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**Before the
Tennessee Public Utility Commission**

Docket No. 26-00042

2026 Annual ARM Filing

**Direct Testimony
of
Jay Neal**

**On Behalf Of
Spire Tennessee Inc.**



May 20, 2026

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

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

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

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

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

14 A. I have a Bachelor of Science in Professional Accounting from Bob Jones
15 University. I am also a licensed certified public accountant in the state
16 of Georgia. My professional work experience began in public
17 accounting with a regional accounting firm, after which I transitioned to
18 internal audit services at a bank holding company and Vanderbilt
19 University. Prior to joining Piedmont as a rate analyst, I was employed
20 by Nashville Electric Service (“NES”) in several roles, primarily
21 serving as Revenue & Rates Manager where I led a team with
22 responsibilities including regulatory compliance, rate design, revenue,
23 purchased power, and customer analytics and forecasting,

1 implementation and maintenance of customer programs, billing, credit
2 / collection, and also strategic initiatives with executive management.

3 **Q. Have you previously testified before the Commission or any other**
4 **regulatory authority?**

5 A. No. However, in my current role, I have submitted administrative filings
6 to the Commission and worked closely with Commission Staff on those
7 filings.

8 **Q. Please provide context for this proceeding.**

9 A. This filing is made pursuant to the Commission's ruling on March 16, 2026,
10 in Docket No. 25-00074 ("Transfer Approval"), which authorized Spire
11 Tennessee to file a limited version of the Annual Review Mechanism
12 ("ARM") on a temporary basis. Following the transaction closing on March
13 31, 2026, Spire Tennessee inherited all costs incurred and capital deployed
14 by Piedmont during calendar year 2025. As a result, this filing utilizes
15 calendar year 2025 as the Historic Base Period ("HBP") and is entirely
16 based on costs incurred and capital deployed under Piedmont's ownership
17 during calendar year 2025.

18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. My direct testimony supports Spire Tennessee's Annual Review
20 Mechanism Tariff Filing ("2026 Annual ARM Filing"). The 2026
21 Annual ARM Filing is submitted by the Company in fulfillment of the
22 requirements of Piedmont's previously approved Service Schedule No.
23 318 ARM ("Piedmont ARM Tariff"), as transferred to Spire Tennessee

1 on a limited and temporary basis pursuant to the Transfer Approval. My
2 testimony specifically walks through the various ratemaking
3 adjustments to Piedmont's actual 2025 per book amounts to support the
4 appropriate representation of Rate Base and Net Operating Income for
5 Return under the ARM, all of which is summarized on ARM Schedule
6 Nos. 2 through 11.

7 **Q. Do you have any exhibits to your testimony?**

8 A. No, I do not have any exhibits to my testimony. However, throughout
9 my testimony I will refer to the Company's 2026 ARM Filing Schedules
10 shown in Attachment No. 1 to the 2026 Annual ARM Filing.

11 **I. Ratemaking Adjustments to Represent Rate Base and Net**
12 **Operating Income for Return for the HBP Reconciliation**
13 **Revenue Requirement Deficiency Computation**

14 **Q. What is the amount of Rate Base utilized for the HBP**
15 **Reconciliation Revenue Requirement Deficiency computation?**

16 A. The amount of Rate Base utilized for the ARM HBP Reconciliation is
17 \$1,427,306,934, as shown in Column C of ARM Schedule No. 2. Spire
18 Tennessee calculated this amount using the 13-month average of the
19 actual per books balances shown in Column A of ARM Schedule No. 2,
20 coupled with certain ratemaking adjustments shown in Column B of
21 ARM Schedule No. 2. Each of the ratemaking adjustments shown in
22 Column B of ARM Schedule No. 2 is prescribed by the Company's
23 ARM Tariff. Specifically, Spire Tennessee made three ratemaking
24 adjustments to the actual per book 13-month average balances for

1 Construction Work in Progress (“CWIP”), Accumulated Deferred
2 Income Taxes (“ADIT”), and the ARM Regulatory Asset components
3 of Rate Base, shown on Lines 2, 5, and 21 of Column B of ARM
4 Schedule No. 2, totaling (\$20,532,872).

