Exhibit No.:	
Issue(s):	**COSS, CWC**
Witness:	**Timothy S. Lyons**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Spire Missouri, Inc.**
Case No.:	**GR-2025-0107**
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SPIRE MISSOURI, INC.

GR-2025-0107

REBUTTAL TESTIMONY

OF

TIMOTHY S. LYONS

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Timothy S. Lyons. I am a Partner with ScottMadden, Inc. My business address is 1 Speen Street, Suite 150, Framingham, Massachusetts 01701.

Q. ARE YOU THE SAME TIMOTHY S. LYONS THAT FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?

A. I am submitting this testimony on behalf of Spire Missouri, Inc. ("Spire" or the "Company").

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to sponsor the Company's response to recommendations by Keith Majors on behalf of the Staff of the Missouri Public Service Commission ("Staff") regarding Cash Working Capital ("CWC"), recommendations by Keri Roth on behalf of Staff regarding the Company's Class Cost of Service Study ("COSS") and rate design, recommendations by Bradley T. Cebulko on behalf of the Consumers Council of Missouri regarding the Company's COSS and rate design, and recommendations by Jessica A. York on behalf of the Missouri Industrial Energy Consumers ("MIEC") regarding the Company's COSS and rate design.

II. SUMMARY OF INTERVENOR RECOMMENDATIONS

Q. WHAT IS STAFF WITNESS MAJORS'S RECOMMENDATION?

A. Staff witness Majors' recommendation is summarized below:

- Set lead days for payments of federal and state income taxes based on 365 days.[1]

Q. WHAT ARE STAFF WITNESS ROTH'S RECOMMENDATIONS?

A. Staff witness Roth's recommendations are summarized below:

- Adopt Staff's COSS. Staff's COSS is based on Staff's revenue requirements as described in the Direct Testimony of Staff witness Majors and Staff's proposed allocation of costs as described in the Direct Testimony of Staff witness Roth.[2]
- Adopt Staff's class revenue targets to avoid large changes in current rates for some rate classes.[3] Staff proposes class increases no greater than 40.00 percent in Spire East and 25.00 percent in Spire West, except unmetered gas lighting.[4]
- Set customer and delivery charges based on a uniform increase in class revenues.[5]

Q. WHAT ARE CONSUMERS COUNCIL OF MISSOURI'S RECOMMENDATIONS?

A. Consumers Council of Missouri's recommendations are summarized below:

- Adopt Consumers Council of Missouri's COSS. Consumers Council of Missouri states that the Company's COSS methodologies are fundamentally

[1] Direct Testimony of Keith Majors, pp. 24-25
[2] Direct Testimony of Keri Roth, pp. 2-5
[3] Id, pp. 9
[4] Id, pp. 6-10
[5] Id, p. 10-12

flawed and do not accurately reflect cost causation.[6] Consumers Council of Missouri does not support use of the minimum system and zero-intercept methods for classification of distribution mains because they believe the methods do not accurately reflect cost-causation and are "based on a hypothetical counterfactual gas system that would be built if the customers being connected did not have any demand for gas."[7]

- Adopt the basic consumer methodology that classifies distribution mains, FERC Account 376, as 100.00 percent demand-related.[8] Consumers Council of Missouri states that it is more reasonable to classify the distribution system as 100.00 percent demand related because (1) the distribution system equipment is not designed and will not be installed if it is incapable of serving peak demand reliably and safely, (2) the demand costs are the fixed costs that the utility incurs to be ready to provide service, and (3) a COSS method that allocates distribution mains by customer class demand better aligns with regulatory ratemaking principles, including fairness of apportionment of costs, avoidance of undue discrimination in rate relationships, and keeping regulation practical, simple, and understandable.[9]
- Adopt Consumers Council of Missouri's class revenue increases.[10] The Consumers Council of Missouri argues that because Spire's COSS is flawed,

[6] Direct Testimony of Bradley T. Cebulko, p. 3
[7] Id, pp. 11-12
[8] Id, p. 14
[9] Id, pp. 14-15
[10] Id, p. 3

costs are overallocated to certain rate classes, particularly the residential customer class.[11]

