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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

Before the
Tennessee Public Utility Commission

Docket No. 26-00042

2026 ARM Filing

Rebuttal Testimony
of
John D. Taylor

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 John D. Taylor. My business address is 10 Hospital Center Commons, Suite 400, Hilton Head Island, South Carolina 29926.

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

A. I am employed by Atrium Economics as its Chief Executive Officer and am appearing on behalf of Spire Tennessee Inc. ("Spire Tennessee" or the "Company"). I prepared the fully allocated Cost of Service Study ("COSS") filed in support of Spire Tennessee's 2026 Annual ARM Filing.

Q. Did you file direct testimony in this proceeding?

A. Yes. I filed direct testimony on May 20, 2026, presenting the results of the fully allocated COSS and supporting Spire Tennessee's proposed rate design for the Annual Base Rate Reset ("ABRR").

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to certain positions and criticisms set forth in the direct testimony of Consumer Advocate Division ("Consumer Advocate") witness Clark D. Kaml filed on August 6, 2026, relating to the Company's COSS the interpretation of class cost-of-service results and cross-subsidization, class revenue apportionment, rate design, and future filing disclosures. Mr. Kaml also discusses the application of the 4% limitation to the Company's proposed revenue increase. That issue is addressed by other Company witnesses. In addition, I address the corrected direct testimony of Consumer Advocate witness David N. Dittemore, where he discusses alleged subsidies associated with new residential customers to the extent it relates to the purpose and interpretation of the Company's class-level embedded COSS and the proposed class revenue apportionment. The underlying new-business investment and line-extension issues raised by Mr. Dittemore are addressed by Company witness Eric Bouselli. Lastly, I address a narrower ratemaking issue relevant to Mr. Dittemore's testimony: whether, as a matter of natural gas utility terminology and industry practice, the term "base rates" necessarily refers only to distribution margin and excludes purchased gas costs.

Q. Please summarize your rebuttal conclusions.

A. In summary, I conclude the following:

1. The Company's fully allocated COSS is an embedded class cost-of-service study designed to allocate the Company's regulated revenue requirement among customer classes and evaluate the relationship between class revenues and allocated costs. It is consistent with the type of class cost-of-service analysis traditionally used for utility ratemaking and with the general methodology used in Piedmont Natural Gas Company, Inc.'s ("Piedmont") prior Tennessee filings.
2. I agree with Mr. Kaml that different concepts of cost and different types of cost studies may be used to answer different questions. A marginal-cost study, stand-alone-cost analysis, project-specific economic analysis, and embedded class COSS do not measure the same thing. Mr. Kaml's discussion of those alternative concepts does not

identify an error in the Company's embedded COSS or diminish its usefulness for the purpose for which it was prepared.

3. Mr. Kaml applies a particular marginal-cost and stand-alone-cost framework when discussing cross-subsidization.[1] In my testimony, the relevant issue is the relationship between each class's revenues and its allocated embedded cost responsibility. The terminology used to describe differences in those relationships does not change the COSS results.

4. Neither the Company's proposed class revenue apportionment nor Mr. Kaml's proposed class revenue apportionment is mechanically derived from the COSS. Like the Company, Mr. Kaml applies an equal percentage increase to the current margin revenues of each applicable customer class.[2] The principal difference between the proposals is the amount of the increase. The COSS provides important information regarding class cost responsibility and informs the evaluation of the resulting class revenue relationships.

5. Mr. Dittemore's new-business analysis addresses the incremental economics of serving new residential customers, a different question from the allocation of embedded costs among customer classes.[3] His analysis does not identify an error in the Company's COSS or provide

[1] Consumer Advocate Direct Testimony of Clark D. Kaml at 34-35 (Aug. 6, 2026).

[2] Consumer Advocate Witness Kaml at 18-19.

[3] Consumer Advocate Corrected Direct Testimony of David N. Dittemore at 15 (Aug. 20, 2026).

a basis for changing the Company's proposed class revenue apportionment.

