

<b>Exhibit No.:</b>	
<b>Issues:</b>	<b>COSS, CWC</b>
<b>Witness:</b>	<b>Timothy S. Lyons</b>
<b>Type of Exhibit:</b>	<b>Rebuttal Testimony</b>
<b>Sponsoring Party:</b>	<b>Spire Missouri, Inc.</b>
<b>Case No.:</b>	<b>GR-2025-0107</b>
<b>Date Prepared:</b>	<b>June 30, 2025</b>

**SPIRE MISSOURI, INC.**

**GR-2025-0107**

**SURREBUTTAL TESTIMONY**

**OF**

**TIMOTHY S. LYONS**

**JUNE 30, 2025**

**GR-2025-0107**  
**REBUTTAL TESTIMONY OF TIMOTHY S. LYONS**  
**SPIRE MISSOURI, INC.**

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**I. INTRODUCTION**

1

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

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

5 **Q. ARE YOU THE SAME TIMOTHY S. LYONS THAT FILED DIRECT AND**  
6 **REBUTTAL TESTIMONY IN THIS PROCEEDING?**

7 A. Yes.

8 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**

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

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my surrebuttal testimony is to sponsor the Company's response to  
13 recommendations by Keith Majors on behalf of the Staff ("Staff") of the Missouri  
14 Public Service Commission ("Commission") regarding the Company's lead-lag study  
15 and Cash Working Capital ("CWC") requirement; recommendations by Keri Roth on  
16 behalf of Staff regarding the Company's Class Cost of Service Study ("COSS") and  
17 rate design; recommendations by Melissa J. Reynolds regarding propane usage and  
18 revenues; recommendations by John S. Riley on behalf of the Office of the Public  
19 Council ("OPC") regarding the Company's lead-lag study and CWC requirement; and  
20 recommendations by Geoff Marke on behalf of OPC regarding the Company's COSS  
21 and rate design.

1                                    **II.     SUMMARY OF STAFF’S RECOMMENDATIONS**

2    **Q.     WHAT IS STAFF WITNESS MAJORS’ RECOMMENDATION?**

3    A.     Staff witness Majors’ recommendation is summarized below:

- 4                    •    Set lead days for federal and state income tax payments in the lead-lag study  
5                                    based on 365 days.<sup>1</sup> Staff witness Majors states that, due to income tax benefits  
6                                    such as accelerated depreciation and bonus depreciation, the Company is  
7                                    currently not a cash income taxpayer.<sup>2</sup>

8    **Q.     WHAT ARE STAFF WITNESS ROTH’S RECOMMENDATIONS?**

9    A.     Staff witness Roth’s recommendations are summarized below:

- 10                    •    Classify distribution mains as 100.00 percent demand and allocate distribution  
11                                    mains to each rate class based on the Average and Excess (“A&E”) method,  
12                                    recognizing daily demand data for each rate class is not available.<sup>3</sup>

13   **Q.     WHAT ARE STAFF WITNESS REYNOLDS’S RECOMMENDATIONS?**

14   A.     Staff witness Reynolds observes that the Company has included certain propane usage  
15                    and revenues as part of residential revenues. Staff has corrected this by moving usage  
16                    and revenues back to propane class from residential class.<sup>4</sup>

17                                    **III.    SUMMARY OF OPC’S RECOMMENDATIONS**

18   **Q.     WHAT IS OPC WITNESS RILEY’S RECOMMENDATION?**

19   A.     OPC witness Riley’s recommendation is summarized below:

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<sup>1</sup> Rebuttal Testimony of Keith Majors, p. 2

<sup>2</sup> Id.

<sup>3</sup> Rebuttal Testimony of Keri Roth, p. 6

<sup>4</sup> Rebuttal Testimony of Melissa J. Reynolds, p. 6-7

- Set lead days for federal and state income tax payments in the lead-lag study based on 365 days.<sup>5</sup> OPC witness Riley states that, due to the Company's infrastructure replacement program, the Company has a substantial amount of accelerated depreciation to apply to its tax liability and therefore does not owe any federal or Missouri state income tax on its annual return.<sup>6</sup>

**Q. WHAT IS OPC WITNESS MARKE'S RECOMMENDATION?**

A. OPC witness Marke's recommendation is summarized below:

- Rely on Consumer Council of Missouri's ("CCM") COSS in setting rates.<sup>7</sup>