- Reduce Consumers Council of Missouri's proposed class revenue increases proportionate to the Commission's decrease of Spire's request, if the Commission authorizes a revenue increase less than Spire's requested increase.[12]
- Maintain current residential customer charges.[13] Consumers Council of Missouri states the Company's proposed increase in residential customer charges: (1) discourages efficient use of the gas system, (2) shifts costs from high usage to low usage customers, who are more likely to be low-income customers, and (3) violates the regulatory principle of gradualism.[14]

Q. WHAT ARE MIEC'S RECOMMENDATIONS?

A. MIEC's recommendations are summarized below:

- Reduce non-gas rates by approximately 3.70 percent on average for transportation customers in Spire East.[15] MIEC states the Company's proposed increase of 32.10 percent on average moves the transportation class further away from cost-based rates.[16]
- Move all rate classes 50.00 percent toward cost-based rates.[17] MIEC argues the Company's 10.00 percent movement toward cost-based rates does not make a meaningful movement toward the cost of service. MIEC states a 50.00 percent

[11] Id, p. 17
[12] Id, p. 18
[13] Id, p. 3
[14] Id, p. 21
[15] Direct Testimony of Jessica A. York, p. 2
[16] Id, p. 2
[17] Id, p. 3

movement toward cost-based rates makes a more meaningful movement toward cost of service for all rate classes while still reflecting gradualism.[18]

- Increase each element of the Spire East transportation rate structure by the class increase.[19] MIEC states its proposal will ensure that all customers within the class will be treated equally while maintaining an appropriate level of cost recovery through the monthly customer charge.

III. RESPONSE TO STAFF WITNESS MAJORS' RECOMMENDATIONS

Q. DOES THE COMPANY AGREE WITH STAFF WITNESS MAJORS THAT LEAD DAYS FOR PAYMENT OF FEDERAL AND STATE INCOME TAXES SHOULD BE 365 DAYS?

A. No. Lead days for payment of federal and state income taxes should reflect the Internal Revenue Service's ("IRS") payment schedule for income taxes in accordance with IRS Publication 542. Specifically, IRS Publication 542 states that payments on estimated taxes are due by the 15th day of the 4th, 6th, 9th, and 12th month of a corporation's tax year. For the Company's tax year ending December 31, the estimated tax payments are due April 15th, June 15th, September 15th, and December 15th.

These payment dates were used to develop the Company's lead days for payments of federal and state income taxes in this rate case proceeding.

[18] Id, pp. 15-17
[19] Id, p. 19

IV. RESPONSE TO STAFF WITNESS ROTH'S RECOMMENDATIONS

Q. DOES THE COMPANY AGREE THAT STAFF'S COSS BETTER REFLECTS THE UNDERLYING COST OF SERVICE FOR EACH RATE CLASS THAN THE COMPANY'S COSS?

A. No. The Company does not agree that Staff's COSS better reflects the underlying cost of service for each rate class than the Company's COSS. Specifically, the Company believes Staff's COSS does not appropriately allocate distribution mains, meters, and regulators to each rate class.

Q. HOW DO THE RESULTS VARY BETWEEN THE COMPANY AND STAFF'S COSS?

A. The results vary between Staff and the Company's COSS, as shown in Figures 1 and 2 (below).

Figure 1: Comparison of COSS Results (Spire East)

Spire East		Staff	%		Company Filed	%
RS	$	362,919,838	69.9%	$	437,850,588	81.0%
SGS		50,239,372	9.7%	$	51,569,881	9.5%
LGS		51,468,136	9.9%	$	37,127,235	6.9%
LV		1,811,255	0.3%	$	605,291	0.1%
LV TS		52,529,365	10.1%	$	13,570,569	2.5%
LP		5,829	0.0%	$	933	0.0%
UG		424,072	0.1%	$	19,097	0.0%
Total	$	519,397,867	100.0%	$	540,743,595	100.0%

Figure 1 shows Staff's COSS allocates 69.90 percent of its Spire East revenue requirement of $519.4 million to the residential rate class while the Company's COSS study allocates 81.00 percent of its revenue requirement of $540.7 million to the

residential rate class. The Figure further shows Staff's COSS allocates 10.10 percent of its revenue requirement to the LV transport rate class while the Company's COSS study allocates 2.50 percent of its revenue requirement to the LV transport rate class.

