

Exhibit No.:	
Issue(s):	AAO Request & Response to Initial Staff Recommendation
Witness:	David A. Yonce
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Spire Missouri Inc.
Case No.:	GU-2026-0225
Date Prepared:	June 4, 2026

SPIRE MISSOURI INC.

GU-2026-0225

DIRECT TESTIMONY

OF

DAVID A. YONCE

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF TESTIMONY	2
III.	RESPONSE TO STAFF’S KEY ARGUEMENTS	6
IV.	CONCLUSION	13

SCHEDULES:

DAY-D-1	Staff Responses to Spire Missouri Data Requests 0043 through 0059
DAY-D-2	Spire Missouri Inc.’s Regulatory Lag Will Likely Improve From Future Test Period Ratemaking, S&P Global, April 1, 2026
DAY-D-3	Warm weather, busted regulatory mechanism undermine Spire’s winter earnings, S&P Global, May 6, 2026

1 **I. INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR**
3 **THE BENEFIT OF THE MISSOURI PUBLIC SERVICE COMMISSION**
4 **(“COMMISSION”)?**

5 A. My name is David A. Yonce, and my business address is 700 Market Street, St. Louis, MO
6 63101.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am the Vice President, Regulatory for Spire Missouri Inc. (“Spire Missouri” or the
9 “Company”).

10 **Q. HOW LONG HAVE YOU HELD THAT POSITION AND WHAT ARE YOUR**
11 **RESPONSIBILITIES?**

12 A. I have held this role since March 2026. I am responsible for rates and tariffs, regulatory
13 filings, and managing cases before state utility commissions for all of Spire Inc.’s utility
14 business units, with operations in Alabama, Mississippi, Missouri, and Tennessee.

15 **Q. WHAT ROLES HAVE YOU HELD PRIOR TO YOUR CURRENT ROLE?**

16 A. I joined Spire Inc. in 2013 as a Senior Analyst, Strategy and Corporate Development, and
17 became Director, Strategy and Corporate Development in 2016. Over the next seven years,
18 I progressed through the Company in roles of increasing responsibility, including Director,
19 Gas Operations and Control in 2019, and Managing Director, Gas Supply in 2022. In
20 January 2023, I became Managing Director, Regulatory Affairs for Spire Missouri, where
21 I had direct responsibility for Spire Missouri’s rates and tariffs, including overseeing the
22 Company’s regulatory filings and managing cases before the Missouri Public Service

1 Commission (“Commission”), and overseeing the Spire Missouri’s energy efficiency
2 programs. In March 2026, I transitioned to my current role, as described previously.

3 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

4 A. I graduated from Truman State University in 2008 with a Bachelor of Science in Business
5 Administration. I later obtained my Master of Business Administration in 2014 from
6 Washington University in St. Louis.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

8 A. Yes. I submitted testimony in GR-2021-0127, GR-2022-0136, GC-2024-0172 and GR-
9 2025-0107.

10 **II. PURPOSE OF TESTIMONY**

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

12 A. The purpose of my testimony is summarize why Spire Missouri has filed an application for
13 an accounting authority order (“AAO”), respond to the Initial Staff Recommendation filed
14 by Staff of the Commission (“Staff”), and highlight the issues contributing to the need for
15 the AAO. I will finish by explaining Spire Missouri’s request of the Commission.

16 **III. SUMMARY OF AAO REQUEST**

17 **Q. WHAT IS YOUR UNDERSTANDING OF AN ACCOUNTING AUTHORITY
18 ORDER (“AAO”)?**

19 A. An AAO, if approved, allows a utility to track and defer an item to be considered for
20 potential recovery in the future.

21 **Q. PLEASE EXPLAIN WHY SPIRE MISSOURI FILED ITS AAO APPLICATION?**

22 A. Spire Missouri filed its application on March 6, 2026, following its discovery that the
23 Company had experienced a significant and unprecedented decline in customer usage

1 during the 2025-2026 heating season, beginning almost immediately after new rates
2 became effective on October 24, 2025, in Case No. GR-2025-0107. As a result of this
3 sudden usage decline, Spire Missouri has materially under-recovered its authorized
4 revenue requirement that was established only months earlier through a full base rate
5 proceeding. This includes fixed costs determined to be prudent and reasonable that the
6 Company must incur in order to provide safe and reliable service.

