**IN THE TENNESSEE PUBLIC UTILITY COMMISSION**
**AT NASHVILLE, TENNESSEE**

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| **IN RE:** | ) | |
| | ) | |
| **PETITION OF SPIRE TENNESSEE INC. FOR APPROVAL OF ITS 2026 ANNUAL REVIEW OF RATES MECHANISM ("ARM") PURSUANT TO TENN. CODE ANN. § 65-5-103(d)(6)** | ) | **DOCKET NO. 26-00042** |
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**DIRECT TESTIMONY**

**OF**

**BRADLEY O. DIXON**

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**August 6, 2026**

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## I. INTRODUCTION

**Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.**

A1. My name is Bradley O. Dixon. My business address is Harlan Sage LLC, 4149 W 151st Ter, Leawood, KS 66224. I am a Consultant contracted with the Consumer Advocate Division of the Office of the Tennessee Attorney General ("Consumer Advocate").

**Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A2. I received a Bachelor of Business Administration Degree from Washburn University of Topeka, Kansas in 1975. I am an Accredited Business Intermediary by the American Business Brokers of America, a Certified Exit Planning Advisor, and a member of M&A Source, an organization for individuals involved in lower middle market business transactions. I was previously employed by ONE Gas and its predecessor companies in Kansas, Missouri, and Oklahoma for approximately 34 years. During that time, I held various positions including the following: Manager of Accounting; Manager of Office Operations for the Kansas City Metro Region, including parts of Missouri; Director of Customer Billing; Director of Gas Supply; and Vice President of Operations for the Southern Region, including properties in Oklahoma and Kansas. My final 10 years with the Company, I was the President of Kansas Gas Service, guiding an organization of nearly 1,000 employees providing natural gas service to over 600,000 customers.

During my time in the accounting role, in addition to day-to-day accounting and reporting activities, I had responsibilities for compiling data and preparing financial exhibits for General Rate Cases before the Kansas Corporation Commission and the

Federal Energy Regulatory Commission. I was also involved in the preparation of filings with the Securities and Exchange Commission.

At various times throughout my tenure in Gas Supply and Region Vice President, I had general overview responsibilities for gas supply, transmission and hedging programs for all the ONE Gas distribution properties.

During my role as Vice President and President, I was the lead negotiator for union contract negotiations with multiple unions that represented field service and customer service employees. Also, while I was in those positions, I had varying levels of responsibility for Capital Expenditure budgets and oversight of actual capital expenditure projects.

At various times during my employment with Kansas Gas Service, I testified before the Kansas Corporation Commission in General Rate Filing matters, Cost of Gas filings, financial hedging, gas supply plans, and the Gas System Reliability Surcharge. Additionally, during my career, I assisted due diligence teams on an acquisition, a divestiture and another transaction as part of a Division that was being acquired. As such, I was involved with the transition and integration of operations for my areas of responsibility at the time of those transactions. In summary, I have had direct responsibility and experience in many key areas of natural gas operations and management.

Since my retirement from ONE Gas, I have testified in a human resource related case in Federal Court, provided general guidance to entities related to gas supply operations, and provided consulting services to businesses who are interested in buying or selling a business. In this arena, I provide extensive financial and operational analysis to determine value and potential for the future of these businesses.

**Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNEESSEE PUBLIC UTILITY COMMISSION ("TPUC" OR THE "COMMISSION")?**

A3. Yes. I testified in TPUC Docket No. 25-00074 and have filed testimony in other Dockets before the TPUC. I have also testified multiple times before the Kansas Corporation Commission.

**Q4. ON WHOSE BEHALF ARE YOU TESTIFYING?**

A4. I am testifying on behalf of the Consumer Advocate Division, Office of the Tennessee Attorney General.

**Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A5 . The purpose of my testimony is to (1) present my analysis of the Company's New Business capital expenditures for CY 2025, including the extent to which plant recorded to be in service is not yet serving any customer; (2) discuss my concerns regarding the Company's practices for collecting Contributions in Aid of Construction ("CIAC") associated with new residential and commercial development; (3) discuss my concerns regarding the Company's residential line extension allowance policy; and (4) present my recommendations to the Commission.

