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Electronically Filed in TPUC Docket Room on August 21, 2026 at 12:18 p.m.

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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

PUBLIC VERSION

Before the
Tennessee Public Utility Commission

Docket No. 26-00042

2026 Annual ARM Filing

Rebuttal Testimony
of
Jay Neal

On Behalf Of
Spire Tennessee Inc.

August 21, 2026

I. Introduction and Qualifications

Q. Please state your name and business address.

A. My name is Jay Neal. My business address is 83 Century Blvd, Nashville, Tennessee.

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

A. I am a Senior Analyst, Regulatory Affairs for Spire Tennessee Inc. ("Spire Tennessee" or the "Company"). My responsibilities include analyzing and filing a variety of reports with the Tennessee Public Utility Commission ("TPUC" or "Commission"), monitoring purchased gas costs and rates, and analyzing and reporting financial and customer information. I also performed these functions while employed by Piedmont Natural Gas Company, Inc. ("Piedmont") before transitioning to Spire Tennessee Inc.

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 specifically addressed the various ratemaking adjustments to Piedmont's actual 2025 per book amounts to support the appropriate representation of Rate Base and Net Operating Income for Return under the ARM, all of which are summarized on ARM Schedule Nos. 2 through 11.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to certain positions and recommendations set forth in the direct testimony of Consumer

Advocate Division ("Consumer Advocate") witnesses Bradley O. Dixon and Clark D. Kaml filed on August 6, 2026, and the corrected direct testimony of David N. Dittemore filed on August 20, 2026. Specifically, I address the Consumer Advocate's positions regarding: (1) the ARM calculation methodology and (2) plant-in-service classification and rate base.

Q. Please summarize your rebuttal conclusions.

A. In summary, I conclude the following:

1. The Company's ARM calculation methodology follows the approved ARM Tariff and the Commission's Order Approving Transfer of Authority to Provide Utility Services and Related Authorizations, issued on June 2, 2026, in Docket No. 25-00074 ("Transfer Approval Order"), in all respects. The Consumer Advocate's historic base period ("HBP") sufficiency calculation and alternative Annual Base Rate Reset ("ABRR") cap calculation do not identify a tariff or calculation error. Instead, in essence, they seek to redefine established and Commission-approved definitions and methodologies to produce a different result outside of the approved ARM framework.
2. Plant-in-service is properly classified based on established accounting criteria that have been applied consistently under Piedmont's ownership, and in all prior ARM proceedings. Mr. Dixon's proposed $16,983,540 reduction for new business plant

should be rejected because the accounting practices are proper, have remained consistent, and have been previously approved in ARM filings by the Commission. In addition, Mr. Dixon's proposal should be rejected, given that he implies that Spire Tennessee was properly accounting for the new business plant.[1]

II. ARM Calculation Methodology

Q. Please describe the ARM calculation methodology used in this filing.

A. The 2026 Annual ARM Filing follows the methodology prescribed by Piedmont's Commission-approved ARM Tariff (Service Schedule No. 318), as transferred to Spire Tennessee pursuant to the Transfer Approval Order in Docket No. 25-00074. The ARM Tariff defines a two-step process: (1) the HBP Revenue Requirement Deficiency (Sufficiency) reconciliation, which computes the difference between the Company's earned rate of return during the HBP and its authorized Fair Rate of Return; and (2) the ABRR Revenue Requirement Deficiency (Sufficiency), which computes the change in rates necessary to allow the Company to earn its authorized return prospectively.

This ARM methodology has now been applied in three consecutive annual proceedings—Docket Nos. 23-00035, 24-00036, and 25-00036—without any substantive challenge to the core

[1] Consumer Advocate Direct Testimony of Bradley O. Dixon at 4 (Aug. 6, 2026).

calculation framework being sustained. In the most recent two of those proceedings (2024 and 2025), settlements were reached that accepted the methodology with only minor, stipulated adjustments.[2] The ARM's methodology is well-established, and is the product of collaborative development, Commission review, and three years of successful application.

