset. The Company shall segregate its deferrals to the ARM Regulatory Asset by HBP. Upon the effective date of new Base Margin Rates each year, the Dec 31 balance of the ARM Regulatory Asset for the most recent HBP shall begin to be amortized evenly over a period of time equivalent to the depreciable life of its underlying plant assets.

i. **Interest Deferrals**: On a monthly basis, the Company shall record deferred interest to the ARM Regulatory Asset. The rate for such deferred interest shall be the pretax Overall Cost of Capital under which Base Margin Rates were last established. Such deferred interest shall be calculated on all plant placed into service that is not yet included in rate base, and shall continue to accrue and be added to balance of the ARM Regulatory Asset during and after the HBP until such time that the underlying plant is included in rate base. The Company shall take care not to double count the application of Interest Deferrals and the recording of Allowance for Funds Used During Construction (AFUDC). The plant balance upon which the interest deferrals are calculated shall account for incremental plant additions net of a) incremental plant retirements; b) a provision adding or subtracting incremental deferred income taxes on plant assets not yet in rate base; c) a provision subtracting the increase in accumulated depreciation on assets already included in rate base; and d) a provision adding the depreciation expense deferred on assets not yet included in rate base.

ii. **Depreciation Expense Deferrals**: On a monthly basis, the Company shall record deferred depreciation expense to the ARM Regulatory Asset on plant not yet included in rate base. This accounting will result in a credit to depreciation expense and a debit to the ARM Regulatory Asset. The deferred depreciation expense shall be calculated on all plant placed into service that is not yet included in rate base, and shall continue to be added to the balance of the ARM Regulatory Asset during and after the HBP until such time that the underlying plant is included in rate base.

N. **Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency)** shall be computed as the difference in the net operating income for return for the Annual Base Rate Reset period under present Base Rates less the net operating income for return for the Annual Base Rate Reset period that is required to produce the Authorized Return on Equity.

O. **Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency)** shall be the Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency) multiplied by the Revenue Conversion Factor.

P. **New Matters** refers to any issue, adjustment and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the TPUC regarding the Company since the 2020 Rate Case Settlement.

Q. **ARM Rider Rates** refer to the customer billing rates per therm intended to relieve the ARM Reconciliation Deferred Account Balance over a 12-month period. The ARM Rider Rates will be updated each year on the Effective Date of ARM Rates. In each Annual ARM Filing, the Company shall propose new ARM Rider Rates based on the current

Annual ARM Proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs, plus the maximum of the ARM Deferred Account Balance at March 31 of the year after the HBP or any remaining ARM Deferred Account Balance, as appropriate.

R. **Base Rates** refer to those base rates per therm shown in Columns <l>, <2> and <3> of the Company's Tariff Sheet No. 1.
   i. **Base Margin Rates** refer to those base rates per therm shown in Column <1> of the Company's Tariff Sheet No. 1. The Base Margin Rates will be adjusted each year on the Effective Date of ARM Rates in accordance with the approved Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).
   ii. **Base PGA Rates** refer to those base rates per therm shown in Columns <2> and <3> of the Company's Tariff Sheet No. 1, which are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider".

S. **Applicable Rate Schedules** are the Rate Schedules for which the ARM Rider Rates and the Base Margin Rates as updated under the ARM shall apply. The Applicable Rate Schedules are Rate Schedules 301, 302, 343, 352, 303, 304, 310, 313 and 314, which represent all of Spire Tennessee's Rate Schedules.

T. **Revenue Conversion** Factor shall be computed consistent with the paragraph 14.m. of the 2020 Rate Case Settlement.

<u>Components of the Annual ARM Filing</u>

On the Annual ARM Filing Date each year, the Company shall file with the TPUC schedules and workpapers that calculate the HBP Revenue Requirement Deficiency (Sufficiency)[1] and the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) in accordance with this tariff. The Company's Annual ARM Filing shall specifically include the following:

1. ARM Filing Schedules, described in Section IV herein.
2. Workpapers supporting the ARM Filing Schedules (in electronic, native format with formulas intact).
3. Direct Testimony supporting the ARM Filing Schedules and requested rate adjustments, and also specifically including:
   a. An explanation of the nature and extent of incremental deferred environmental expenses, pursuant to the requirements of para. 17.i. of the 2020 Rate Case Settlement; and
   b. An explanation and support to demonstrate that incremental pension deferral amounts were prudently incurred to meet the Company's obligation to qualified employees and retirees, pursuant to the requirements of para. 17.b. of the 2020 Rate Case Settlement. [2]

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[1] Pursuant to Commission Order issued March 16, 2026, in Docket No. 25-00074, Spire Tennessee Inc. will not attempt to recover a calculated revenue deficiency or associated carrying charges from customers in the temporary ARRM filings authorized for the years of 2025, 2026, and 2027, which shall be filed in 2026, 2027, and 2028, respectively.

[2] Pursuant to Commission Order issued July 25, 2022 in Docket No. 21-00135, no additional regulatory asset for pension or OPEB above the amount that was authorized for recovery in Piedmont's last rate case shall be established for ratemaking purposes unless the Company first obtains express approval from the Commission.