6. Mr. Kaml's concerns regarding the relative recovery of revenues through fixed and volumetric rate components principally support his recommendations for additional transparency in future filings. Mr. Kaml expressly states that those recommendations have no numerical impact on the current proposed rate design or recovery of the revenue requirement.[4]

7. The Company will continue to provide the information required by the Tennessee Public Utility Commission ("Commission"), including the class cost-of-service and rate-design information contemplated by the Commission's Minimum Filing Guidelines. The Company does not object to reasonable additional disclosures that may assist the Commission in tracking changes in class revenue contributions or rate structures over time. However, those additional disclosures are matters of transparency and do not identify an error in the current embedded COSS, establish a requirement for a different type of cost study, or provide a basis to change the Company's proposed ABRR class revenue apportionment in this proceeding.

8. Mr. Dittemore's discussion of "base rates" appears to treat that term as synonymous with the narrower concept of "Base Margin Rates." I agree

[4] Consumer Advocate Witness Kaml at 28.

that purchased gas costs are not part of distribution margin. However, the broader term "base rates" does not have a uniform industry meaning that necessarily excludes purchased gas costs. Natural gas tariffs in some jurisdictions incorporate a base or benchmark level of purchased gas costs into tariffed rates, with a purchased cost adjustment ("PGA"), gas cost adjustment ("GCA"), or similar mechanism subsequently adjusting or reconciling that gas-cost component. The distinction is particularly important here because Service Schedule No. 318 separately identifies Base Margin Rates and Base PGA Rates and includes both within its definition of Base Rates.

II. <u>Role and Purpose of the Company's COSS</u>

Q. What criticisms does Mr. Kaml raise at the Company's COSS?

A. Mr. Kaml raises principally conceptual concerns regarding fully allocated cost-of-service studies. He emphasizes that cost studies require judgment, discusses alternative concepts such as marginal cost and stand-alone cost, questions whether an embedded fully allocated study can demonstrate the existence of a cross-subsidy under his definition of that term, and cautions against drawing conclusions from COSS results without recognizing the purpose and limitations of the study.[5] Importantly, Mr. Kaml does not identify a specific computational error in the Company's COSS, propose a

[5] Consumer Advocate Witness Kaml at 29, 33-34.

correction to a particular allocation factor, or present a competing class cost-of-service study.

Q. Do you agree that there are different types and measures of cost?

A. Yes. Different cost concepts and different types of cost studies are used because they answer different questions. For example, marginal or incremental cost analysis may be useful in evaluating how costs change as service or usage changes. A project-specific economic analysis may be appropriate when evaluating the economics of a particular extension or new investment. A stand-alone-cost analysis asks yet another question.

The Company's COSS answers a different and important regulatory question. It allocates the Company's embedded regulated revenue requirement among customer classes based on cost-causative relationships and provides information concerning the relative cost responsibility, revenues, and rates of return of those classes.

The existence of other useful cost concepts therefore does not establish a deficiency in an embedded class COSS. The appropriate analytical tool depends on the question being evaluated.

Q. Is the Company's COSS methodology appropriate for this proceeding?

A. Yes. The fully allocated COSS filed in this proceeding follows the same methodology used in Piedmont's prior filings before this Commission, including Piedmont's last general rate case in Docket No. 20-00086. The study allocates the Company's embedded revenue requirement to customer classes based on established cost-causation principles, using demand, commodity, and customer-related allocation factors that are standard in the natural gas utility industry. The fact that a fully allocated COSS requires professional judgment does not diminish its usefulness as a class-level tool for assessing embedded cost responsibility and informing movement toward cost-based rates.

The Commission's Minimum Filing Guidelines for Local Distribution Gas Companies filing base rate cases specifically require the local distribution company ("LDC") to provide its most recent class COSS and support for proposed changes in rate design.[6] While Mr. Kaml may prefer to discuss additional or alternative cost concepts, that does not mean the Company's embedded class COSS is the wrong study for the regulatory purpose it serves.

Q. What role does the COSS play in evaluating the Company's proposed class revenue apportionment?

A. First, it is important to clarify that the amount of the Company's ARM revenue requirement and the application of the applicable limitation are determined through the revenue-requirement calculations addressed by other Company witnesses. The COSS shows that Residential Service is producing revenues below its indicated cost of service under current rates, while the other classes are producing revenues above their indicated cost of

[6] *See* Minimum Filing Guidelines for Local Distribution Gas Companies Filing Base Rate Cases at 7 (Paragraph No. 48), *available at:* https://www.tn.gov/content/dam/tn/publicutility/documents/ utility divdocs/TPUCGasMinimumFilingGuidelines.pdf.

service. The Company is not proposing, in this ARM proceeding, to make a comprehensive class revenue reallocation to eliminate those differences.