**Q6. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

A6. I propose a reduction to New Business/Growth Construction costs that were placed in service during 2025 but are not yet serving a new customer. I recommend that the TPUC direct the Company to review its CIAC collection practices for new residential and commercial development, including consideration of upfront collection with ratable refunds as customers attach to the system; and recommend that the TPUC direct the

Company to evaluate it residential line extension allowance policy and reviewed it detail in its next general rate case to determine that it is not causing a detrimental impact on existing legacy customers. Due to the limited discovery available in this Annual Review of Rates Mechanism ("ARM") proceeding, there was not adequate time to fully evaluate this issue.

## II. <u>NEW BUSINESS CAPITAL EXPENDITURES</u>

**Q7. PLEASE DESCRIBE THE COMPANY'S NEW BUSINESS CAPITAL EXPENDITURES FOR CY 2025.**

A7. I recommend that the Commission (1) Reduce Residential New Business/Growth Construction Expenditures by $12,351,684 and Commercial New Business/Growth Construction Expenditures by $4,631,856. The purpose of this adjustment is to recognize new business construction expenditures that have been placed in service but are not yet serving any customers. This method of accounting, while not appearing to be non-compliant, places a severe burden on legacy or existing customers. David Dittemore will address the revenue impact on these customers, require the Company to address it in its next general rate case, and the ratemaking treatment of New Business plant that is included in plant in service but is not yet serving any customer.

Based on the Company's response to CAD DR 1-54 and CAD DR 2-01, the Company's total New Business capital expenditures for CY 2025 were [redacted] Of this amount, [redacted] was associated with residential growth (comprised of Residential New Business– Growth of [redacted] Residential Pool Revenue – Growth of $12,178,143.25, and [redacted] and [redacted] was associated with commercial/industrial growth (comprised of Commercial/Industrial New Business – Growth of [redacted] and Commercial/Industrial Pool Revenue – Growth of [redacted] These figures are summarized in Confidential Exhibit BOD 1 attached to this testimony.

The Total New Business figure of [redacted] reflects the total shown on the Company's Pool Revenue Producing Detail page of Spire's response to CAD DR 2-01. The New Business – Growth page produced in response to the same discovery requests reflects a total that differs by [redacted] I have relied on the Pool Revenue Producing Detail page figure for purposes of this analysis, and I recommend the Company be required to reconcile this discrepancy in its next rate case.

**Q8. HOW MANY NEW CUSTOMERS WERE ACTUALLY ADDED TO THE SYSTEM DURING CY 2025?**

A8. The Company added 2,380 new customers across all classes during CY 2025, of which 2,125 were residential customers, as reflected in the Company's response to CAD DR 1-53. The customer count for this data request was provided at the calendar year end for each year and may not reflect the same count as Spire included in their ARM filing for this docket. However, this difference does not impact the construction expenditure adjustment detailed below, as specific numbers of expected new customers and actual reported new customers are included in that calculation as reported in Spire's response to CAD DRs 1-54 and 2-01. The average cost per new residential and commercial customers could be slightly different when calculated using the average customer number.

**Q9. WHAT DOES THIS IMPLY ABOUT THE AVERAGE CAPITAL COST PER NEW RESIDENTIAL CUSTOMER?**

A9. Dividing the [redacted] in total residential growth-related capital expenditures by the [redacted] new residential customers added during CY 2025 yields an estimated average capital expenditure [redacted] per new residential customer.[1]

The testimony of Mr. Dittemore and myself both address concerns with cost to serve Spire's existing customers in their Tennessee service territory. While Mr. Dittemore compares CY2025 revenue versus CY2025 capital expenditures in a holistic manner, I have attempted to analyze the cost impact on existing customers of capital expenditures for new development that are not yet servicing customers. My testimony looks at a specific issue of new business, that I believe quantifies a specific detrimental impact on existing customers. As such, while both identify concerns related to New Business CapEx, they are unique in their approach.