Q. Does the Consumer Advocate challenge the overall ARM methodology?

A. Yes, but the Consumer Advocate's challenge is not a demonstrated error in the mechanics of the Company's ARM schedules. Rather, Mr. Dittemore recommends treating the HBP as producing a $1,815,037 customer refund with carrying charges, and he recommends reducing the ABRR increase from the Company's capped $13,966,022 request to $8,928,893 by applying the 4% cap using an improperly narrow definition of "base rates" which redefines established ARM Tariff language.[3] Company witnesses David Yonce and Eric Bouselli will address issues with the Consumer Advocate's interpretation and application of the 4% cap. Those positions should be evaluated against the plain language of the ARM Tariff and the Transfer Approval Order. The Company's computation adheres to the ARM Tariff as approved by

[2] *See* Stipulation and Settlement Agreement, Docket No. 24-00036 (Aug. 20, 2024); Stipulation and Settlement, Docket No. 25-00036 (Aug. 25, 2025).

[3] Consumer Advocate Corrected Direct Testimony of David N. Dittemore at 4-5 (Aug. 20, 2026).

the Commission in Docket No. 21-00135 on November 1, 2022, and as subsequently applied in three prior ARM proceedings (Docket Nos. 23-0035, 24-00036, and 25-00036).

Q. Are there any new or different adjustment types in this filing compared to prior ARM filings?

A. No. Other than the two adjustments that are unique to the transition period—the treatment of the HBP Revenue Requirement Deficiency pursuant to the Transfer Approval Order (Spire Tennessee is foregoing the $36,209 deficiency) and the application of the 4% rate cap limitation—this filing utilizes the same adjustment categories and methodologies that Piedmont has applied in every prior ARM proceeding. There are no novel or untested ratemaking adjustments in this filing.

The ARM Tariff prescribes a defined, repeatable methodology. Each adjustment category—construction work in progress ("CWIP"), accumulated deferred income taxes, employee incentive compensation, pension/other post-employment benefits, Cash Working Capital, and the others—has been computed using the same approach in every filing since 2023. The Consumer Advocate's proposal is not a correction to a new Company adjustment; it seeks to redefine established methodology with a rate case-like recommendation and impose new limitations on established tariff mechanics after the fact and disregard the Commission's intended purpose.

III. <u>Plant-in-Service and Rate Base</u>

Q. What is the amount of Rate Base utilized in the Company's HBP and ABRR calculations?

A. The Rate Base utilized for the HBP is $1,427,306,934 and the amount for the ABRR calculation is $1,514,485,998, as shown in Columns C and E, respectively, of ARM Schedule No. 2. The same methodologies to arrive at the HBP and ABRR rate base values were applied in the 2023, 2024, and 2025 ARM filings. The year-over-year growth reflects continued infrastructure investment to serve Tennessee's growing customer base—a consistent pattern the Commission has found reasonable in each prior proceeding.

Q. Does the Consumer Advocate challenge the plant-in-service amounts included in Rate Base?

A. Yes. Mr. Dixon recommends reducing Residential New Business/Growth Construction Expenditures by $12,351,684 and Commercial New Business/Growth Construction Expenditures by $4,631,856, for a combined $16,983,540 reduction. He states that the purpose of the adjustment is to remove new business construction expenditures that have been placed in service but, in his view, are not yet serving customers. He further asserts that legacy customers bear the cost of that investment until anticipated customers attach to the system and begin taking service.[4] That position turns on a customer-attachment test, not on the Company's established accounting criteria for placing plant in service.

Q. How does the Company determine when plant is placed in service?

A. The Company classifies plant as in service based on the earlier of: (1) the asset becomes ready for use; (2) the asset becomes used and useful; or (3) the asset begins generating revenue. These criteria are consistent with GAAP, Uniform System of Accounts requirements, and the accounting standards that Piedmont applied throughout its ownership of the Tennessee operations. The Commission has accepted plant in service balances computed using these same criteria in all prior ARM proceedings without adjustment.

Company witness Eddie Davidson further details the determinations of whether plant is "used and useful" in a practical sense which is whether the infrastructure is ready and available to provide service, not when every end-user is connected. For purposes of the ARM, if the infrastructure is ready and available to provide service by the end of the HBP, it should be, and has been, included for recovery.