Figure 2: Comparison of COSS Results (Spire West)

Spire West		Staff	%		Company Filed	%
RS	$	236,280,133	60.9%	$	370,374,019	80.3%
SGS		33,150,440	8.6%	$	43,002,961	9.3%
LGS		27,298,239	7.0%	$	19,495,661	4.2%
LV		2,424,298	0.6%	$	1,262,382	0.3%
LG TS		6,653,297	1.7%	$	2,916,252	0.6%
LV TS		81,852,176	21.1%	$	23,975,374	5.2%
UG		53,443	0.0%	$	567	0.0%
Total	$	387,712,027	100.0%	$	461,027,217	100.0%

Figure 2 shows Staff's COSS allocates 60.90 percent of its Spire West revenue requirement of $387.7 million to the residential rate class while the Company's COSS study allocates 80.30 percent of its revenue requirement of $461.0 million to the residential rate class. The Figure further shows Staff's COSS allocates 21.10 percent of its revenue requirement to the LV transport rate class while the Company's COSS study allocates 5.20 percent of its revenue requirement to the LV transport rate class.

Q. WHAT ARE THE MAJOR DIFFERENCES BETWEEN THE COMPANY AND STAFF'S COSS?

A. There are two significant differences between the Company and Staff's COSS. First, the Company's COSS classifies distribution mains as customer and demand; thus, a portion of distribution mains is allocated based on each rate class's share of customers and the remaining portion is allocated based on each rate class's share of design day demands. Staff's COSS classifies distribution mains as 100.00 percent demand.

Second, the Company allocates the demand portion of mains based on each rate class's share of design day demands. Staff appears to allocate the demand portion of mains based on the Average and Excess ("A&E") method.[20]

In addition, while Staff states that it utilized the Company's allocators for meters and regulators, Staff developed an allocator based on an average of the Company's meters and regulators allocators rather than utilize the Company's allocators by plant account. As a result, there are differences between the Company and Staff's allocation of meter and regulators costs to each rate class.[21]

Q. DOES THE COMPANY AGREE WITH STAFF'S APPROACH TO CLASSIFY DISTRIBUTION MAINS AT 100.00 PERCENT DEMAND?

A. No. The Company believes distribution mains reflect two cost drivers. The first cost driver is number of customers. Distribution mains are designed to provide customers with access to the natural gas system. The second driver is customer demands. Distribution mains are designed to meet design day demands. The approach to classify distribution mains as customer and demand is recognized by the National Association of Regulated Utility Commissions ("NARUC").[22]

The Company's classification of distribution mains into customer and demand was based on an average of two recognized approaches to classify distribution main: (1) the minimum mains or minimum system method and (2) the zero-inch or zero-

[20] While Staff's testimony does not reference the A&E method, Staff's workpapers calculate a demand allocator based on the A&E method. See files: GR-2025-0107 Roth Direct - Spire East Rate Design.xlsx and GR-2025-0107 Roth Direct - Spire West Rate Design.xlsx, tab "Usage&Cust"

[21] The Company's COSS allocates meters and regulators separately by the following plant account: (1) non-smart meters, (2) non-smart meter installation, (3) smart meters, (4) smart meter installation, (5) regulators, and (6) industrial meters (FERC account 385).

[22] NARUC Gas Distribution Rate Design Manual, pgs. 22-23

intercept method. Both methods are recognized by the National Association of Regulated Utility Commissions ("NARUC").[23]

Q. DOES THE COMPANY AGREE WITH STAFF'S APPROACH TO ALLOCATE THE DEMAND PORTION OF DISTRIBUTION MAINS BASED ON THE A&E METHOD?

A. No. First, the Company does not agree with Staff's calculation of demands under the A&E method. The calculations do not accurately reflect the system load factor and class excess demands, which are two components of the A&E method. Effectively, Staff's calculation of demands under the A&E method does not consider the excess demand component and thus results in an allocation factor largely based on class average demands.