Rather, the Company proposes applying the same percentage increase to each applicable class's current margin revenues, consistent with the approach used in prior Piedmont ARM filings. The Company is therefore not proposing in this ARM to make a class-specific reallocation based upon the COSS results. The COSS provides information regarding the resulting relationship between each class's revenues and allocated embedded costs and informs the Commission's evaluation of those relationships. This Commission has accepted that approach in prior proceedings.[7]

III. Cost of Service and Cross-Subsidization

Q. How does Mr. Kaml characterize cross-subsidization in this proceeding?

A. Mr. Kaml argues that the Company has not adequately supported its implications regarding cross-subsidization among customer classes. He explains that "a fully allocated cost study does not prove the existence of cross-subsidies," and asserts that "although the cost study results are being

[7] See, e.g., 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 at 7 (May 6, 2021) (finding the settlement rate design increasing base rates by 10.7% across all classes to be just and reasonable).

presented, the Company does not discuss the cost study results with respect to the actual rates being proposed."[8]

Q. Do you agree with Mr. Kaml's characterization?

A. No. The Consumer Advocate's testimony raises two distinct concepts. Mr. Kaml addresses class-level embedded cost responsibility and the meaning of cross-subsidization, while Mr. Dittemore separately evaluates the incremental economics associated with new residential customers. These are different analytical questions that require different tools and may lead to different regulatory conclusions.

Mr. Kaml's discussion of marginal cost does not eliminate the need to allocate the Company's embedded revenue requirement among customer classes. The revenue requirement includes common and joint costs that are real costs of providing utility service but that, by their nature, cannot be attributed exclusively to a particular customer or class. Marginal-cost analysis may be useful for evaluating incremental decisions, such as the economics of adding customers or extending facilities, but it does not, by itself, provide a complete method for assigning those common and joint costs or recovering the Company's embedded revenue requirement. A fully allocated COSS serves that different purpose by reasonably assigning embedded cost responsibility among customer classes.

[8] Consumer Advocate Witness Kaml at 33-34.

Q. How are you using the term cross-subsidization in this testimony?

A. In the context of an embedded class COSS, I use the term to describe differences between the revenues produced by a customer class and the embedded cost responsibility allocated to that class. Mr. Kaml uses a different economic framework based on marginal and stand-alone costs. That difference in terminology does not change the embedded cost relationships shown by the Company's COSS.

Q. Does Mr. Kaml use his marginal-cost and stand-alone-cost concepts to develop his proposed class revenue apportionment?

A. No. This is an important distinction. Mr. Kaml discusses marginal-cost and stand-alone-cost concepts in criticizing how the Company interprets the COSS results.[9] Those concepts, however, are not used by Mr. Kaml to develop his own proposed class revenue apportionment. Like the Company, Mr. Kaml applies an equal percentage increase to the current margin revenues of each applicable customer class. The principal difference between the two proposals is the amount of the increase—4% under Mr. Kaml's proposal compared with approximately 6.3% under the Company's proposal.[10] The appropriate amount of the increase is addressed by Company witnesses David Yonce and Eric Bouselli.

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[9] Consumer Advocate Witness Kaml at 32-35.

[10] Consumer Advocate Witness Kaml at 18-19.

Q. What conclusion do you draw from that?

A. The disagreement regarding marginal cost and Mr. Kaml's definition of cross-subsidization does not determine the class revenue apportionment proposed by either party in this proceeding. Neither party proposes to establish class revenues directly from a marginal-cost study, a stand-alone-cost study, or even by moving each class immediately to the revenue requirement indicated by the embedded COSS. Both parties use an equal-percentage approach to current class margin revenues. The COSS remains relevant because it gives the Commission an embedded cost-of-service benchmark for evaluating the class relationships that result from that approach.

Q. Does Consumer Advocate witness Dittemore also raise a subsidy issue related to new residential customers?

A. Yes. Mr. Dittemore performs a separate analysis comparing estimated revenues associated with new residential customers with the incremental revenue requirement he associates with residential new-business capital expenditures. For purposes of his analysis, he defines a subsidy as a situation in which revenues from a group of customers are insufficient to recover the incremental revenue requirement associated with investments undertaken primarily to serve that group.[11]

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[11] Consumer Advocate Witness Dittemore at 18-20.