7 **Q. WHY DID SPIRE MISSOURI REQUEST AN AAO TO ADDRESS THIS ISSUE?**

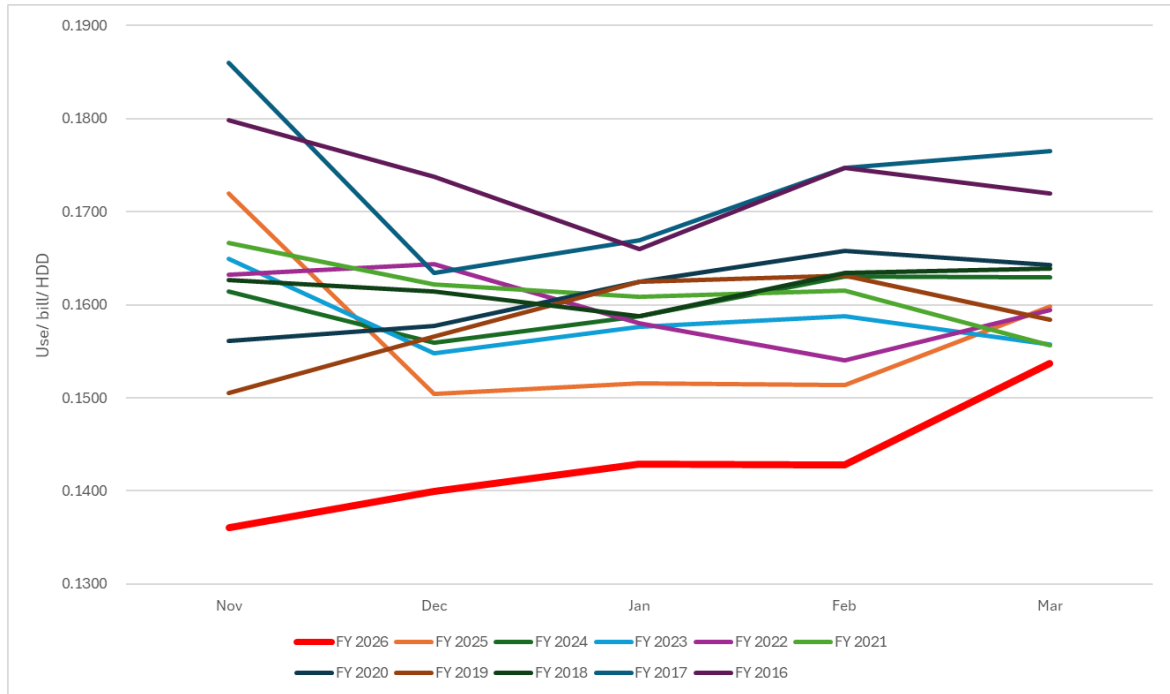
8 A. The Company's revenue requirement was approved September 3, 2025, and its currently
9 effective rates were implemented October 24, 2025, designed to allow Spire Missouri to
10 recover its cost to serve its customers. However, the immediate usage decline resulted in
11 an inability to collect fixed costs that Company has incurred and continues to incur. The
12 Company chose to request an AAO, seeking to preserve its ability to recover its full fixed
13 costs and deferring those costs for consideration in the Company's next rate case. Absent
14 approval of the AAO, the Company loses any opportunity to recoup its fixed costs incurred
15 for the benefit of its customers.

16 **Q. PLEASE EXPLAIN WHY THIS USAGE DECLINE WAS UNPRECEDENTED?**

17 A. Despite temperatures that were at or colder than normal during portions of the heating
18 season, customer usage relative to heating degree days ("HDDs") fell to the lowest levels
19 ever recorded by the Company. **Figure 1** below illustrates the last 10 fiscal year ("FY")
20 heating seasons compared to FY 2026 (the bolded, red line).

1

Figure 1: East Residential FY Use/Bill/HDD



2

3 **Q. WHAT IS YOUR UNDERSTANDING OF THE AAO STANDARD THAT THE**
4 **COMMISSION APPLIES IN REVIEWING REQUESTS FOR AAOs?**

5 A. I am not an attorney, however, as described in Staff’s initial recommendation, the
6 Commission has developed its test for evaluating AAOs from General Instruction 7 from
7 the Uniform System of Accounts. Under this test, an AAO may be appropriate when
8 “events occur during a period which are extraordinary, unusual and unique, and not
9 recurring.”¹

10 **Q. DOES THE APPROVAL OF AN AAO GUARANTEE THE RECOVERY OF**
11 **DEFERRED COSTS?**

¹ Initial Staff Recommendation, 2.

1 A. No. My understanding is that the Commission is not bound by the approval of an AAO
2 when considering recovery of the deferred costs in a subsequent rate case.

3 **Q. DO YOU BELIEVE THIS AAO REQUEST IS SIMILAR TO OTHER AAO**
4 **REQUESTS APPROVED BY THE COMMISSION?**

5 A. Yes. In reviewing the circumstances in which the Commission has approved AAOs, I
6 believe it is within the Commission's discretion to approve the requested AAO.