The Company's calculation of demands under the A&E method is shown in Figures 3 and 4 (below).

Figure 3: Comparison of Demand Allocators (Spire East)

Spire East	Staff Mains Allocator	Design Day Demand Allocator	Average & Excess Demand Allocator
RS	49.7%	63.9%	61.6%
SGS	9.2%	11.5%	12.1%
LGS	15.9%	15.4%	15.0%
LV	0.6%	0.3%	0.3%
LV TS	24.7%	9.0%	11.1%
LP	0.0%	0.0%	0.0%
UG	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

Figure 3 shows the Company's calculation of demands under the A&E method would allocate 61.60 percent of costs to the residential rate class while Staff's calculation

[23] Id.

allocates 49.70 percent of costs to the residential rate class. By comparison, the Company design day allocator used to allocate the demand portion of distribution mains allocates 63.90 percent to residential rate class. The Figure also shows the Company's calculation of demands under the A&E method would allocate 11.10 percent of costs to the LV transport rate class while Staff's calculation allocates 24.70 percent of costs to the LV transport rate class. By comparison, the Company design day allocator used to allocate the demand portion of distribution mains allocates 9.00 percent to the LV transport rate class.

Consequently, Staff's calculation of demands understates the allocation of distribution mains to the residential rate class and overstates the allocation of distribution mains to the LV transport rate class.

Figure 4: Comparison of Allocators (Spire West)

Spire West	Staff Mains Allocator	Design Day Demand Allocator	Average & Excess Demand Allocator
RS	42.7%	61.5%	59.0%
SGS	7.9%	11.2%	10.9%
LGS	8.4%	9.5%	8.7%
LV	1.0%	0.8%	1.5%
LG TS	1.9%	1.7%	1.9%
LV TS	38.1%	15.3%	18.1%
UG	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

Figure 3 shows the Company's calculation of demands under the A&E method allocates 59.00 percent of costs to the residential rate class while Staff's calculation allocates 42.70 percent of costs to the residential rate class. By comparison, the Company design day allocator used to allocate the demand portion of distribution mains allocates 61.50 percent to residential rate class. The Figure also shows the Company's calculation of demands under the A&E method would allocate 18.10

percent of costs to the LV transport rate class while Staff's calculation allocates 38.10 percent of costs to the LV transport rate class. By comparison, the Company design day allocator used to allocate the demand portion of distribution mains allocates 15.30 percent to the LV transport rate class.

Consequently, Staff's calculation of demands understates the allocation of distribution mains to the residential rate class and overstates the allocation of distribution mains to the LV transport rate class.

Q. DOES THE COMPANY BELIEVE THAT ALLOCATING THE DEMAND PORTION OF DISTRIBUTION MAINS BASED ON DESIGN DAY DEMANDS IS CONSISTENT WITH COST-CAUSATION?

A. Yes. The Company believes allocating the demand portion of distribution mains based on design day demands is consistent with the design of distribution mains to meet design day demands.

Q. DOES THE COMPANY AGREE WITH STAFF'S APPROACH TO ALLOCATE METERS AND REGULATORS BASED ON AN AVERAGE OF THE COMPANY'S METERS AND REGULATORS ALLOCATORS?

A. No. The Company developed separate factors for allocation of costs related to smart meters, meters, meter installations, regulators, services, and industrial measuring and regulating station equipment. Instead of separately applying these factors to each type of cost, Staff developed a new allocator based on an average of these allocation factors and utilized this new allocator for allocation of meters and regulator costs. In addition, Staff's allocator for Spire West is based on Spire East factors. This approach results in an inaccurate allocation of costs that does not reflect the underlying costs for each rate

class. The Company believes meter and regulator costs should be allocated based on the respective allocators developed by the Company.

Q. DOES THE COMPANY AGREE WITH STAFF'S OBJECTIVE TO ADJUST REVENUES TO AVOID LARGE CHANGES IN CURRENT RATES FOR SOME CLASSES?

A. Yes. The Company's proposed approach to set class revenue targets based on a 10.00 percent movement to cost-based rates strikes an appropriate balance between moving to cost-based rates and addressing bill continuity considerations.