5 **Q. Please explain each of the ratemaking adjustments to Rate Base**
6 **utilized for the HBP Reconciliation.**

7 A. As detailed in ARM Schedule No. 15, Spire Tennessee adjusted the 13-
8 month average of actual per books CWIP balances over the period ended
9 December 31, 2025, by (\$3,032,639) to exclude 50% of actual short-
10 term incentive plan (“STIP”) costs, 100% of actual long-term incentive
11 plan (“LTIP”) costs, and 100% of actual pension/other post-
12 employment benefits (“OPEB”) costs recorded to CWIP during the
13 HBP.

14 **Q. Can you please describe the ratemaking adjustment made to the**
15 **ADIT component of Rate Base for the HBP Reconciliation?**

16 A. As shown on Line 5, Column B of ARM Schedule No. 2, Spire
17 Tennessee adjusted the 13-month average actual per books ADIT
18 balance for the period ended December 31, 2025, by \$5,950,339 to
19 remove ADIT related to pension/OPEB and incentive compensation to
20 be consistent with the exclusion of expense items in the HBP.

1 **Q. Describe the components of Cash Working Capital (“CWC”)**
2 **reflected in Rate Base utilized for the HBP Reconciliation.**

3 A. Spire Tennessee computed the CWC component, shown as the
4 Lead/Lag Study Requirement on ARM Schedule Nos. 3 and 4A. The
5 CWC component excludes the impacts of Return on Equity and
6 Depreciation Expenses pursuant to the Commission-authorized
7 Settlement Agreement in Docket No. 23-00035. The Other Working
8 Capital component reflects the 13-month average of the actual end-of-
9 month balances for the period ended December 31, 2025, for the various
10 balance sheet accounts categorically summarized on Lines 7 through 18
11 of Column C on ARM Schedule No. 2.

12 **Q. What ratemaking adjustments did the Company make to the ARM**
13 **Regulatory Asset component of Rate Base for the HBP**
14 **Reconciliation?**

15 A. As shown on Line 21, Column A of ARM Schedule No. 2, the average
16 balance of the ARM Regulatory Asset over the 13-month period ended
17 December 31, 2025, is \$36,221,456. This 13-month balance was
18 adjusted by (\$23,450,572) to exclude the deferred interest expense
19 portion of the average monthly balance of the ARM Regulatory Asset.
20 This adjustment results in an ARM Regulatory Asset Balance of
21 \$12,770,884 to be utilized in the HBP Reconciliation.

1 **Q. Did the Company make any other ratemaking adjustments to Rate**
2 **Base for the HBP Reconciliation?**

3 A. No, the Company did not make any other adjustments to Rate Base to
4 conform with the ARM Tariff for the purpose of computing the HBP
5 Reconciliation Revenue Requirement Deficiency.

6 **Q. What is the amount of Operating Revenues utilized for the**
7 **derivation of the HBP Reconciliation?**

8 A. The amount of Operating Revenues utilized is \$322,716,193, as shown
9 in Column C of ARM Schedule No. 6A. Spire Tennessee calculated
10 this amount using the actual per books balances for the 12-month period
11 ended December 31, 2025, shown in Column A of ARM Schedule No.
12 6A coupled with the ARM-required ratemaking adjustments
13 summarized in Column B of ARM Schedule No. 6A. Specifically, Spire
14 Tennessee made five ratemaking adjustments to the actual per book
15 balances for the Sales and Transportation Revenues and Other Revenues
16 components of Operating Revenues, shown on Lines 1, 6, 9, and 10 of
17 Column B of ARM Schedule No. 6A, totaling \$1,936,161.

18 **Q. Can you please describe the ratemaking adjustments made to the**
19 **Sales and Transportation component of Operating Revenues for the**
20 **HBP Reconciliation?**

21 A. Yes. As shown on Line 1, Column B of ARM Schedule No. 6A, the per
22 books Sales and Transportation Margin Revenue Excluding Special
23 Contracts was adjusted by (\$37,761) to exclude the 2024 HBP

1 Reconciliation Revenue Requirement Deficiency approved in Docket
2 No. 25-00036.

3 **Q. Please explain the ratemaking adjustments made to the Other**
4 **Revenues component of Operating Revenues for the HBP**
5 **Reconciliation.**

6 A. As shown on Line 6, Column B of ARM Schedule No. 6A, Spire
7 Tennessee adjusted the per books balances for the 12-month period
8 ended December 31, 2025, by \$2,752,646 to include Home Protection
9 Plan (formerly called HomeServe Warranty Program) revenues
10 recorded during the period. On Lines 9 and 10, Column B of ARM
11 Schedule No. 6A, Spire Tennessee further adjusted the actual per books
12 balances to make various miscellaneous adjustments and to exclude off-
13 system sales, secondary marketing activities, and customer cash-out
14 activities. These adjustments result in a total adjustment of \$1,973,922
15 in Other Revenues, as shown on Line 11, Column B of ARM Schedule
16 No. 6A.