7 **Q. HAS STAFF ISSUED A RECOMMENDATION ON SPIRE MISSOURI'S**
8 **REQUEST FOR AN AAO?**

9 A. Yes.

10 **Q. WHAT WAS STAFF'S RECOMMENDATION?**

11 A. Staff recommends that the Commission deny Spire Missouri's AAO request, concluding
12 that Spire did not identify an extraordinary event, and that revenue and usage are not
13 unusual or unique, and are recurring. Staff ultimately recommends the Company file a rate
14 case to address the issues it is experiencing.

15 **Q. DO YOU AGREE WITH STAFF'S RECOMMENDATION?**

16 A. While I go into further detail below, I do not agree with Staff's recommendation. Spire
17 Missouri did identify an extraordinary event, and its application is not about "normal"
18 usage and revenue, but a significant, unprecedented, and unanticipated usage decline that
19 has led to a severe revenue shortfall, all within a specific period of time.

20 **Q. DO YOU BELIEVE THAT STAFF CONDUCTED A THOROUGH REVIEW AND**
21 **INVESTIGATION OF THE COMPANY'S APPLICATION AND REQUEST IN**
22 **MAKING ITS INITIAL RECOMMENDATION?**

1 A. No, I do not believe that Staff conducted a thorough review and investigation of the
2 Company's application, request, and information provided via formal and informal data
3 requests in developing its Initial Staff Recommendation. In addition to ending its analysis
4 after determining the Company has not identified an extraordinary item with a specific
5 cause, Staff rests its recommendation on the point that the issues Spire Missouri is bringing
6 before the Commission can only be addressed in the context of a rate case. I understand
7 that the Company initially requested an expedited schedule, but Staff's responses to the
8 Company's data requests, sent after a procedural schedule had been set, demonstrate a
9 continued unwillingness to meaningfully examine the circumstances and issue that led to
10 the request in this case. The data requests and responses, which are attached as **Schedule**
11 **DAY-D-1**,² demonstrate a lack of serious engagement from a policy standpoint. For
12 example, instead of stating a position on whether the weather normalization adjustment
13 rider ("WNAR") mechanism is effective to normalize revenue, Staff simply states that the
14 tariff is in effect. As previously stated, I will provide detailed responses to Staff's key
15 arguments below.

16 III. RESPONSE TO STAFF'S KEY ARGUEMENTS

17 **Q. STAFF ASSERTS THAT SPIRE MISSOURI HAS FAILED TO IDENTIFY AN**
18 **"EXTRAORDINARY EVENT." HOW DO YOU RESPOND?**

19 A. Staff's assertion demonstrates a misunderstanding of the facts and Spire Missouri's
20 request. The Company has identified an extraordinary event, which is the immediate,

² The Company's data requests and Staff's responses, submitted individually through the Commission's Electronic Filing and Information System have been compiled into a single document for convenience.

1 unprecedented, and sustained collapse in customer usage relative to HDDs following a rate
2 case. To my knowledge, this has never occurred in Spire Missouri’s operational history.

3 **Q. STAFF CLAIMS THE CAUSE OF THE DECLINED USAGE IS OF “UNKNOWN**
4 **ORIGIN.” IS THAT ACCURATE?**

5 A. No. The significant usage decline relative to HDDs is being driven by abnormal weather
6 patterns and historically unprecedented customer behavior. However, Staff’s claim
7 represents a misapplication of the Commission’s test. The Company is not required to
8 identify every behavioral or societal factor contributing to usage changes to satisfy the
9 AAO standard. What matters is that the event is observable, quantifiable and
10 unprecedented, which it clearly is.

11 **Q. STAFF GOES ON TO STATE THAT CUSTOMER USAGE AND REVENUES ARE**
12 **ROUTINE AND RECURRING. HOW DO YOU RESPOND?**

13 A. Staff’s position appears to be that because usage and revenues variability, and divergence
14 from the authorized revenue requirement, are part of the ordinary course of business for
15 utilities, they cannot form a basis for an AAO. While Staff may be correct that usage and
16 weather variability generally exist, this event far exceeds the variability accounted for in
17 ratemaking. Normalized billing determinants, weather normalization, and mitigation
18 mechanisms are designed to smooth historical fluctuations, not absorb record setting
19 deviations that occur immediately after a rate case. The magnitude of the usage decline and
20 its persistence across multiple months is outside the range of outcomes reasonably
21 contemplated during the rate case process.

22 Over a five month period, November 2025 through March 2026, usage per bill per
23 HDD reached the lowest levels ever observed, with January 2026 experiencing a revenue

1 **Q. DO YOU AGREE WITH THIS?**

2 A. No. What the Company is experiencing right now is abnormal and extraordinary and could
3 not have been foreseen or contemplated in Spire Missouri's last rate case. If Spire Missouri
4 would have known this issue would occur, it certainly would have addressed it in its last
5 rate case.