Importantly, the Company's proposed class revenue targets achieves Staff's goal that no rate class receives more than a 40.00 percent increase in Spire East.

Q. DOES THE COMPANY AGREE WITH STAFF'S PROPOSAL TO INCREASE CUSTOMER AND DELIVERY CHARGES BASED ON A UNIFORM PERCENTAGE INCREASE IN CLASS REVENUES?

A. In part. The Company does not oppose increases in customer and delivery charges based on a uniform percentage increase in class revenues.

However, the Company does oppose Staff's proposal to continue the inclining block rates structure in the summer for the residential rate class.

V. RESPONSE TO CONSUMERS COUNCIL OF MISSOURI

Q. DOES THE COMPANY AGREE WITH CONSUMERS COUNCIL OF MISSOURI'S RECOMMENDATION TO ADOPT THE BASIC CUSTOMER METHOD THAT CLASSIFIES DISTRIBUTON MAINS AS 100.00 PERCENT DEMAND?"

A. No. The Company's approach to classify distribution mains as customer and demand is consistent with cost-causation and is recognized in the industry.

Q. IN WHAT WAY IS THE APPROACH TO CLASSIFY DISTRIBUTION MAINS AS CUSTOMER CONSISTENT WITH COST-CAUSATION?"

A. There are two primary factors that drive the design and installation of distribution mains: (1) size or diameter of mains and (2) length or footage of mains.

The first factor – the size or diameter of distribution mains – is related to customer demands. Mains are designed with certain sizes or diameters to ensure they have sufficient capacity to serve customers on the peak day.

The second factor – the length or footage of mains – is related to customer location or distance from the existing mains. Mains are designed with certain length or footage to connect customers to the distribution system.

Q. IS THERE A STATISTICALLY SIGNIFICANT RELATIONSHIP BETWEEN NUMBER OF CUSTOMERS AND MILES OF MAINS?

A. Yes. There is a strong statistical relationship between miles of distribution mains and number of customers, as shown in Figures 5 and 6 (below).

Figure 5: Relationship between Mains and Customers (Spire East)

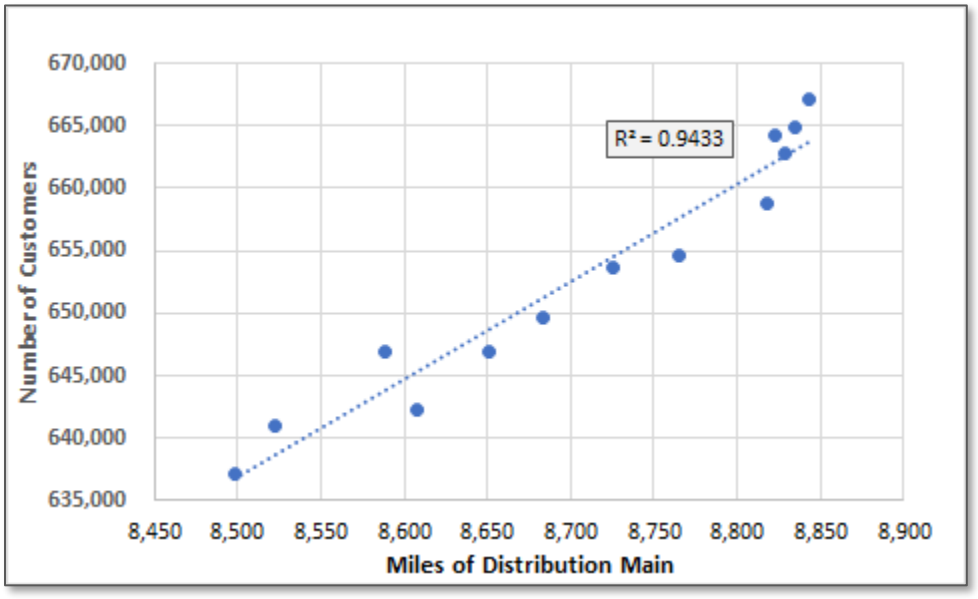


Figure 5 shows the results of a regression analysis for Spire East for FY 2012 through FY 2024 that measures the relationship between changes in the number of customers and changes in the miles of distribution mains. The regression analysis produces an r-square that measures the extent to which changes in the independent variable (in this case number of customers) explains changes in the dependent variable (in this case miles of distribution mains). The Figure also shows the regression analysis produced an r-square of 0.9433, which indicates 94.33 percent of the increase in distribution mains can be explained by increases in the number of customers.