17 **Q. What is the amount of Operating and Maintenance (“O&M”)**
18 **Expense utilized for the derivation of the HBP Reconciliation?**

19 A. The amount of O&M Expense utilized for the HBP Reconciliation is
20 \$56,937,244, as shown in Column C of ARM Schedule No. 5. Spire
21 Tennessee calculated this amount using the actual per books balances
22 for the 12-month period ended December 31, 2025, shown in Column
23 A of ARM Schedule No. 5, coupled with the ARM-required ratemaking

1 adjustments summarized in Column B of ARM Schedule No. 5.

2 **Q. Please explain each of the ratemaking adjustments to O&M**
3 **Expense utilized for the HBP Reconciliation.**

4 A. Spire Tennessee made the following adjustments to O&M expense
5 components for the HBP Reconciliation:

6 (1) Uncollectible and Bad Debt Expense – The per book O&M
7 expense reflects the Company’s bad debt provision for Tennessee
8 operations, which is a projection of bad debt write-offs, not the margin
9 portion of the actual write-offs during the HBP. As shown on Line 5,
10 Column B of ARM Schedule No. 5, Spire Tennessee adjusted the per
11 book expense by (\$213,163) so that the amount utilized for the HBP
12 Reconciliation only reflects the margin portion of the actual write off
13 during the HBP.

14 (2) Employee Incentive Compensation Expenses – As shown
15 on Lines 10 and 11, Column B of ARM Schedule No. 5, Spire
16 Tennessee adjusted Employee Incentive Compensation Expenses for
17 the period ended December 31, 2025, by (\$1,917,566) to exclude 50%
18 of actual STIP expenses and 100% of actual LTIP expenses.

19 (3) Expense for Allocated Return on Duke Energy Business
20 Services, LLC (“DEBS”) Assets¹ – As shown on Line 14, Column B of

¹ Because the HBP of calendar year 2025 was entirely under Piedmont’s ownership, the actual per books O&M expenses during the HBP include expense for the allocated return on DEBS assets, as Piedmont received corporate services from DEBS during that period. During the transition period, Spire Tennessee is compensating Piedmont for ongoing services pursuant to a Transition Services

1 ARM Schedule No. 5, Spire Tennessee adjusted Expense for Allocated
2 Return on DEBS Assets balances for the period ended December 31,
3 2025, by (\$186,604) to reflect a return based on the Authorized Return
4 on Equity, and to exclude any such expense related to return on DEBS
5 pension assets.

6 (4) Other Pension and OPEB Expenses – Pursuant to the ARM
7 Tariff, Other Pension and OPEB expenses shall include the Tennessee
8 jurisdictional portion of the actuarily-determined minimum contribution
9 requirement during the HBP and shall exclude Other Pension and OPEB
10 Expenses computed in accordance with GAAP. During the HBP, the
11 actuarily-determined minimum required contribution was zero.
12 Accordingly, as shown on Line 15, Column B of ARM Schedule No. 5,
13 Spire Tennessee adjusted Other Pension and OPEB Expenses for the
14 period ended December 31, 2025, by \$1,849,112 to exclude Other
15 Pension and OPEB Expenses computed in accordance with GAAP.
16 Note that Line 13 of ARM Schedule No. 5 represents the continuation
17 of the amortization of pension deferrals approved in Piedmont’s last
18 general rate case. There were no incremental pension costs included in
19 the HBP; therefore, no adjustment to amortization expense for deferred
20 pension costs is necessary.

Agreement (“TSA”). However, consistent with the Transfer Approval, Spire Tennessee is not seeking recovery of incremental or transaction-related costs associated with the acquisition itself. The intent of this commitment is to ensure that Tennessee customers are not paying for services twice (through base rates established under Piedmont ownership and through the TSA). Future ARM filings and the general rate case will reflect Spire Tennessee's own structure.