6 The rate case process in Missouri currently applies a historical test year, using an
7 established weather normalization process to develop the cost of service and revenue
8 requirement. The Company, Staff, and intervenors applied the same ratemaking
9 methodologies used in prior rate cases, yet the implementation of rates developed in those
10 cases has never been followed by such an extraordinary and significant usage decline.

11 **Q. WHY DID THOSE METHODOLOGIES FAIL HERE?**

12 A. The primary reason is because Spire currently has to rely on a weather normalization
13 mechanism to correct for usage variation. These types of mechanisms are inherently
14 imperfect and rely upon historical weather and usage patterns to function appropriately.
15 This is particularly problematic given the more recent weather patterns and variability that
16 have been observed.

17 **Q. PLEASE ELABORATE.**

18 A. Weather normalization is a long-standing analytical practice used by electric and natural
19 gas utilities to adjust historical energy usage to reflect "normal" weather conditions. This
20 is typically accomplished using HDDs or Cooling Degree Days ("CDD") derived from
21 historical temperature data. The objective is to remove the effect of unusually hot or cold
22 weather so that underlying trends in customer usage, revenues, or system performance can
23 be evaluated on a comparable basis over time.

1 **Q. IS WEATHER NORMALIZATION AN EXACT PROCESS?**

2 A. No. Weather normalization is an approximation, using historic trends to project future
3 conditions.⁴ Actual energy usage responds to weather in a nonlinear and often chaotic
4 manner, particularly at daily or extreme temperature levels. Even under historical climate
5 conditions, normalized results have always contained residual variability that cannot be
6 fully explained by degree-day adjustments alone.

7 **Q. HOW HAS CLIMATE VARIABILITY AFFECTED WEATHER**
8 **NORMALIZATION?**

9 A. Climate variability has materially increased both the frequency and severity of extreme
10 temperature events. Weather normalization was developed based on the assumption of
11 relatively stable historical climate patterns, an assumption that is no longer valid.⁵
12 Deviations from historical weather trends now have severe impacts on utility metrics that
13 rely on normalization techniques, driving utilities to develop new techniques to model and
14 plan for future weather.⁶ In other words, the definition of “normal weather” itself is shifting
15 over time.

16 **Q. WHAT DOES THIS MEAN FOR NORMALIZED USAGE RESULTS?**

17 A. It means that weather-normalized usage increasingly reflects methodological uncertainty
18 rather than a stable baseline. As average temperatures rise and extreme heat and cold
19 become more common, historical HDD and CDD averages may no longer represent
20 expected or typical conditions. As a result, normalized usage can appear overstated or

⁴ Juliet S. Homer *et al.*, Pac. NW. Nat'l. Lab., iii (2023)
https://www.pnnl.gov/sites/default/files/media/file/Final%20Report%206_7_2023.pdf.

⁵ *Id.* at 5.

⁶ *Id.*

1 understated depending on the year examined, even when customer behavior or system
2 performance has not meaningfully changed.

3 Weather normalization remains a useful analytical tool, but it is no longer a precise or
4 definitive measure of expected usage or performance. Increasing climate variability,
5 nonlinearity at extreme temperatures, regional differences, and reliance on historical
6 datasets all contribute to growing uncertainty in normalized results.

7 **Q. DOES STAFF PROPOSE HOW SPIRE MISSOURI SHOULD ADDRESS THE**
8 **ISSUE IT IS EXPERIENCING?**

9 A. Yes. Staff recommends that the Company file a rate case.

10 **Q. WOULD A RATE CASE RESOLVE THESE ISSUES?**

11 A. An 11-month rate case could potentially avoid this issue from recurring in the 2027-2028
12 heating season, and it is unknown whether this issue will recur in the 2026-2027 heating
13 season. However, without an AAO, the revenue under recovery occurring now becomes
14 permanently unrecoverable, regardless of future rate proceedings. A future rate case cannot
15 retroactively fix this problem unless the Commission preserves recovery through deferral
16 accounting. This is not a matter of Spire Missouri imprudently incurring costs, not taking
17 steps to keep costs down, or unreasonably expecting revenue recovery. Rates were set on
18 October 24, 2025, which should have allowed Spire Missouri to recover its authorized
19 revenue requirement barring detrimental company action, or an extraordinary event. An
20 extraordinary event occurred, and without a remedy, financial harm will occur
21 immediately, not years later when a new rate case concludes.

22 **Q. WHAT IS THE FINANCIAL SIGNIFICANCE OF THE UNDER RECOVERY?**

1 A. As of March 2026, Spire Missouri was approximately \$12 million below its revenue
2 requirement on a billed basis, with projections reaching approximately \$27 million on an
3 annualized financial reporting basis. This easily exceeds the USOA's 5% materiality
4 threshold. Failure to address this issue threatens the Company's credit quality, potentially
5 increasing borrowing costs that are ultimately borne by customers. S&P Global has
6 explicitly identified revenue stability and weather exposure as concerns in its April 1, 2026
7 report, attached as **Schedule DAY-D-2**.