The Figure illustrates how the number of customers is an important cost driver for miles of distribution mains.

Figure 6: Relationship between Mains and Customers (Spire West)

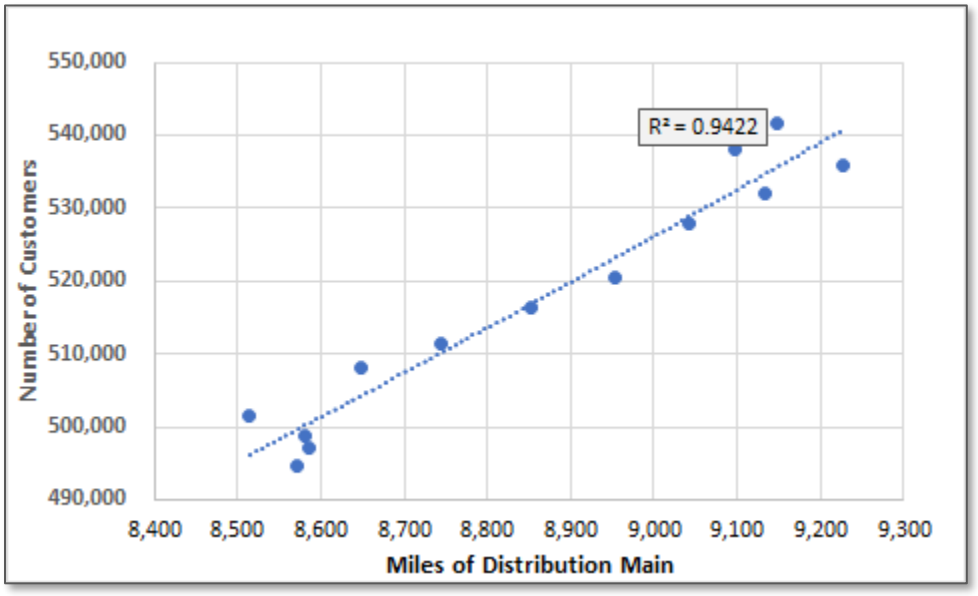


Figure 6 shows the results of a regression analysis for Spire West for FY 2012 through FY 2024 that measures the relationship between changes in the number of customers and changes in the miles of distribution mains. The regression analysis produces an r-square that measures the extent to which changes in the independent variable (in this case number of customers) explains changes in the dependent variable (in this case miles of distribution mains). The Figure also shows the regression analysis produced an r-square of 0.9422, which indicates 94.22 percent of the increase in distribution mains can be explained by increases in the number of customers.

The Figure illustrates how the number of customers is an important cost driver for miles of distribution mains.

Q. IS THE COMPANY'S APPROACH TO CLASSIFY DISTRIBUTION MAINS AS CUSTOMER AND DEMAND RECONGIZED IN THE INDUSTRY?

A. Yes. As stated earlier, the Company's approach to classify distribution mains as customer and demand is recognized by NARUC.

Moreover, the Company's approach to classify distribution mains based on the minimum system and zero-inch mains methods are recognized by NARUC.

Q. DOES THE COMPANY AGREE WITH CONSUMERS COUNCIL OF MISSOURI'S APPROACH TO ESTABLISH CLASS REVENUE TARGETS?

A. No. The approach does not move on a uniform basis the Company's rate classes toward cost-based rates.

By comparison, the Company's proposed class revenue targets that reflects a 10.00 percent movement to cost-based rates strikes an appropriate balance between moving to cost-based rates and addressing bill continuity considerations.

Q. DOES THE COMPANY AGREE WITH THE CONSUMERS COUNCIL OF MISSOURI'S APPROACH TO SCALE BACK CLASS INCREASES PROPORTIONATE TO THE COMMISSION'S DECISION?