**IV. RESPONSE TO STAFF'S RECOMMENDATIONS**

**Q. DOES THE COMPANY AGREE WITH STAFF THAT LEAD DAYS FOR FEDERAL AND STATE INCOME TAX PAYMENTS SHOULD BE INCREASED FROM 39.00 DAYS TO 365.00 DAYS?**

A. No. The Company does not agree with Staff's proposed increase in lead days for federal and state income tax payments from 39.00 days to 365.00 days because it does not reflect the Internal Revenue Service's ("IRS") payment schedule for income taxes in accordance with IRS Publication 542.<sup>8</sup> Specifically, IRS Publication 542 states that estimated tax payments 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 September 30, the estimated tax payments are due January 15, March 15, June 15, and September 15.

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<sup>5</sup> Rebuttal Testimony of John S. Riley, pp. 3-4

<sup>6</sup> Id.

<sup>7</sup> Rebuttal Testimony of Geoff Marke, p. 13

<sup>8</sup> <https://www.irs.gov/pub/irs-pdf/p542.pdf>

1        These payment dates were used to develop the Company's lead days for income tax  
2        payments in the lead-lag study.

3        **Q.     DOES THE COMPANY AGREE WITH STAFF'S APPROACH TO CLASSIFY**  
4        **DISTRIBUTION MAINS AS 100.00 PERCENT DEMAND?**

5        A.     No. The Company believes distribution mains should be classified consistent with their  
6        underlying cost drivers. The first cost driver is number of customers. Distribution mains  
7        are designed to provide customers with access to the natural gas system. The second  
8        driver is customer demands. Distribution mains are designed to meet customer design  
9        day demands. The approach to classify distribution mains as customer and demand is  
10       recognized by the National Association of Regulated Utility Commissions  
11       ("NARUC").<sup>9</sup>

12              The Company's classification of distribution mains into customer and demand  
13       was based on an average of two recognized approaches to classify distribution main:  
14       (1) the minimum mains or minimum system method and (2) the zero-inch or zero-  
15       intercept method. Both methods are recognized by NARUC.<sup>10</sup>

16       **Q.     IS THERE A STRONG STATISTICAL RELATIONSHIP BETWEEN**  
17       **NUMBER OF CUSTOMERS AND MILES OF MAINS?**

18       A.     Yes. As discussed in my rebuttal testimony, there is a strong statistical relationship  
19       between number of customers and miles of distribution mains.<sup>11</sup>

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<sup>9</sup> NARUC Gas Distribution Rate Design Manual, pp. 22-23

<sup>10</sup> Id.

<sup>11</sup> Rebuttal Testimony of Timothy S. Lyons, pp. 13-15

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

4   A.   No. The Company believes the demand portion of distribution mains should be  
5       allocated based on each rate class's share of design day demands. The demand portion  
6       of the Company's distribution mains are designed to meet customer design day  
7       demands; consequently, the demand portion of distribution mains should be allocated  
8       based on each rate class's share of design day demands.

9   **Q.    HOW DID THE COMPANY DERIVE EACH RATE CLASS'S SHARE OF**  
10       **DESIGN DAY DEMANDS?**

11 A.   The approach to derive each rate class's share of design day demands was based on  
12       regression analysis that identified the statistical relationship between heating use per  
13       customer and heating degree days. The regression analysis found there is a strong  
14       statistical relationship between heating use per customer and heating degree days. The  
15       results of the regression analysis were applied to the Company design day heating  
16       degree days to yield each rate class's share of design day demands.

17 **Q.    WHAT IS THE IMPACT OF STAFF'S APPROACH TO CLASSIFY**  
18       **DISTRIBUTION MAINS AS 100.00 PERCENT DEMAND?**

19 A.   Staff's approach to classify distribution mains as 100.00 percent demand has a  
20       significant impact on the results of the COSS, as shown for Spire Missouri East in  
21       Figure 1 (below).