8 **Q. WILL THIS IMPACT SPIRE MISSOURI'S FUTURE COST OF CAPITAL?**

9 A. While I cannot say for sure, I believe that this will impact Spire Missouri's cost of capital,
10 especially given the reaction from S&P Global in its May 6, 2026 report, attached as
11 **Schedule DAY-D-3**, which followed the Company's most recent earnings call.

12 **Q. PLEASE SUMMARIZE WHY THE REQUESTED AAO IS REASONABLE AND**
13 **IN THE PUBLIC INTEREST.**

14 A. The requested AAO:

- 15 • Meets the Commission's established test for determining whether an AAO is
16 appropriate;
- 17 • Does not guarantee a return, but preserves the opportunity to recover costs already
18 authorized;
- 19 • Allows Commission review before any recovery;
- 20 • Protects customers from long-term cost increases driven by credit deterioration; and
21 • Aligns with Commission discretion and prior AAO approvals.

22 The Company is not seeking extraordinary profits; only the opportunity to recover what
23 the Commission itself authorized.

1

IV. CONCLUSION

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 **A. Yes.**

**Staff of the Missouri Public Service Commission Responses to Spire Missouri Inc.'s
Data Requests ("DRs") 0043 through 0059
Schedule DAY-D-1**

DR 0043

Please produce all Staff workpapers, spreadsheets, models, internal memoranda, and analytical documents prepared or relied upon in connection with Staff's recommendation and memorandum in this case.

Response: Staff objected to this DR. Without waiving the objection, Staff states there is nothing responsive to the request.

DR 0044

Please identify each factual finding, analysis, dataset, or calculation relied upon by Staff to conclude that the significant decline in customer usage experienced by Spire Missouri during the November 1, 2025 through March 31, 2026 period does not constitute an "extraordinary, unusual, and unique, and not recurring" event under the Sibley Standard, as developed in reference to General Instruction No. 7 of the Uniform System of Accounts (USoA).

Response: Staff objected to this DR. Without waiving the objection, Staff states it reviewed Spire's Application, the data Spire provided at the time of filing, and Spire's responses to DRs.

DR 0045

Does Staff believe that Spire Missouri could have expected or planned for this situation? If yes, please explain how Spire Missouri could have expected or planned for this situation.

Response: Staff objected to this DR. Without waiving the objection, Staff states it believes Spire had the opportunity to address whatever situation is causing the decline in usage in the most recent rate case. Staff believes Spire has the opportunity to address any concerns with usage through a new rate case.

DR 0046

Does Staff believe that this situation could have been avoided in Spire Missouri's most recent rate case? If yes, please explain how this situation could have been avoided in Spire Missouri's most recent rate case.

Response: Staff objected to this DR. Without waiving the objection, Staff states it believes Spire had the opportunity to address whatever situation is causing the decline in usage in the most recent rate case. Staff believes Spire has the opportunity to address any concerns with usage through a new rate case.

DR 0047

Please provide all analyses performed by Staff comparing Spire Missouri's 2025–2026 customer usage per heating degree day (HDD) to historical Spire Missouri usage per HDD, including but not limited to:

- The historical period analyzed;
- The customer classes analyzed;
- Any statistical tests or benchmarks used to evaluate whether 2025–2026 usage was abnormal.

Response: Staff objected to this DR. Without waiving the objection, Staff states it did not complete such analysis for the Initial Staff Recommendation.

DR 0048

Please identify whether Staff evaluated:

- Weather anomalies in December 2025 and January 2026;
- Historic correlations between HDDs and usage for Spire Missouri.

If evaluated, please provide all workpapers and findings. If not evaluated, please state why.

Response: Staff generally reviewed the information provided with and in support of Spire's Application. For the reasons stated in the Initial Staff Recommendation, Staff does not agree that an AAO docket is the appropriate type of case to address usage and HDDs, and it did not perform such evaluations for the Initial Staff Recommendation.

DR 0049

Please identify whether Staff evaluated:

- Long-term usage trends;
- Energy efficiency impacts;
- Customer conservation behavior changes;
- Structural demand erosion.

If so, please provide all analyses and assumptions.

Response: Staff objected to this DR. Without waiving the objection, Staff states it generally reviewed the information provided with and in support of Spire's Application. For the reasons stated in the Initial Staff Recommendation, Staff does not agree that an AAO docket is the appropriate type of case to address usage, energy efficiency impacts, customer conservation behavior changes or structural demand erosion, and it did not perform such evaluations for the Initial Staff Recommendation.