That is a different analytical question from the one addressed by the Company's class COSS. The COSS allocates the Company's embedded revenue requirement among rate classes and evaluates the relationship between each class's revenues and allocated embedded costs. Mr. Dittemore's analysis instead evaluates the incremental economics associated with a subset of customers within the Residential class. He also acknowledges that the capital expenditures incurred in a particular year do not precisely correspond with the new customers beginning service in that same year and therefore describes his comparison as a high-level proxy. The substance of the Consumer Advocate's new-business recommendations are addressed by Company witness Eric Bouselli.

Q. Does Mr. Dittemore's new-business analysis identify an error in the Company's COSS or provide a basis for a different class revenue apportionment in this proceeding?

A. No. Mr. Dittemore does not identify an error in the functionalization, classification, or allocation of costs in the Company's class COSS, nor does he present a competing class COSS. His analysis addresses the economics of new residential investment relative to revenues from new residential customers, rather than the allocation of the Company's embedded revenue requirement among the Residential, General Service, and other rate classes.

That distinction is important because new and legacy residential customers are included within the same Residential rate class for purposes of the Company's COSS. An incremental concern regarding the economics of serving new customers within that class does not, by itself, establish that the Company's embedded class COSS is incorrect or that the approved ARM revenue increase should be apportioned differently among customer classes. Any issues concerning new-business investment, CIAC, or the Company's line-extension practices can be considered separately from class cost-of-service and revenue-apportionment issues.

IV. Class Revenue Apportionment and Rate Design

Q. What class revenue apportionment does Mr. Kaml recommend?

A. Mr. Kaml recommends applying a 4% increase to the current margin revenues of each applicable rate class. He expressly states that the allocation method is consistent with the Company's approach.[12] Thus, from a class revenue apportionment perspective, both proposals apply the same percentage increase to each applicable class's current margin revenues. The disagreement over whether the applicable increase should be 4% or approximately 6.3% is addressed by Company witness Eric Bouselli.

Q. Does Mr. Kaml propose a different intra-class method for recovering his recommended increase?

A. No. His proposed rates generally follow the same approach used by the Company. His proposed increase is recovered through the applicable base volumetric rates while existing monthly charges and demand charges remain unchanged. Accordingly, the principal difference between the

[12] Consumer Advocate Witness Kaml at 19.

Company's current proposal and Mr. Kaml's proposal is the amount of the increase, not the method of class revenue apportionment or intra-class recovery.

Q. Mr. Kaml nevertheless questions the Company's statement that it is using the same rate design. What do you mean when you state that Spire Tennessee is using the "same rate design"?

A. I mean that Spire Tennessee is using the same components of rates and the same general structure that underlie existing rates, such as fixed monthly charges, demand charges where applicable, volumetric charges, block rates, and seasonal rates. I do not mean that every individual component of every rate schedule must increase by the identical percentage in every ARM filing. The point is that the Company has not proposed to change rate classes, eliminate or add major rate components, change block structures, or alter demand-charge applicability in a manner that would amount to a new comprehensive rate design. The proposed ABRR allocation applies the same percentage increase to each applicable class's current margin revenues while preserving the existing rate components and general rate structure.

Q. Does Mr. Kaml's discussion of fixed and volumetric rate components provide a reason to reject the Company's proposed rates in this proceeding?

A. No. Mr. Kaml expressly states that his recommendations regarding these rate-design disclosures have no numerical impact on the current proposed rate design or recovery of the revenue requirement.[13] His discussion is therefore principally a transparency issue regarding how rate changes should be described and tracked in future filings, not a quantitative basis for changing the Company's current class revenue apportionment or intra-class recovery methodology.

Q. Would spreading the ABRR increase proportionally across residential fixed and volumetric charges have produced a material fixed-charge increase?

A. No. Spire Tennessee's proposed ABRR margin revenue increase is \$13,966,022 on total system margin revenue of \$223,222,322, or approximately 6.26% before rounding. Applying that same percentage to the Residential Service monthly charges of \$17.45 in the winter period and \$13.45 in the summer period would yield an increase of approximately \$1.09 for a winter month and \$0.84 for a summer month. Weighted by the billing determinants reflected for those two monthly charges, the average monthly fixed-charge increase would be approximately \$0.95. That calculation confirms that, even under the Consumer Advocate's premise, although not its recommendation, the practical fixed-charge issue is modest.