**Figure 1: Comparison of Classification and Allocation Methods**  
**(Spire Missouri East)**

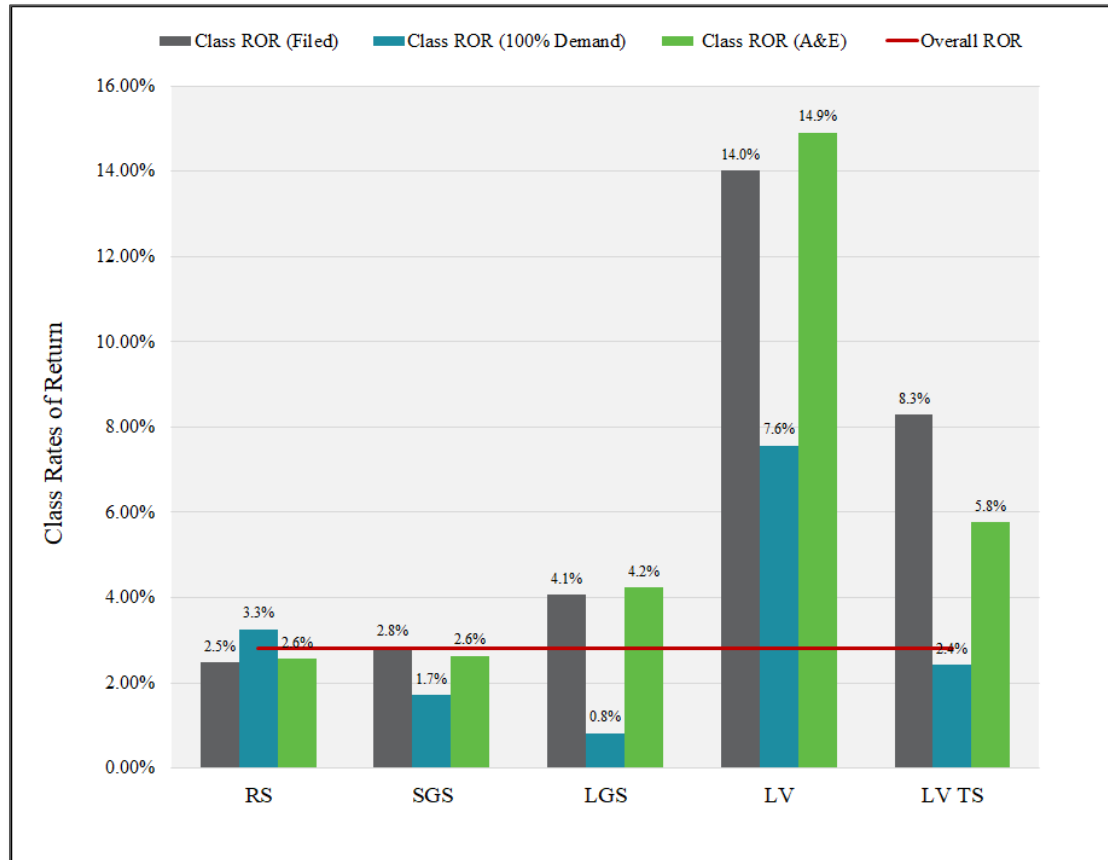


Figure 1 shows for Spire Missouri East the residential class rate of return (“ROR”) increases from 2.50 percent under the Company’s classification and allocation methods to 3.30 percent when classifying distribution mains as 100.00 percent demand.

The Figure also shows the small general service (“SGS”) class ROR decreases from 2.80 percent to 1.70 percent, the large general service (“LGS”) class ROR decreases from 4.10 percent to 0.80 percent, the large volume (“LV”) class ROR decreases from 14.00 percent to 7.60 percent, and the large volume transportation service (“LV TS”) class ROR decreases from 8.30 percent to 2.40 percent.

Figure 1 also shows the class RORs are similar when allocating the demand portion of distribution mains based on design day demands as compared to the A&E



allocator, except for the LV TS rate class. Specifically, the Figure shows the LV TS class ROR decreases from 8.30 percent under the design day allocator to 5.80 percent under the A&E allocator.

The results are similar for Spire Missouri West, as shown in Figure 2 (below).