1 (5) Lobbying Expenses – As shown on Line 16, Column B of
2 ARM Schedule No. 5, Spire Tennessee adjusted Lobbying Expenses,
3 along with Charitable Contributions and Social Club Membership for
4 the period ended December 31, 2025, by (\$117,132) to exclude all of
5 these expenses. The lobbying adjustment includes a 75% exclusion of
6 both labor expenses and leased downtown costs, and a 5% exclusion of
7 indirect lobbying supervisory labor expenses allocated to Piedmont’s
8 Tennessee jurisdiction, pursuant to the Commission-authorized
9 Settlement Agreement in Docket No. 23-00035.

10 Other O&M Expense:

11 (6) Advertising Expense – As shown on Line 17, Column B of
12 ARM Schedule No. 5, Spire Tennessee adjusted Advertising Expense
13 for the period ended December 31, 2025, by (\$27,170) to exclude
14 expenses related to political or promotional advertising, as defined by
15 TPUC Rule 1220-4-5-.45. The adjustment also includes an exclusion of
16 indirect advertising labor expense associated with non-recoverable
17 advertising, pursuant to the Commission-authorized Settlement
18 Agreement in Docket No. 23-00035.

19 (7) Miscellaneous O&M Adjustments – As shown on Lines 1
20 through 4 and Lines 6, 8, and 18 Column B of ARM Schedule No. 5,
21 Spire Tennessee made various adjustments to exclude expenses
22 improperly recorded as operating expenses during the HBP. In addition,
23 on Line 18, Column B of ARM Schedule No. 5, the Company adjusted

1 Other A&G Expense to include Home Protection Plan (formerly called
2 the HomeServe Warranty Program) expenses pursuant to the ARM
3 tariff.

4 **Q. What is the amount of General Taxes utilized for the HBP**
5 **Reconciliation?**

6 A. The amount of General Tax expense utilized for the HBP Reconciliation
7 is \$10,776,309, as shown in Column C of ARM Schedule No. 7. The
8 Company calculated this amount using the actual per books expense
9 amount for the 12-month period ended December 31, 2025, shown in
10 Column A of ARM Schedule No. 7, coupled with the ARM-required
11 ratemaking adjustments summarized in Column B of ARM Schedule
12 No. 7. Specifically, Spire Tennessee made two ratemaking adjustments
13 to the actual per book balances for Payroll Taxes and the Allocated &
14 Other Taxes components of General Taxes, shown on Lines 4 and 5 of
15 Column B of ARM Schedule No. 7, totaling (\$107,847).

16 **Q. What is the nature of the ratemaking adjustment for Payroll Tax**
17 **expense?**

18 A. As shown on Line 4, Column B of ARM Schedule No. 7, the per books
19 Payroll Tax amount for the period ended December 31, 2025, was
20 adjusted by (\$143,242) to comport with the labor and other

1 compensation expense ratemaking adjustments for the HBP
2 Reconciliation.²

3 **Q. Please explain the ratemaking adjustment made to the Allocated &**
4 **Other Taxes component of General Taxes for the HBP**
5 **Reconciliation.**

6 A. As shown on Line 5, Column B of ARM Schedule No. 7, the per books
7 Allocated & Other Tax expense for the 12-month period ended
8 December 31, 2025, was adjusted by \$35,395 to remove certain tax
9 expense erroneously recorded as a Piedmont three-state expense (of
10 which Tennessee is allocated a portion). The details supporting these
11 ratemaking adjustments are shown on ARM Schedule No. 52V

12 **Q. Did Spire Tennessee make any other adjustments to General Taxes**
13 **for the HBP Reconciliation?**

14 A. No, Spire Tennessee did not make any other adjustments to General
15 Taxes to conform with the ARM Tariff for the purpose of the HBP
16 Reconciliation.

17 **Q. Please explain the calculations for Allowance for Funds Used**
18 **During Construction (“AFUDC”) Debt and Equity for the HBP**
19 **Reconciliation.**

20 A. As shown on Lines 17 and 18, Column B of ARM Schedule No. 9, Spire
21 Tennessee adjusted the actual per books AFUDC amounts by

² See ARM Schedule No. 52V.

1 \$3,601,643 to reflect the 13-month average CWIP balance during the
2 HBP, multiplied by the Overall Cost of Capital in the HBP including
3 the Authorized Return on Equity.

4 **Q. What is the cumulative effect of the ratemaking adjustments made**
5 **in the calculation of the HBP Revenue Requirement Deficiency?**

6 A. As shown on Line 21 of ARM Schedule No. 9, the adjustments totaling
7 \$229,165 in Column B result in a \$99,550,810 Net Operating Income
8 for Return utilized in the HBP Reconciliation.