## III. PLANT IN SERVICE NOT YET SERVING CUSTOMERS

**Q10. DOES THE LEVEL OF NEW BUSINESS CAPITAL INVESTMENT RAISE CONCERNS REGARDING PLANT THAT IS NOT YET SERVING ANY CUSTOMERS?**

A10. Yes. My review of the Company's project-level data indicates that a substantial portion of the New Business plant recorded as in service during CY 2025 is not yet serving any

[1] This calculation is based upon information contained in Spire's responses to CAD DR Nos. 1-52, 1-54, and 2-01. *Spire Tennessee Inc. Responses to Consumer Advocate's First Set of Discovery Requests.*, CAD DR 01-052 and CAD DR 01-54, File <CAD DR 01-54 Response CONFIDENTIAL1.xlsx>, TPUC Docket No. 26-00042 (June 24, 2026). *Spire Tennessee Inc. Responses to Consumer Advocate's Second Set of Discovery Requests*, CAD DR 02-01 CONFIDENTIAL, File <CONFIDENTIAL DR 2-01 Response.xlsx>, TPUC Docket No. 26-00032 (July 16, 2026).

customer, because the number of customers attached to these projects to date is well below the number of customers the projects were designed and sized to serve.

**Q11. PLEASE EXPLAIN YOUR RESIDENTIAL ANALYSIS.**

A11. Residential New Business – Growth projects were designed to serve a total of [redacted] anticipated new customers. As of the date of the Company's response, only [redacted] of those anticipated customers had actually attached to the system. The estimated cost of these projects, exclusive of the cost of services and meter sets (which the Company tracks separately in Blanket Work Orders), was [redacted] or an average expected cost of [redacted] per anticipated new customer. Applying this average cost to the [redacted] anticipated customers who have not yet attached to the system [redacted] yields approximately [redacted] of residential New Business plant that is currently included in plant in service but is not yet serving any customer.

**Q12. PLEASE EXPLAIN YOUR COMMERCIAL/INDUSTRIAL ANALYSIS.**

A12. Commercial/Industrial New Business projects were designed to serve [redacted] anticipated new customers, of which only [redacted] had attached to the system as of the Company's response. The estimated cost of these projects, again exclusive of services and meter sets, was [redacted] or an average expected cost of [redacted] per anticipated new customer. This results in approximately [redacted] of commercial/industrial New Business plant that is not yet serving any customer.

| | **Residential[2]** | **Commercial/Industrial** |
|---|---|---|
| Total Expected New Customers by Project | [redacted] | [redacted] |

[2] Both the Residential and Commercial data is from Spire's responses to CA DR Nos. 1-54 and 2-01. This calculation is based upon information contained in Spire's responses to CAD DR No. 1-54, and 2-01. *Spire Tennessee Inc. Responses to Consumer Advocate's First Set of Discovery Requests*, CAD DR 01-54, File <CAD DR 01-54 Response CONFIDENTIAL1.xlsx>, TPUC Docket No. 26-00042 (June 24, 2026). *Spire Tennessee Inc.*

| | Residential[2] | Commercial/Industrial |
|---|---|---|
| Actual New Customers to Date | [redacted] | [redacted] |
| Avg. Expected Cost per New Customer | [redacted] | [redacted] |
| **Cost of Plant Not Yet Serving Customers** | [redacted] | [redacted] |

**Q13. WHAT IS THE COMBINED AMOUNT OF NEW BUSINESS PLANT THAT IS NOT YET SERVING ANY CUSTOMER?**

A13. Combining the residential and commercial/industrial figures, approximately [redacted] of New Business plant included in plant in service was not yet serving any customer as of the date of this review.

**Q14. WHY IS THIS SIGNIFICANT FROM A RATEMAKING PERSPECTIVE?**

A14. Until the anticipated customers actually attach to the system and begin taking service, existing legacy customers bear the cost of this plant investment through rates, notwithstanding that the plant is not yet used to serve the customers for whom it was constructed. While many of these development agreements include provisions requiring the developer to reimburse the Company for certain costs if the anticipated customer count is not attained within a specified period, I was unable, within the limited scope and time available in this ARM proceeding, to determine whether such reimbursements have actually been collected for prior-year projects that did not meet the anticipated customer counts. I recommend that this be reviewed in detail in the Company's next general rate case.

*Responses to Consumer Advocate's Second Set of Discovery Requests*, CAD DR 02-01, File <CONFIDENTIAL DR 2-01 Response.xlsx>, TPUC Docket No. 26-00042 (July 16, 2026).