**Figure 2: Comparison of Classification and Allocation Methods  
(Spire Missouri West)**

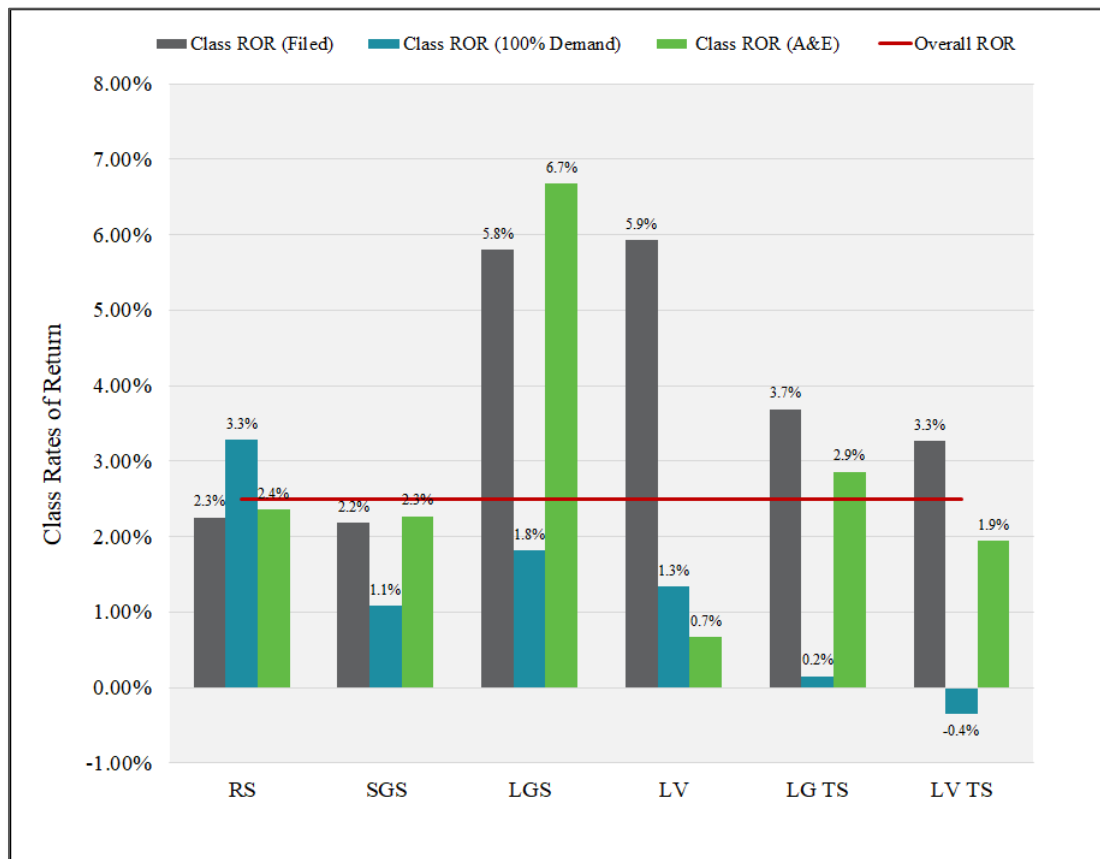


Figure 2 shows for Spire Missouri West the residential class ROR increases from 2.30 percent under the Company's classification and allocation methods in its initial filing to 3.30 percent when classifying distribution mains as 100.00 percent demand.

The Figure also shows the SGS class ROR decreases from 2.20 percent to 1.10 percent, the LGS class ROR decreases from 5.80 percent to 1.80 percent, the LV class

1 decreases from 5.90 percent to 1.30 percent, the LG TS class from 3.70 percent to 0.20  
2 percent, and the LV TS class from 3.30 percent to (negative) 0.40 percent.

3 Figure 1 also shows the class RORs are somewhat similar when allocating the  
4 demand portion of distribution mains based on the design day allocator as compared to  
5 the A&E allocator, except for the LV class. Specifically, the Figure shows the LV class  
6 ROR decreases from 5.90 percent under the design day allocator to 0.70 percent under  
7 the A&E allocator.

8 **Q. DOES THE COMPANY AGREE WITH STAFF THAT CLASSIFYING**  
9 **DISTRIBUTION MAINS AS 100.00 PERCENT DEMAND REFLECTS THE**  
10 **COMPANY'S UNDERLYING COST OF SERVICE?**

11 A. No. Classifying distribution mains as 100.00 percent demand does not reflect the  
12 Company's underlying cost of service.

13 There are two primary factors that drive the design, installation, and cost of distribution  
14 mains: (1) length or footage of mains to connect customers to the distribution system,  
15 and (2) size or diameter of mains to meet customer design day demands. Classifying  
16 distribution mains as customer and demand better reflects those primary factors that  
17 drive the design, installation, and cost of distribution mains.