DR 0050

Please identify all natural gas utilities reviewed by Staff for purposes of concluding that the usage decline experienced by Spire Missouri was not “widespread.”

Response: Staff objected to this DR. Without waiving the objection, Staff states that the Commission regulates other natural gas distribution utilities in the State, across different geographic certificated areas. Spire is the only natural gas utility to date to claim “extreme” usage disruption because of weather for the 2025 winter season with the filing of Spire’s AAO.

DR 0051

Please identify and describe all Commission cases reviewed by Staff in which AAOs were approved for:

- Lost revenues;
- Under-recovery of fixed costs;
- Customer attrition or abnormal usage impacts.

Response: Staff objected to this DR. Without waiving the objection, Staff states it reviewed the one case cited in Spire’s Application.

DR 0052

Does Staff believe that the existing weather normalization mechanism is designed to account for extreme and abnormal weather?

Response: Staff objected to this DR. Without waiving the objection, Staff states the ranking method Staff utilizes to calculate normal weather estimates preserves the extremes and matches the normal extreme weather with actual extreme weather. Staff’s ranked method provides a more realistic expectation of normal weather and minimizes the amount of adjustments to actual weather to achieve normal weather.

DR 0053

Does Staff believe the existing weather normalization mechanism is effective? If so, does Staff believe it is as effective as it was when it was originally designed and implemented?

Response: Staff objected to this DR. Without waiving the objection, Staff states Spire has an existing or effective tariff relating to a weather normalization mechanism, at Tariff Sheets 13-13.9. Although not an exhaustive list, Staff is aware of at least two instances in which it recommended rejection of proposed tariff sheets relating to Spire’s weather normalization mechanism, Case Nos. GO-2019-0058 and GO-2019-0059, and GO-2022-0070.

DR 0054

Please explain how Staff would measure the effectiveness of the existing weather normalization mechanism. Specifically, does Staff believe that the weather normalization mechanism is intended to adjust revenues to account for non-normal weather so that the utility earns its revenue requirement? If not, why?

Response: Staff objected to this DR. Without waiving the objection, Staff states that Staff does not attempt to measure the effectiveness of the WNAR as a mechanism to ensure Spire is guaranteed to earn the revenue requirement from the previous case because the WNAR was never intended to guarantee revenue targets are met. The WNAR is a tool to account for the impact on revenues due to increases or decreases in usage during a specific time period due to variations in weather as long as everything else is constant.

DR 0055

Has Staff evaluated the billing determinants from Spire Missouri's last rate case? If so, does Staff believe the billing determinants are overstated, particularly for Spire Missouri East residential?

Response: Staff objected to this DR. Without waiving the objection, Staff states billing determinants were the result of negotiated settlement in Case No. GR-2025-0107, to which Spire was a signatory.

DR 0056

Does Staff believe weather patterns are changing?

Response: Staff objected to this DR. Without waiving the objection, Staff states Missouri experiences varied weather patterns throughout the year with seasonal swings.

DR 0057

Does Staff believe that utilities should reasonably expect to earn their revenue requirement immediately following a rate case? If not, what does Staff view to be an appropriate range?

Response: Staff objected to this DR. Without waiving the objection, Staff states that it does not manage a utility and has no expectation for a utility to earn or not earn their revenue requirement. Revenues are dependent upon multiple variables, such as customer growth, demand growth, effective billing, weather, etc. The revenue requirement set by the Commission is not a guarantee for a utility.

DR 0058

Does Staff believe a utility needs to earn its revenue requirement to provide safe and reliable service to its customers? If not, what level of earnings is needed to provide safe and reliable service to customers?

Response: Staff objected to this DR. Without waiving the objection, Staff states that a utility is required to provide safe and reliable service regardless of whether or not it is obtaining revenues equal to its revenue requirement. It is entirely possible to not attain revenues equal to the revenue requirement and still provide safe and adequate service.

DR 0059

Does Staff consider the total unrecovered amount of Spire Missouri's revenue requirement to be material?

Response: Staff objected to this DR. Without waiving the objection, Staff states it isn't making a claim that there is an unrecovered amount of revenue requirement. As noted in the Initial Staff Recommendation, Staff would need a full year of financial results after effective date of rates to determine if there is an unrecovered amount of revenue requirement before expressing an opinion.

Tear Sheet:

Spire Missouri Inc.'s Regulatory Lag Will Likely Improve From Future Test Period Ratemaking

April 1, 2026

This report does not constitute a rating action.

Volatile weather and conservation efforts pose challenges. Spire Missouri Inc.'s revenue is exposed to fluctuations in natural gas usage due to weather variations and conservation efforts. As such, when usage falls below expectations the company struggles to fully recover its authorized revenue requirement. Because gas utilities typically secure supply ahead of the winter heating months, with short-term debt funding being repaid as sales increase, milder weather can prolong leverage and weaken financial measures. June of each year represents the trough of each seasonal cycle; therefore, significant receivables balances carried through June pressure the company's ability to lower debt leverage before the next natural gas season.