If Spire modifies their existing business practice by not including unused plant in rate base as recommended, this could be a one-time adjustment and future reviews of this issue should be significantly moderated.

## IV. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

**Q15. WHAT IS A CONTRIBUTION IN AID OF CONSTRUCTION, OR CIAC?**

A15. A CIAC is a payment made by a developer or customer to help fund the cost of extending utility service, which offsets the amount of capital the Company must otherwise recover from all customers through rates.

**Q16. WHAT DID YOU OBSERVE REGARDING THE COMPANY'S COLLECTION OF CIAC RELATIVE TO ITS NEW BUSINESS CAPITAL EXPENDITURES?**

A16. The Company's New Business capital expenditures were approximately [redacted] in CY 2025, of which approximately [redacted] was associated with residential growth. Despite this level of investment, I only identified that approximately [redacted] was collected as CIAC during CY 2025. This number is derived from Spire's Confidential response to CAD DR 1-08. The total CIAC balance on the Company's books is only approximately [redacted] which [redacted] As a result, a substantial portion of the Company's CY 2025 New Business capital expenditure is not offset by CIAC and may not be recovered if the anticipated customers do not materialize. This CIAC balance is a historical number and does not reflect the collections made in the Historical Base Period, which is the [redacted] noted above. I recommend the Company be required to update and support this exposure estimate with current data in its next rate case, as the components underlying it were not independently verifiable within the scope of this review.

**Q17. IS IT COMMON FOR LINE EXTENSION AGREEMENTS TO INCLUDE PENALTY OR REIMBURSEMENT PROVISIONS IF ANTICIPATED CUSTOMER LEVELS ARE NOT ATTAINED?**

A17. Yes. Many of these development agreements include provisions requiring the developer to pay a fee to reimburse the Company for certain incurred costs if, after a specified period, the anticipated level of customers has not been attained. However, as noted above, I could not confirm within this proceeding whether such reimbursements have actually been collected for past developments that did not attain their expected customer levels.

**Q18. IN YOUR OPINION, DOES THE COMPANY'S CURRENT CIAC PRACTICE APPROPRIATELY BALANCE THE INTERESTS OF LEGACY CUSTOMERS, DEVELOPERS, NEW CUSTOMERS, AND COMPANY SHAREHOLDERS?**

A18. No. Under the Company's current approach, all of the risk that a development will not attain its anticipated customer count resides with the Company and, ultimately, its legacy customers. Developers can use the Company's capital during the development period without an upfront contribution, and legacy customers should not be held liable for the carrying cost of that capital in the interim.

**Q19. DO YOU BELIEVE THE COMPANY IS VIOLATING ANY PROVISION OF ITS FILED TARIFFS RELATING TO CIAC OR ITS LINE EXTENSION POLICY?**

A19. No. I have seen nothing in my review indicating that the Company is violating the terms of its filed tariffs relating to CIAC or its line extension policy. My concern is not one of tariff compliance, but rather whether the current policy appropriately balances the interests of legacy customers, developers, new customers, and Company shareholders.

**Q20. WHAT DO YOU RECOMMEND REGARDING THE COMPANY'S CIAC PRACTICES?**

A20. I recommend that the Commission direct the Company to review its practice of not collecting CIAC upfront for new residential and commercial developments, and to consider a structure under which CIAC is collected at the outset of a project and then ratably refunded to the developer as new customers actually attach to the system and begin taking service, unless the Company can provide analysis that there is no detrimental impact to legacy customers. This approach would significantly reduce legacy customers' exposure to the risk of an unsuccessful development while preserving a collaborative relationship between the Company and developers.

**Q21. IS THIS RECOMMENDATION INTENDED TO DISCOURAGE GROWTH OR NEW DEVELOPMENT?**

A21. No. This is not an anti-growth proposal. Rather, it is intended as a partnership arrangement in which developers and the Company share the risk of a development's success, while providing appropriate protection to legacy customers if a project does not meet its anticipated customer attainment.