18 **Q. DOES THE COMPANY AGREE THAT ALLOCATING THE DEMAND**  
19 **PORTION OF DISTRIBUTION MAINS UTILIZING THE A&E METHOD**  
20 **REFLECTS THE COMPANY'S UNDERLYING COST OF SERVICE?**

21 A. No. Allocating the demand portion of distribution mains utilizing the A&E method  
22 does not reflect the design of the Company's distribution main to meet customer design  
23 day demands.

1   **Q.    DOES THE COMPANY AGREE WITH STAFF'S ADJUSTMENT TO**  
2       **RESIDENTIAL USAGE AND REVENUES TO REMOVE PROPANE USAGE**  
3       **AND REVENUES?**

4   **A.**    Yes. The Company agrees with Staff Witness Reynolds on the misclassification of  
5       propane billing determinants and revenues. The Company inadvertently included  
6       propane revenues and billing determinants in residential class. This issue has been  
7       corrected in rebuttal testimony. The correction reduces residential usage by 12,300  
8       CCF (or 0.003 percent) and revenues by \$11,600 (or 0.004 percent).

9

10                           **V.    RESPONSE TO OPC'S RECOMMENDATIONS**

11   **Q.    DOES THE COMPANY AGREE WITH OPC WITNESS RILEY THAT LEAD**  
12       **DAYS FOR FEDERAL AND STATE INCOME TAX PAYMENTS SHOULD BE**  
13       **INCREASED FROM 39.00 DAYS TO 365.00 DAYS?**

14   **A.**    No. As discussed earlier, the Company does not agree with the proposed increase in  
15       lead days for federal and state income tax payments from 39.00 days to 365.00 days  
16       because it does not reflect the IRS payment schedule for income taxes in accordance  
17       with IRS Publication 542.

18   **Q.    DOES THE COMPANY AGREE WITH OPC WITNESS MARKE'S**  
19       **RECOMMENDATION THAT THE COMMISSION SHOULD RELY ON**  
20       **CCM'S COSS IN SETTING RATES?**

21   **A.**    No. CCM's COSS classifies distribution main as 100.00 percent demand. As discussed  
22       earlier, classifying distribution mains as 100.00 percent demand does not reflect the  
23       Company's underlying cost of service.



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

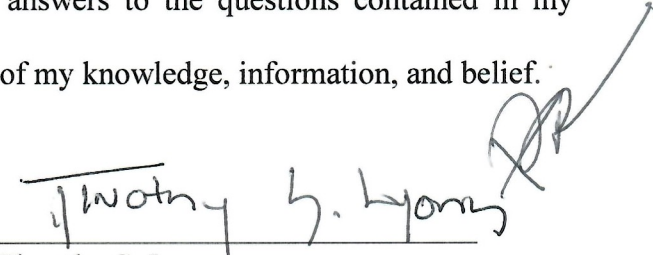
In the Matter of Spire Missouri Inc. d/b/a Spire's     )  
Request for Authority to Implement a General     )  
Rate Increase for Natural Gas Service Provided     )     File No. GR-2025-0107  
In the Company's Missouri Service Areas     )

**AFFIDAVIT**

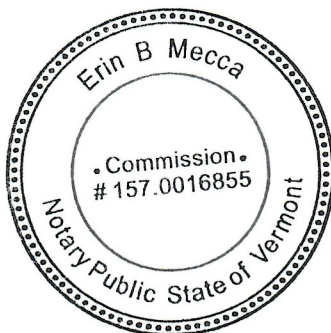
STATE OF VERMONT     )  
   )     SS.  
COUNTY OF CHITTENDEN     )

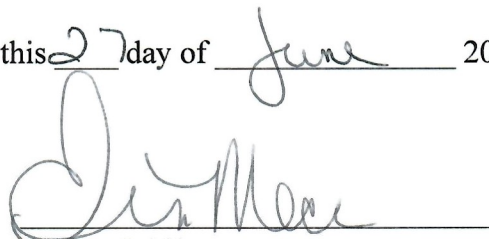
Timothy S. Lyons, of lawful age, being first duly sworn, deposes and states:

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 surrebuttal 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 surrebuttal testimony are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Timothy S. Lyons

Subscribed and sworn to before me this 27 day of June 2025.



  
\_\_\_\_\_  
Notary Public