9 **Q. Pursuant to the Transfer Approval, how is the HBP Revenue**
10 **Requirement Deficiency treated in this filing?**

11 A. Consistent with the conditions imposed in the Transfer Approval, Spire
12 Tennessee is presenting the HBP Reconciliation for transparency but is
13 foregoing recovery of the HBP Revenue Requirement Deficiency.

14 **Q. Please explain the Deferred Account balance used to calculate the**
15 **new ARM Rider Rates on Schedule 12.**

16 A. Pursuant to the Transfer Approval, Spire Tennessee will not attempt to
17 recover the \$36,209 calculated revenue deficiency on Line 8, Column A of
18 ARM Schedule No. 1 or associated carrying charges from customers in the
19 temporary ARRM filings authorized for the calendar years of 2025, 2026,
20 and 2027, which shall be filed in 2026, 2027, and 2028, respectively.

1 **II. Ratemaking Adjustments to Represent Rate Base and Net**
2 **Operating Income for Return for the Annual Base Rate**
3 **Reset Revenue Requirement Deficiency Computation**

4 **Q. What is the amount of Rate Base utilized for the Annual Base Rate**
5 **Reset?**

6 A. The amount of Rate Base utilized for the Annual Base Rate Reset is
7 \$1,514,485,998, as shown on Line 22, Column E of ARM Schedule No.
8 2. Spire Tennessee calculated this amount by making certain
9 adjustments to the HBP Rate Base Balance as shown in Column C of
10 ARM Schedule No. 2. Specifically, Spire Tennessee made six
11 adjustments as prescribed by the Company's ARM Tariff to Utility
12 Plant in Service, CWIP, Accumulated Depreciation, ADIT, CWC, and
13 the ARM Regulatory Asset components of Rate Base, shown on Lines
14 1, 2, 3, 5, 19, and 21 of Column D of ARM Schedule No. 2, totaling
15 \$87,179,064.

16 **Q. Please explain each of the ratemaking adjustments to Rate Base**
17 **utilized for the Annual Base Rate Reset.**

18 A. As shown on Line 1, Column D of ARM Schedule No. 2, Spire
19 Tennessee adjusted the HBP Balance of Utility Plant in Service by
20 \$83,340,500 to reflect the Utility Plant in Service Balance at the end of
21 the HBP on December 31, 2025.

22 **Q. Can you please describe the ratemaking adjustment made to the**
23 **CWIP component of Rate Base for the Annual Base Rate Reset?**

24 A. Yes. As shown on Line 2, Column D of ARM Schedule No. 2, Spire

1 Tennessee adjusted the HBP Balance of CWIP by (\$10,467,077) to
2 reflect the CWIP Balance on December 31, 2025, excluding 50% of
3 actual STIP costs, 100% of actual LTIP costs, and 100% of actual
4 pension/OPEB costs recorded during the HBP.

5 **Q. What ratemaking adjustments did Spire Tennessee make to the**
6 **Accumulated Depreciation component of Rate Base for the Annual**
7 **Base Rate Reset?**

8 A. As shown on Line 3, Column D of ARM Schedule No. 2, Spire
9 Tennessee adjusted the HBP Balance of Accumulated Depreciation by
10 (\$6,158,920) to reflect the Accumulated Depreciation balance on
11 December 31, 2025.

12 **Q. Can you please describe the ratemaking adjustment made to the**
13 **ADIT component of Rate Base for the Annual Base Rate Reset?**

14 A. Yes. As shown on Line 5, Column D of ARM Schedule No. 2, Spire
15 Tennessee adjusted the HBP Balance of ADIT by (\$8,778,285) to reflect
16 the ADIT Balance on December 31, 2025, to be consistent with the
17 exclusion of expense items in the HBP.³

18 **Q. What ratemaking adjustments did Spire Tennessee make to the**
19 **CWC component of Rate Base for the Annual Base Rate Reset?**

20 A. As shown on Line 19, Column D of ARM Schedule No. 2, Spire
21 Tennessee adjusted the HBP CWC Requirement by \$498,621 to

³ See ARM Schedule No. 18.

1 incorporate adjustments made to Revenues and Expenses in the Annual
2 Base Rate Reset calculations.