**Q22. DO YOU HAVE A SPECIFIC RECOMMENDATION WITH RESPECT TO COMMERCIAL DEVELOPMENT?**

A22. Yes. Based on my 35 years of utility industry experience, I believe commercial development should almost always include an upfront CIAC payment. I have seen many commercial developments succeed, but there have been many that fail - developers go bankrupt or out of business, and commercial line extensions are generally among the first to be affected by economic downturns. Requiring CIAC for commercial development, with ratable refunds as customers initiate service, helps protect legacy commercial customers and Company shareholders from that risk.

## V. LINE EXTENSION POLICY

**Q23. PLEASE DESCRIBE THE COMPANY'S RESIDENTIAL LINE EXTENSION ALLOWANCE POLICY.**

A23. The Company provides residential customers with a specified allowance of linear feet of service line extension at no charge, based on the type of gas appliance(s) to be served. Up to 100 feet is provided for lower-use appliances, such as a gas dryer, gas range, gas space heater, gas grill, gas light, or gas-assisted heat pump. Up to 150 feet is provided where the customer will use a higher-use appliance such as a central heating system or water heater, and up to 200 feet is provided where the customer will have both central heating and a water heater. An additional 10 feet is provided for each additional low-usage appliance. A customer requesting an extension beyond the applicable allowance must pay a specified fee for the additional footage.

**Q24. DOES THE COMPANY USE THE SAME METHODOLOGY FOR COMMERCIAL LINE EXTENSIONS?**

A24. No. For commercial projects, the Company uses a Load Calculation method to determine the value of the project and the corresponding allowable extension distance. I have not evaluated that methodology as part of this testimony.

**Q25. DO YOU HAVE CONCERNS REGARDING THE COMPANY'S RESIDENTIAL LINE EXTENSION ALLOWANCE?**

A25. Yes. While there is no single industry standard for residential line extension allowances, as most utilities and states follow independent practices, my concern is that the amount of line extension footage provided to a residential customer at no charge may, in some instances, cost the Company more to install than the value of the revenue that the new customer is expected to generate. To the extent that occurs, the resulting cost would ultimately be borne by legacy customers, which is an unfair burden on those customers.

**Q26. WHAT DO YOU RECOMMEND REGARDING THE COMPANY'S LINE EXTENSION POLICY?**

A26. I recommend that the Commission direct that the Company's residential line extension allowances, and the cost considerations associated with them, be addressed in detail in the Company's next general rate case or in another appropriate proceeding. The reduced scope of discovery available in this Annual Review of Rates Mechanism proceeding is not adequate to perform the kind of detailed analysis this issue warrants.

## VI. SUMMARY OF RECOMMENDATIONS

**Q27. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.**

A27. I recommend that the Commission: (1) reduce the New Business/Growth Construction Expenditures of the Company by approximately $16.98 million of New Business plant that is included in plant in service but is not yet serving any customer; (2) direct the Company to review and consider revising its practice of not collecting CIAC upfront for new residential and commercial developments, including a structure for ratably refunding CIAC as customers attach to the system, with commercial development generally including an upfront CIAC requirement; and (3) direct that the Company's residential line extension allowance policy and associated cost considerations be reviewed in detail in the Company's next general rate case.

**Q28. DOES THIS CONCLUDE YOUR TESTIMONY?**

A28. Yes. However, I reserve the right to incorporate any new information that may be obtained.

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION**
**AT NASHVILLE, TENNESSEE**

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| **IN RE:** | ) | |
| | ) | |
| **PETITION OF SPIRE TENNESSEE INC.** | ) | |
| **FOR APPROVAL OF ITS 2026 ANNUAL** | ) | **DOCKET NO. 26-00042** |
| **REVIEW OF RATES MECHANISM** | ) | |
| **("ARM") PURSUANT TO TENN. CODE** | ) | |
| **ANN. § 65-5-103(d)(6)** | ) | |

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**AFFIDAVIT**

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I, Brad Dixon, on behalf of the Consumer Advocate Division of the Attorney General's Office hereby certify that the attached Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

**BRAD DIXON**

Sworn to and subscribed before me

This 6th day of August, 2026.

NOTARY PUBLIC

ROSALIE GUNGER
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires MAY 12, 2030

My Commission Expires: May 12, 2030

# Exhibit BOD-1

# CONFIDENTIAL