A. No. The Company believes reductions in the Company's proposed revenue requirement should be apportioned to each rate class based on a uniform movement to cost-based rates that strikes an appropriate balance between moving to cost-based rates and addressing bill continuity considerations.

Q. DOES THE COMPANY AGREE WITH THE CONSUMERS COUNCIL OF MISSOURI'S RECOMMENDATION TO LEAVE THE CUSTOMER CHARGE UNCHANGED?

A. No. The Company's proposed residential customer charges are supported by the customer costs identified in the COSS.

VI. RESPONSE TO MIEC'S RECOMMENDATIONS

Q. DOES THE COMPANY AGREE WITH MIEC'S RECOMMENDATION FOR A 50.00 PERCENT MOVEMENT TO COST-BASED RATES?

A. In part. The Company agrees with MIEC's objective to strike a balance between movement to cost-based rates and gradualism. However, the Company believes its proposed approach to move 10.00 percent toward cost-based rates better reflects that balance.

Q. DOES THE COMPANY AGREE WITH MIEC'S RECOMMENDATION TO INCREASE EACH ELEMENT OF THE TRANSPORTATION RATE STRUCTURE BY THE UNIFORM PERCENTAGE INCREASE IN CLASS REVENUES?

A. In part. The Company agrees with MIEC's approach to increase each element of the transportation rate structure by the uniform percentage increase in class revenues, subject to the relationship between the rates developed for the transportation rate class and the Company's other rate classes.

VII. UPDATED COSS

Q. HAS THE COMPANY UPDATED ITS COSS?

A. Yes. The Company has updated its COSS to reflect two changes:

- Reclassification of certain revenues from the RS rate class to the LP rate class; and
- Revised allocation of natural gas inventory to exclude the transportation rate classes.

Q. HOW DO THE RESULTS OF THE UPDATED COSS COMPARE TO THE FILED COSS?

A. The results of the updated COSS are generally consistent with the filed COSS, as shown in Figure 7 and 8 (below).

Figure 7: Comparison of Updated and Filed COSS (Spire East)