3 **Q. What ratemaking adjustments did Spire Tennessee make to the**
4 **ARM Regulatory Asset component of Rate Base for the Annual**
5 **Base Rate Reset?**

6 A. As shown on Line 21, Column D of ARM Schedule No. 2, Spire
7 Tennessee adjusted the HBP balance of the ARM Regulatory Asset by
8 \$28,744,225 to reflect the actual unamortized ARM Regulatory Asset
9 balance on December 31, 2025.

10 **Q. What is the amount of Operating Revenues utilized for the Annual**
11 **Base Rate Reset?**

12 A. The amount of Operating Revenues utilized for the Annual Base Rate
13 Reset is \$349,150,549, as shown on Line 12 of Column E of ARM
14 Schedule No. 6A. Spire Tennessee calculated this amount using the
15 derived HBP balances for the 12-month period ended December 31,
16 2025, shown in Column C of ARM Schedule No. 6A, coupled with the
17 ratemaking adjustments in Column D of ARM Schedule No. 6A, and as
18 prescribed by the Company's ARM Tariff. Specifically, Spire
19 Tennessee made three ratemaking adjustments to Sales and
20 Transportation Margin Revenue, Purchased Gas Revenue, and Other
21 Revenue, shown on Lines 1, 4, and 9 of Column D of Proposed ARM
22 Schedule No. 6A, totaling \$26,434,356.

1 **Q. Can you please describe the required ratemaking adjustment made**
2 **to the Sales and Transportation Margin Revenue component of**
3 **Operating Revenues for the Annual Base Rate Reset?**

4 A, Yes. As shown on Line 1, Column D of ARM Schedule No. 6A, Spire
5 Tennessee adjusted the per books Sales and Transportation Margin
6 Revenues for the 12-month period ended December 31, 2025, by
7 \$4,014,250 to perform the ARM-required normalization adjustment to
8 revenues. Specifically, Spire Tennessee computed this ratemaking
9 adjustment exactly as prescribed in the ARM Tariff by (1) normalizing
10 actual HBP usage for service rendered under Rate Schedules 301
11 (Residential), 302 (Small General) and 352 (Medium General) through
12 the simple linear regression analysis methodology, and then pricing out
13 this weather-normalized usage at Piedmont's existing TPUC-approved
14 Base Margin Rates; and (2) pricing out the actual HBP usage for service
15 rendered under Rate Schedules 303 (Large General Sales - Firm), 304
16 (Large General Sales – Interruptible), 310 (Resale Service), 313 (Large
17 General Transportation - Firm), 314 (Large General Transportation –
18 Interruptible), and 343 (Motor Vehicle Fuel Service) at Piedmont's
19 existing TPUC-approved Base Margin Rates.

20 **Q. Can you please describe the ratemaking adjustment made to the**
21 **Purchased Gas Revenue component of Operating Revenues for the**
22 **Annual Base Rate Reset?**

23 A. Yes. As shown on Line 4, Column D of ARM Schedule No. 6A, Spire

1 Tennessee adjusted Purchased Gas Revenues for the 12-month period
2 ended December 31, 2025, as adjusted on Line 4, Column C of ARM
3 Schedule No. 6A, by \$22,182,265 to perform the ARM-required
4 normalization adjustment to revenues. Specifically, Spire Tennessee
5 computed this ratemaking adjustment exactly as prescribed in the ARM
6 Tariff by (1) normalizing actual HBP usage for service rendered under
7 Rate Schedules 301 (Residential), 302 (Small General) and 352
8 (Medium General) through the simple linear regression analysis
9 methodology, and then pricing out this weather-normalized usage at
10 Piedmont's existing TPUC-approved Base PGA Rates; and (2) pricing
11 out the actual HBP usage for service rendered under Rate Schedules 303
12 (Large General Sales - Firm), 304 (Large General Sales – Interruptible),
13 310 (Resale Service), 313 (Large General Transportation - Firm), 314
14 (Large General Transportation – Interruptible), and 343 (Motor Vehicle
15 Fuel Service) at Piedmont's existing TPUC-approved Base PGA Rates.

16 **Q. Please explain the ratemaking adjustments made to the Other**
17 **Revenues component of Operating Revenues for the Annual Base**
18 **Rate Reset.**

19 A. As shown on Line 9, Column D of ARM Schedule No. 6A, Spire
20 Tennessee adjusted Miscellaneous Other Revenues for the 12-month
21 period ended December 31, 2025, as adjusted on Line 9, Column C of
22 ARM Schedule No. 6A, by \$237,841 to exclude actual HBP revenues

1 primarily associated with a prior period Weather Normalization
2 Adjustment audit adjustment recorded during the HBP.