[13] Consumer Advocate Witness Kaml at 28.

V. Meaning of "Base Rates" and Purchased Gas Costs

Q. Do you agree with Mr. Dittemore's discussion of the distinction between base rates and purchased gas costs?

A. Not entirely. I agree with the narrower proposition that purchased gas costs are not part of a utility's distribution margin. Accordingly, if the term at issue were "Base Margin Rates," I would generally agree that those rates would exclude purchased gas costs. But that is different from concluding that the broader term "Base Rates" necessarily excludes purchased gas costs.

In natural gas ratemaking, those terms are not universally interchangeable. A utility's base or tariffed sales rates may include both a margin component and an embedded or benchmark level of purchased gas costs. The applicable PGA, GCA, or similar mechanism may then adjust or reconcile that gas-cost component as purchased gas costs change. Thus, it is entirely possible for purchased gas costs to be excluded from Base Margin Rates while still being included within the broader category of Base Rates.

That distinction is particularly important here because the Company's tariff expressly makes it. Service Schedule No. 318 separately identifies "Base Margin Rates" and "Base PGA Rates" and includes both within its definition of "Base Rates." In my opinion, Mr. Dittemore's analysis effectively substitutes the narrower concept of Base Margin Rates for the broader term Base Rates.

Q. Is the inclusion of a purchased gas component within a utility's base or tariffed rates unusual in the natural gas industry?

A. No. I have worked on natural gas regulatory matters across numerous jurisdictions, and the terminology and mechanics used to recover purchased gas costs vary. In some jurisdictions, gas-cost components are separately stated from distribution rates. In others, a benchmark or base level of purchased gas costs is incorporated into tariffed or base sales rates and a PGA, GCA, or similar mechanism adjusts from or reconciles that amount. In addition, jurisdictions vary dramatically in how they distinguish the various rates that customers pay on their bills. Terms used for rates that include gas costs range from Energy Charge, Billing Rate, Base Rate and Effective Rate. All essentially representing the same thing (distribution margin costs plus gas costs and possibly other riders/charges) but all under different naming conventions.

For example, in North Carolina, I have worked with natural gas rate structures in which sales rates incorporate a benchmark commodity gas cost and the PGA mechanism adjusts that embedded gas-cost component. South Carolina provides an even more explicit example. Dominion Energy South Carolina, Inc.'s Purchased Gas Adjustment tariff provides that the purchased gas cost calculated under the PGA will be included in base rates to the extent approved by the Public Service Commission of South

Carolina.[14] Another example, Columbia Gas of Kentucky, Inc., provides its currently effective billing rate as base rate charge plus gas cost adjustment for a total billing rate.[15] A further example of how there is no singular industry wide definition of terms such as base rate, tariff rate, billing rate, or effective rate, is seen with Columbia Gas of Virginia, Inc.. For Columbia Gas of Virginia, "base rate" is calculated as base gas plus base non-gas. Further, "billing rate" is then calculated as base rate plus PGA adjustment, plus various riders.[16] Furthermore, Columbia Gas of Pennsylvania, Inc. provides a total effective rate, which is the combination of a distribution charge, gas supply charge, gas cost adjustment and various other charges or riders.[17]

I offer these examples not to suggest that there is a single industry convention, nor that they constitute an exhaustive list of jurisdictions in which purchased gas costs are reflected in base rates. What they demonstrate, however, is that the phrase "base rates," standing alone, does

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[14] Dominion Energy South Carolina, Inc., Stipulation Attachment B (Purchased Gas Adjustment), PSCSC Docket No. 2023-70-G (Aug. 21, 2023) (tariff materials providing that the purchased gas cost calculated under the PGA "will be included in the base rates to the extent approved by the Public Service Commission,") *available at:* https://dms.psc.sc.gov/Attachments/ Matter/1ad6ea5b-81df-46ac-8138-8a4858605d2.

[15] Columbia Gas of Kentucky, Inc., Gas Tariff PSC KY No. 5, Sixth Revised Sheet No. 1 (effective Sept. 1, 1993) *available at*: https://psc.ky.gov/tariffs/Natural%20Gas/Local%20 Distribution%20 Companies/Columbia%20Gas%20of%20Kentucky/Tariff.pdf.