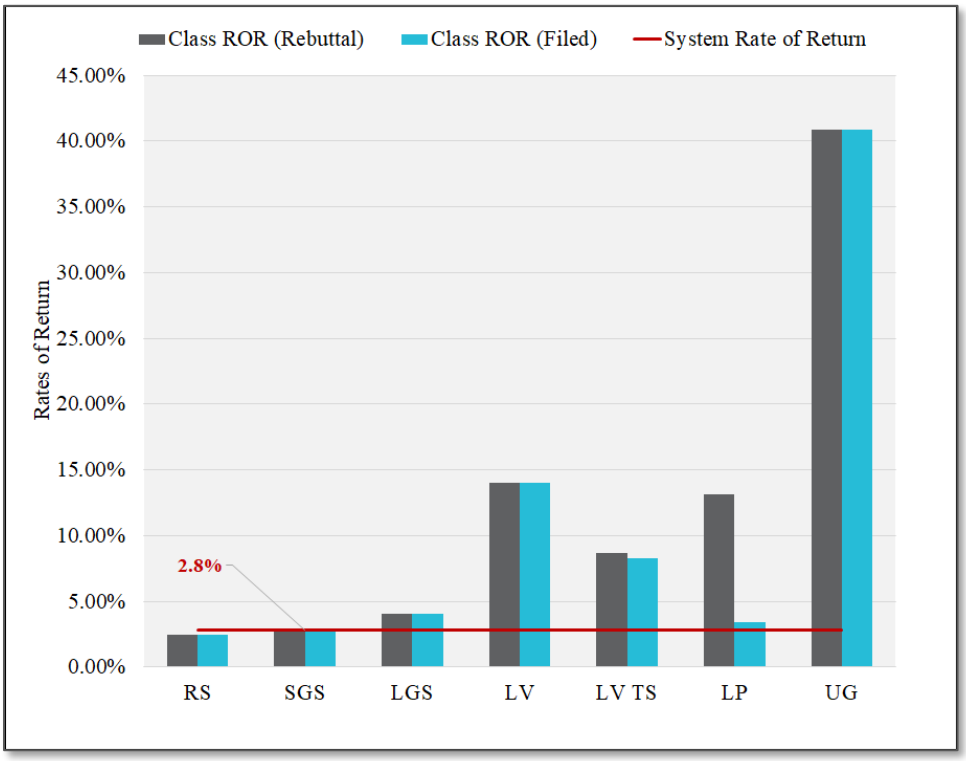
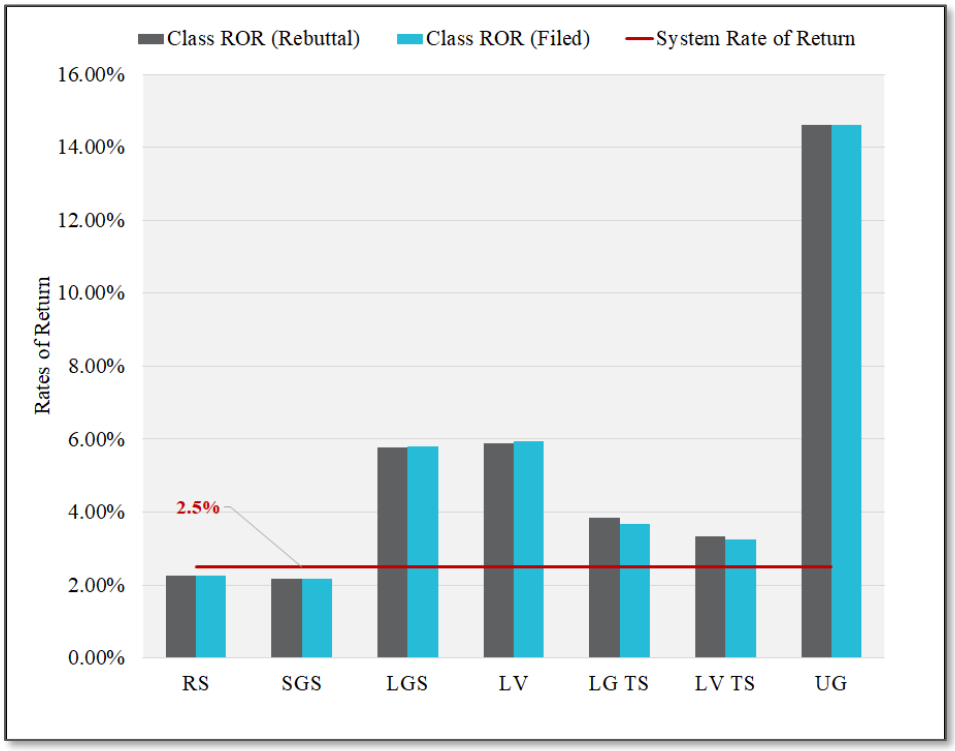


Figure 8: Comparison of Updated and Filed COSS (Spire West)



VIII. CONCLUSION

Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri Inc. d/b/a Spire's	)	
Request for Authority to Implement a General	)	
Rate Increase for Natural Gas Service Provided	)	File No. GR-2025-0107
In the Company's Missouri Service Areas	)	

AFFIDAVIT

STATE OF VERMONT)
) SS.
COUNTY OF CHITTENDEN)

Timothy S. Lyons, of lawful age, being first duly sworn, deposes and states:

1. My name is Timothy S. Lyons. I am a Partner with ScottMadden, Inc. My business address is 1 Speen Street, Suite 150, Framingham, Massachusetts 01701.

2. This affidavit is attached to my rebuttal testimony, which is filed on behalf of Spire Missouri Inc.

3. I hereby swear and affirm that my answers to the questions contained in my rebuttal testimony are true and correct to the best of my knowledge, information, and belief.

Timothy S. Lyons

Subscribed and sworn to before me this 28 day of May 2025.

Janizer D Diaz Cartagena
Notary Public, State of Vermont
Commission No. 157.0012062
My Commission Expires 01/31/2027

Janizer Diaz Cartagena
Notary Public