3 **Q. Did Spire Tennessee make any ratemaking adjustments to O&M**
4 **Expenses for the Annual Base Rate Reset?**

5 A. Yes. As shown on Line 12, Column D of ARM Schedule No. 5, Spire
6 Tennessee adjusted Amortization Expenses for Deferred Environmental
7 Costs for the period ended December 31, 2025, by (\$80,815). The
8 adjustment reflects the following: (1) three-year amortization of
9 \$763,465⁴ in incremental environmental costs incurred and deferred by
10 Piedmont during the HBP; and (2) the remaining annual amortization of
11 deferred environmental expenses previously approved by the
12 Commission for Piedmont to recover through its rates.

13 **Q. Did Piedmont incur and defer environmental cleanup and**
14 **remediation costs during the HBP, pursuant to the authority**
15 **granted to Piedmont in Commission Order dated December 21,**
16 **1992, in Docket No. 92-16160?**

17 A. Yes. For many years, Piedmont incurred and deferred costs related to
18 the remediation of the former Nashville Gas Company manufactured
19 gas plant (“MGP”) located at 800 2nd Ave North in Nashville (“former
20 Nashville MGP Site” or “Site”). These remediation costs continue to
21 be ongoing under Spire Tennessee’s ownership. The former Nashville

⁴ See ARM Schedule No. 33 Deferred Environmental Amortization.

1 MGP Site was operated at that location from roughly 1851 through
2 1946. Spire Tennessee understands past MGP operations there have
3 impacted soil and groundwater quality at the Site based on findings from
4 environmental investigations, and that Piedmont has reported the
5 findings to the Tennessee Department of Environment and
6 Conservation's ("TDEC") Division of Remediation ("DOR"). Spire
7 Tennessee has assumed responsibility for these environmental
8 obligations as a result of the transaction. The incremental environmental
9 costs of \$763,465⁵ incurred and deferred during the HBP for which
10 Spire Tennessee seeks amortized recovery in this proceeding are
11 comprised of the following:

- 12 • Regulatory fees associated with Piedmont's participation in the
13 TDEC's Voluntary Cleanup, Oversight and Assistance Program
14 ("VOAP"). Piedmont submitted an application to DOR
15 requesting that the Site be entered into the VOAP with the goal
16 of completing Site characterization, designing and
17 implementing an appropriate and effective remedial strategy to
18 address Site impacts, and ultimately achieving Site Closure and
19 receiving a No Further Action Letter from TDEC. The DOR
20 accepted the Site into the VOAP in May 2021. The DOR
21 routinely submits invoices to Piedmont for performing its VOAP

⁵ Id.

1 functions in accordance with a posted fee structure, and the
2 Company anticipates that it will now submit such invoices to
3 Spire Tennessee with respect to the same.

- 4 • Environmental consultant fees and costs for ongoing regulatory
5 and technical support functions and performing remedial
6 investigation (“RI”) at the Site under the oversight of the DOR.
7 The RI is being conducted by Piedmont’s consultant, ERM of
8 Nashville, TN. ERM conducted groundwater monitoring
9 activities and prepared reports that were submitted to the DOR,
10 in support of the RI.
- 11 • Fees and costs associated with securing, decommissioning, and
12 maintaining the Nashville MGP Site. These activities are
13 necessary and in support of the RI and environmental cleanup.
- 14 • Pace Analytical Services fees for certified-laboratory analysis of
15 environmental samples collected during the RI.
- 16 • Waste Management fees for proper management of waste
17 generated during the RI, including transport to a permitted
18 disposal facility.

19 **Q. Did Spire Tennessee make any ratemaking adjustments to**
20 **Depreciation Expense for the Annual Base Rate Reset?**

21 A. Yes. As shown on Line 8, Column D of ARM Schedule No. 9, Spire
22 Tennessee adjusted the actual per books Depreciation Expense for the
23 12-month period ended December 31, 2025, by \$13,718,168 to reflect

1 the annualized depreciation expense aligned with the actual December
2 31, 2025, balance of Utility Plant in Service and aligned with the new
3 depreciation rates. The depreciation rates for Tennessee Direct Property
4 and the Tennessee portion of three-state Joint Property utilized in this
5 Annual Base Rate Reset calculation are those approved by the
6 Commission during the April 14, 2025, hearing in Docket No. 24-00082
7 and became effective October 1, 2025, concurrent with the effective
8 date of the new Base Margin Rates proposed in this proceeding.