S&P Global Ratings reduces total debt by the amount of short-term debt tied to building inventories of natural gas in non-peak periods for later use to meet peak loads in peak months.

Spire Missouri's regulatory construct includes a weather normalization adjustment rider (WNAR) that allows it to modify its base rates based on usage variations, but this mechanism does not fully decouple the company's revenue from usage. In addition, the weather data underlying the calculation, which is adjusted in base rate cases, can become stale over time; for example, prior to its most recent base rate case order, the WNAR relied on weather data from 2017, which was the company's last test period. This exposure has historically prolonged regulatory lag and contributed to under-earning. However, in its latest base rate case (which authorized the company a \$210 million base rate increase, or approximately \$137 million after considering the transfer of costs from its surcharge mechanisms to base rates, based on capital additions through May 31, 2025), the company was authorized to update the data underlying its WNAR and apply it prospectively to both small commercial and residential customers, representing 88% of Spire Missouri's revenue. Overall, S&P Global Ratings views the outcome as constructive for credit quality given the sizable rate increase and the WNAR update.

Future test period ratemaking is likely to reduce regulatory lag. Beginning July 1, 2026, Senate Bill 4 permits natural gas utilities operating in Missouri to request a future test period in their general rate-case filings, which will incorporate projected costs and capital spending, including for natural gas purchases. We anticipate the implementation of the future test period will reduce regulatory lag and improve the company's earned returns by allowing annual updates to base

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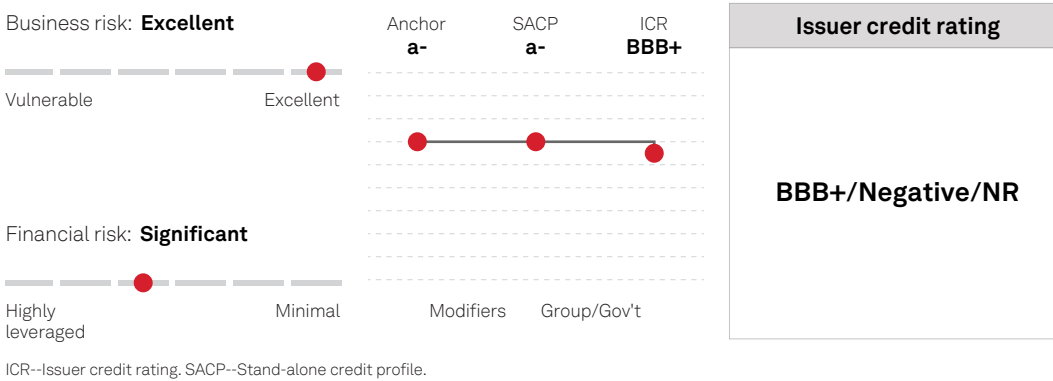
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Spire Missouri Inc.'s Regulatory Lag Will Likely Improve From Future Test Period Ratemaking

rates to reflect such projections, followed by an annual rate true-up that reflects differences between actuals and projections.

Ratings Score Snapshot



Recent Research

- [Tear Sheet: Decoupling Spire Missouri’s Revenue From Weather Would Be Highly Supportive Of Credit Quality](#), Sept. 26, 2024
- [Research Update: Spire Inc. And Subsidiaries Downgraded To ‘BBB+’ From ‘A-’ On Weak Financial Measures; Outlook Stable](#), June 3, 2024

Company Description

St. Louis-based [Spire Missouri](#) is a regulated natural gas distribution utility that engages in the purchase, retail distribution, and sale of natural gas. The company also sells heating energy and operates an underground storage facility. Spire Missouri provides services to about 1.2 million customers across the state.

Outlook

The negative outlook Spire Missouri reflects that of parent Spire, which incorporates the possibility that consolidated funds from operations (FFO) to debt could weaken to consistently below our 12% downgrade threshold. Our base case assumes Spire’s FFO to debt weakens to the 11%-12% range following its acquisition of the Tennessee local distribution assets.

Downside scenario

We could lower our ratings on Spire Missouri over the next 12-18 months if we lower our ratings on its parent company, Spire Inc.

Upside scenario

We could revise the outlook to stable on Spire Missouri over the next 18 months if we did the same on Spire Inc.