[16] Columbia Gas of Virginia, Inc., Gas Tariff, Seventh Revised Volume No. 1 (filed July 13, 2026) *available at*: https://www.columbiagasva.com//docs/librariesprovider10/rates-and-tariffs/residential-and-small-general-service-rates.pdf.

[17] Columbia Gas of Pennsylvania, Inc., Supplement No. 418 to Tariff Gas – Pa. P.U.C. No. 9 (effective July 1, 2026) *available at*: https://www.columbiagaspa.com/docs/librariesprovider14/rates-and-tariffs/pennsylvania_tariff.pdf.

not have a uniform industry meaning that necessarily excludes purchased gas costs. That is why the specific terminology used in the applicable tariff matters. Here, the tariff distinguishes Base Margin Rates from Base PGA Rates and expressly includes both as components of Base Rates.

VI. Future Filing Disclosures

Q. What does Mr. Kaml recommend regarding future filings?

A. Mr. Kaml recommends that future filings more expressly identify and discuss changes in rate components and intra-class allocations. He also recommends comparisons between proposed rates and rates approved in an earlier rate proceeding, and comparisons showing the dollar and percentage contribution to total revenues from each customer class over time. Specifically, he seeks greater transparency regarding how each class's revenue responsibility changes over time as a result of annual ARM adjustments.[18]

Q. Do those recommendations identify a deficiency in the Company's current COSS?

A. No. They address disclosure and presentation of information rather than the methodology or calculations underlying the Company's COSS. The Company's current filing provides existing and proposed rate information and a detailed embedded COSS showing the allocation of costs, current class revenues, class cost of service, and class rates of return. In addition,

[18] Consumer Advocate Witness Kaml at 28.

Tennessee's Minimum Filing Guidelines for LDC base rate cases already require the filing of the LDC's most recent Class COSS and support for proposed changes in rate design. Additional historical comparisons can be considered separately from whether the Company's current COSS is methodologically sound or whether the proposed ARM class apportionment is reasonable.

Q. Does the Company object to providing reasonable additional disclosure requirements in future proceedings?

A. The Company will, of course, continue to comply with the filing requirements established by the Commission. If the Commission determines that specifically defined additional schedules or comparisons would assist its review of future ARM filings, those requirements can be addressed on that basis.

However, Mr. Kaml's broader discussion of alternative cost concepts and definitions of cross-subsidization should not be interpreted as establishing an undefined requirement that the Company perform marginal-cost, stand-alone-cost, or other alternative cost studies in future filings. Those analyses answer different questions, and Mr. Kaml does not define a specific alternative study that he proposes should replace the embedded class COSS.

The appropriate future filing requirements should therefore be clear as to the information the Commission wishes to receive and should not undermine the role of the embedded class COSS used to evaluate class cost responsibility. The Company's current filing already provides detailed class cost-of-service information, including class rates of return under present and proposed revenues.

VII. Conclusion

Q. Please summarize your conclusions.

A. In summary, the fully allocated embedded COSS filed in this proceeding is methodologically sound, is consistent with the general methodology used in prior Piedmont filings, and provides important information regarding class cost responsibility and the relationship between class revenues and allocated costs.

Mr. Kaml's discussion of marginal cost, stand-alone cost, and cross-subsidization does not identify an error in the COSS or provide a competing class COSS analysis. Importantly, those alternative cost concepts do not determine Mr. Kaml's own proposed class revenue apportionment. Like the Company, he applies an equal percentage increase to each applicable class's current margin revenues, where the principal difference is the amount of the increase, not the method of class revenue apportionment or intra-class recovery. Similarly, Mr. Dittemore's analysis of the incremental economics of new residential customers addresses a different question and does not identify an error in the Company's class COSS or provide a basis for changing the proposed class revenue apportionment. The COSS therefore remains an appropriate embedded cost-of-service benchmark for evaluating the class revenue relationships resulting from the ARM adjustment approved in this proceeding.

Lastly, I also disagree with any suggestion that general industry usage requires the term “base rates” to be treated as synonymous with distribution margin or “Base Margin Rates.” Based on my experience across multiple natural gas jurisdictions, industry terminology and tariff structures vary, and purchased gas costs may be incorporated into base or tariffed rates and subsequently adjusted through a PGA or similar mechanism. Here, Service Schedule No. 318 expressly distinguishes Base Margin Rates from Base PGA Rates and includes both within Base Rates.

Q. Does this conclude your rebuttal testimony?

A. Yes.