9 **Q. Please explain the calculations for AFUDC Debt and Equity for the**
10 **Annual Base Rate Reset.**

11 A. As shown on Lines 17 and 18, Column D of ARM Schedule No. 9, Spire
12 Tennessee adjusted the actual per books AFUDC amounts by
13 (\$775,217) to reflect the 13-month average CWIP balance during the
14 HBP multiplied by the Overall Cost of Capital on December 31, 2025,
15 including the Authorized Return on Equity.

16 **Q. Are there any other adjustments to Net Operating Income for**
17 **Return for the Annual Base Rate Reset calculation?**

18 A. Yes. As shown on Line 9, Column D of ARM Schedule No. 9, there is
19 an adjustment of \$828,703 of Amortization Expense for the ARM
20 Regulatory Asset. The adjustment includes proposed annual
21 amortization expense of the 2025 ARM Regulatory Asset and the
22 previously approved annual amortization of the 2024, 2023, and 2022
23 ARM Regulatory Asset. The details supporting this adjustment are

1 shown on ARM Schedule No. 52Z. The Company has calculated a
2 weighted average depreciable life of 37.16 years for the 2025 ARM
3 Regulatory Asset property, subject to deferred interest and deferred
4 depreciation, and is seeking to recover this expense in new Base Margin
5 Rates with this Annual ARM Filing.

6 **Q. What is the cumulative effect of the ratemaking adjustments made**
7 **in the calculation of the Annual Base Rate Reset Revenue**
8 **Requirement Deficiency?**

9 A. As shown on Line 21 of ARM Schedule No. 9, the adjustments totaling
10 \$(7,952,280) in Column D result in a \$91,598,530 Net Operating
11 Income for Return utilized in the calculation of the Annual Base Rate
12 Reset Revenue Requirement Deficiency.

13 **Q. Is the Annual Base Rate Reset Revenue Deficiency within the four**
14 **percent (4%) limit imposed by the Transfer Approval?**

15 A. No, it is not. The calculated Annual Base Rate Reset Revenue
16 Deficiency is 5.22%, which exceeds the 4% limit imposed by the
17 Transfer Approval. However, consistent with the Transfer Approval,
18 Spire Tennessee's requested increase is limited to 4%. As noted earlier,
19 the calendar 2025 activity was entirely based on costs incurred and
20 capital deployed under Piedmont's ownership during calendar year
21 2025.

1 **Q. What was Piedmont’s capital structure during the HBP for use in**
2 **the Annual Base Rate Reset?**

3 A. Piedmont’s capital structure for the period ended December 31, 2025,
4 as shown in Column A of ARM Schedule No. 10B, is 49.43% equity,
5 44.23% long-term debt, and 6.34% short-term debt.

6 **Q. How do the weather-normalization adjustments to revenues affect**
7 **the Weather Normalization Adjustment components proposed in**
8 **this filing?**

9 A. Because the Annual Base Rate Reset revenue adjustments reflect
10 weather-normalized usage for Rate Schedules 301, 302, and 352, Spire
11 Tennessee also recalculated the WNA components that rely on those
12 normalized billing determinants. In this filing, Spire Tennessee
13 proposes to update the WNA components—the “R” Values, Base Load
14 Factors, Heat Sensitive Factors, and Normal Heating Degree Days—as
15 shown in ARM Schedule No. 28. The proposed Base Load Factors and
16 Heat Sensitive Factors use the same simple linear regression
17 methodology used for the Annual Base Rate Reset normalization
18 adjustment prescribed by the ARM Tariff. The “R” Values reflect
19 applicable seasonal proposed Base Margin Rates for Rate Schedules
20 301, 302, and 352, and the Normal Heating Degree Day values reflect
21 the 30-year average degree days shown on ARM Schedule No. 27 for
22 the period ended December 31, 2025.

1 **Q. Is Spire Tennessee proposing any change to the methodology used**
2 **to calculate the WNA components?**

3 A. No.

4 **Q. Does this conclude your pre-filed direct testimony?**

5 A. Yes.