Rating Component Scores

Spire Missouri Inc.'s Regulatory Lag Will Likely Improve From Future Test Period Ratemaking

Rating Component Scores

Foreign currency issuer credit rating	BBB+/Negative/NR
Local currency issuer credit rating	BBB+/Negative/NR
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	a-
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	a-
Group credit profile	bbb+
Entity status within group	Core (-1 notch from SACP)

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13 2025
- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10 2021
- [General Criteria: Group Rating Methodology](#), July 1 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7 2017
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 6 2016
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Spire Missouri Inc.'s Regulatory Lag Will Likely Improve From Future Test Period Ratemaking

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Spire Missouri Inc.'s Regulatory Lag Will Likely Improve From Future Test Period Ratemaking

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Warm weather, busted regulatory mechanism undermine Spire's winter earnings

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By Tom DiChristopher

S&P Global

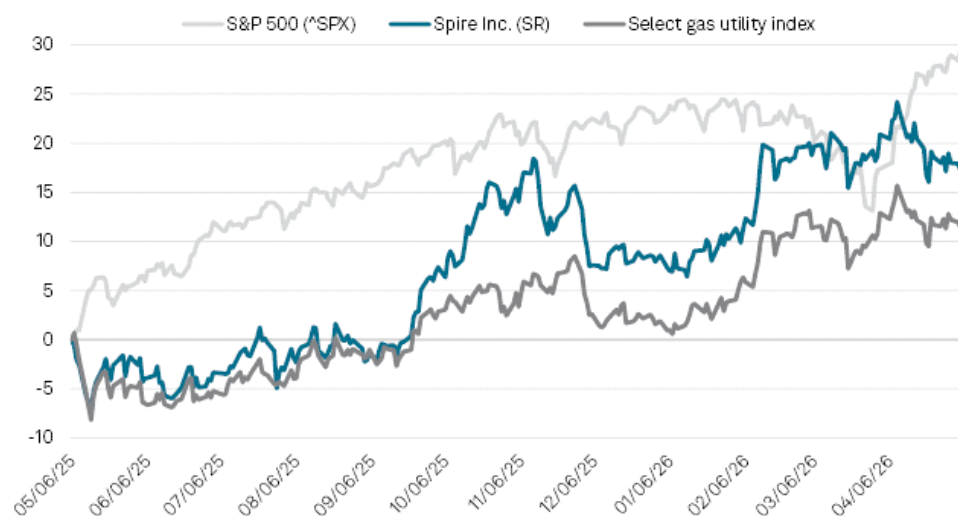
As [Spire Inc.](#) looks forward to a period that will refocus its business on regulated natural gas distribution, the St. Louis-based company is facing a familiar challenge.

The company's largest subsidiary, [Spire Missouri Inc.](#), posted a weaker-than-expected quarterly margin during the critical winter heating season due to [warm weather](#) across the Western US. The regulatory mechanism meant to smooth out abnormal weather impacts did not work as intended, [continuing a trend](#) that has dogged Spire Missouri in recent years.

On a May 6 conference call, Spire CFO Adam Woodard called the outcome "frustrating," given that Spire Missouri recently worked with regulators to [address that very issue](#) in its latest rate case. Heading into 2026, Spire anticipated the rate case, which [concluded in September 2025](#), would [catalyze future profit growth](#) and resolve persistent underearning in Missouri.

Spire decisively outperforms peer gas utility group since October 2025

Change in value (%)



As of May 6, 2026.

Select gas utility index includes Atmos Energy Corp., Chesapeake Utilities Corp., New Jersey Resources Corp., Northwest Natural Holding Co., One Gas Inc., Southwest Gas Holdings Inc., Spire Inc. and UGI Corp.

Change calculated from May 6, 2025, to May 5, 2026.

Source: S&P Global Market Intelligence.

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Spire left its long-term earnings growth target in place but lowered its 2026 profit outlook for the gas utility segment. Spire Missouri's disappointing winter margin was the biggest factor in the revision and also contributed to Spire lowering its full-year earnings per share guidance.

The weather impacts resulted in a \$28 million shortfall in margin compared to Spire's internal expectations for its first two fiscal quarters. Spire now expects the gas utility segment to post earnings of \$275 million to \$295 million in 2026, down from prior guidance of \$285 million to \$315 million.

Spire updated its full-year 2026 earnings per share guidance to \$3.90 to \$4.10. Spire previously guided to full-year EPS of \$5.25 to \$5.45.

Ongoing weather sensitivity

Analysts were expecting Spire to revise its EPS forecast for 2026. The main driver was the loss of earnings following the sale of Spire's [gas marketing division](#), non-regulated [gas storage business](#) and its [Mississippi gas utility](#). The sale proceeds will fund [Spire's acquisition](#) of [Duke Energy Corp.](#)'s Tennessee gas utility and investments in Spire's rate-regulated businesses.

"Together, these actions enhance the quality and visibility of our earnings, improve our overall risk profile and position the company for more consistent long-term

ultimate goal is to secure a weather normalization mechanism that reflects the change in gas usage that actually occurs, he said.

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