This interpretation aligns with the Uniform System of Accounts requirement that plant be transferred from CWIP to plant-in-service when it becomes "ready" for its intended purpose. The ARM Tariff also

[4] Consumer Advocate Witness Dixon at 4-8.

places the burden on the Company to demonstrate that plant recorded to plant-in-service is truly used in providing service to customers; the Company satisfies that burden by showing that the facilities are installed, tested, pressurized, and available to serve. The Consumer Advocate's apparent position—that plant should be excluded from rate base until an end-use customer physically connects—would depart from accepted industry and established Tennessee regulatory practice.

Critically, the Consumer Advocate's own testimony confirms that its new business accounting, contribution in aid of construction, and line-extension concerns are not accounting or tariff-compliance objections. Mr. Dixon states that he is not alleging a violation of the Company's accounting or filed tariffs. Rather, his concern is whether Piedmont's current policy appropriately balances risk among legacy customers, developers, new customers, and shareholders.[5]

The record supports the Company's treatment in this ARM proceeding. Company witness Eddie Davidson speaks to the concerns of the Consumer Advocate in greater detail. The consistent, previously approved accounting of new business capital expenditures rebuts the premise that the 2025 new-business plant balances should be removed from rate base.

[5] Consumer Advocate Witness Dixon at 10.

Q. Has the Commission ever disallowed plant-in-service balances in a prior ARM filing based on the theory that the plant is not yet actively serving customers?

A. No. In no prior ARM proceeding—including Piedmont's 2023 ARM, 2024 ARM, or 2025 ARM[6]—has the Commission or any party challenged plant-in-service based on the argument that infrastructure meeting accounting in-service criteria is not yet physically connected to active customers. The Consumer Advocate's proposed $16.98 million reduction would therefore create a new plant-in-service standard within an ARM filing, rather than apply the existing Commission-approved ARM methodology.

In the acquisition docket, Consumer Advocate witness Dixon recommended that the Commission "deny Spire Tennessee the ability to utilize the ARM process until such time as they have satisfactorily addressed these CapEx concerns."[7] The Commission did not adopt that recommendation. The Consumer Advocate's attempt to relitigate this issue through a line-item plant disallowance is inconsistent with the Transfer Approval Order's resolution. New business construction expenditures in 2025 totaled approximately [redacted] consistent with 2024 and 2023 levels, and the data reflects operations conducted

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[6] *See generally* Docket Nos. 23-00035, 24-00036, and 25-00036.

[7] Direct Testimony of Bradley O. Dixon, Docket No. 25-00074 at 20 (Dec. 1, 2025).

entirely under Piedmont's ownership. Had the transaction not been approved, these same records would have been presented by Piedmont in its 2026 ARM filing. The transfer of utility operations from Piedmont to Spire Tennessee does not change the underlying prudence or accounting classification of these assets.

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.[8]

IV. Conclusion

Q. In closing, is there anything that you would like to say to the Commission?

A. Yes. In summary, Spire Tennessee's 2026 Annual ARM Filing is fully compliant with the ARM Tariff methodology, the Transfer Approval Order conditions, and established Commission practice from prior ARM proceedings. The Company's plant accounting is consistent with industry practice, has not changed from prior years, and were recorded in a consistent manner in Piedmont's accounting records prior to Spire

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[8] *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).

Tennessee's ownership. Further, this filing applies methodologies and a tariff framework collaboratively developed, Commission-approved, and successfully applied for three years, utilizing Piedmont-owned books and records. The only changed variable, other than the Commission's own modifications, is the name on the application.

In contrast, the Consumer Advocate's proposed adjustments should be rejected because they would redefine and depart from the established tariff methodology, convert policy objections unsupported by the 2025 HBP record into a current-year disallowance, and impose a new plant-in-service standard not previously applied in Piedmont ARM proceedings. The Commission-approved change in ownership, coupled with the Transfer Approval Order limitations that Spire Tennessee has honored, should not alter the recoverability of prudent 2025 costs. I respectfully request that the Commission approve Spire Tennessee's 2026 Annual ARM Filing as filed.

Q. Does this conclude your rebuttal testimony?

A. Yes.