Exhibit No.: ______________
Issue(s): Accounting Authority Order (AAO) Standard/Weather-Related Claims/Spire's AAO/ Entitlement/Data Reliability
Witness/Type of Exhibit: Payne/Rebuttal
Sponsoring Party: Public Counsel
Case No.: GU-2026-0225

REBUTTAL TESTIMONY

OF

MANZELL PAYNE

Submitted on Behalf of the Office of the Public Counsel

SPIRE MISSOURI, INC.

FILE NO. GU-2026-0225

July 22, 2026

TABLE OF CONTENTS

REBUTTAL TESTIMONY

OF

MANZELL M PAYNE

SPIRE MISSOURI, INC.

CASE NO. GU-2026-0225

Q. Please state your name, title, and business address.

A. Manzell Payne, Senior Utility Regulatory Auditor, Office of the Public Counsel ("OPC" or "Public Counsel"), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. What are your qualifications and experience?

A. My educational background includes a Bachelor of Arts degree in Accounting from Westminster College in Fulton, Missouri, which I received in 2020. I am currently obtaining my MBA with an emphasis in Accounting.

Prior to joining the Office of Public Counsel in July 2023, I worked as an analyst and auditor in the banking industry for four and half years. The responsibilities during my time as an analyst included risk analysis, tracking/monitoring expenditures, auditing of business financial statements and business plans. Through my various analysis and auditing work in the banking industry, I had the opportunity to review an individual or company's credit worthiness.

Since joining the OPC, I have attended the National Association of Regulatory Utility Commissioners ("NARUC") Rate School, and I have attended other seminars and trainings relating to utility regulation.

Q. Have you testified previously before the Missouri Public Service Commission?

A. Yes, I have previously testified before the Missouri Public Service Commission ("Commission"). Please refer to schedule MMP-R-1 attached hereto for a list of cases in which I have testified.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address Spire Missouri's[1] request for Accounting Authority Order ("AAO") based upon alleged reduced customer usage and reduced revenues following the implementation of new rates. Specifically, I will be responding to the

[1] Hereafter "Company" or "Spire Missouri."

Company's application, Staff's recommendation, and the direct testimony of Company Witness, David A. Yonce.

Q. What is the central issue before the Commission in this case?

A. The question that I believe is in front of the Commission in this case is not whether Spire experienced lower than expected revenues. Rather, the question is whether Spire has demonstrated that an extraordinary, unusual, unique, and nonrecurring event occurred that makes an Accounting Authority Order the appropriate regulatory remedy, instead of a future rate proceeding.

<u>ACCOUNTING AUTHORITY ORDER (AAO) STANDARD</u>

Q. What is the OPC's typical stance on tracking mechanisms included in rates?

A. The OPC has generally been opposed to expense trackers primarily because they do not recognize all relevant factors at the time the utility incurs the expense and can cause a utility to be less concerned with controlling costs associated with a tracker. The vast majority of AAOs serve to protect the utility's shareholders from an extraordinary expense incurred between rate cases; seldom seen are tracking mechanisms that protect ratepayers from realizing the benefits of extraordinary cost savings.

Q. What standard has the Commission utilized in determining the use of trackers?

A. The Commission determined in File No. EU-2014-0077 that only extraordinary costs, which are "unusual and infrequent" are appropriate for tracking through an AAO:

> In Missouri, rates are normally established based off of a historic test year. The courts have stated that an AAO allows the deferral of a final decision on current extraordinary costs until a rate case and therefore is not retroactive ratemaking. Consistent with the language in General Instruction No. 7, the Commission has evaluated the transmission costs for which Companies seek an AAO to determine if they are an unusual and infrequent occurrence. The Commission concludes they are not.[2]

Additionally, the Commission in its Report and Order in Case No. EU-2020-0350 states the following for the standard for AAOs:

> H. An AAO is a Commission order that authorizes a utility to account for extraordinary items. AAOs may be used to govern expense and savings items. An AAO creates a "balance-sheet account" to defer items to be

[2] File No. EU-2014-0077, Report and Order, issued July 30, 2014, page 10.

considered in a utility's next general rate case, even though such items may occur outside the "test" period used to set rates.

I. An AAO is not ratemaking and creates no expectation of recovery. The Commission is not bound by the terms of an AAO in setting rates.

J. The Commission is vested with "substantial discretion in determining whether an AAO is appropriate in a particular case."

K. Under the test applied by the Commission, an AAO may be appropriate when "events occur during a period which are extraordinary, unusual and unique, and not recurring." This has been described as "the Sibley standard."

L. Consistent with the Commission's authority to prescribe accounting standards, Commission Rule 20 CSR 4240-20.030(1) requires electrical corporations to keep accounts in conformity with the Uniform System of Accounts (USoA) Prescribed for Public Utilities and Licensees, as prescribed by the Federal Energy Regulatory Commission and published at 18 CFR Part 101 (1992).

M. The Commission developed the "extraordinary, unusual, unique and not recurring" standard in reference to General Instruction 7 of the USoA.

N. The USoA provides that a utility's income should generally reflect all items of profit and loss during the period. Certain items, however, may be eligible for special treatment. In the words of the instruction:

> Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. … To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary.

O. Although the Commission has consulted General Instruction 7 in its decisions regarding AAOs, a determination that "extraordinary" expenses are eligible for deferral accounting is a "policy decision" and "is not dictated by whether, in the abstract, the USoA provides a mechanism to defer costs."

P. In the 30 years since the Commission described what is now recognized as the "Sibley standard," the Commission has at times found it useful to evaluate the scope of items potentially subject to deferral relative to company income. This issue has been described as an evaluation of "materiality."[3]

Q. How has deferral accounting typically been handled by the Commission?

A. The Commission has previously approved deferral accounting, either with an AAO or a tracker for costs that were incurred due to either (1) an Act of God or (2) New Legislation or rules. For example, the Commission has allowed deferral accounting for extreme events such as, Winter Storm Uri and COVID. Additionally, the Commission has allowed for deferral accounting due to new legislation and rules, such as pipeline replacement rules. For these instances, extraordinary costs that were not already included in the Company's cost of service, were incurred and tracked through deferral accounting.

Q. Is Spire requested AAO for costs due to an Act of God or New Legislation or rules?

A. No.

Q. Do you consider the Company's requested AAO to have met the AAO Standard?

A. No. As discussed above, and further referenced in Staff's initial recommendation, Commission precedent generally requires an extraordinary, unusual, unique, and non-recurring event before an AAO is appropriate. The only thing Spire's case can demonstrate, however, is just a theoretical reduction in revenues over a set period based on what Mr. Yonce claims is a large-scale decline in usage. This kind of unfavorable financial results is not sufficient for the Company to have met the AAO standard.

Q. Can you expand on Spire not meeting the AAO standard?

A. Yes. The Company has the burden of demonstrating that the AAO standard has been met. The graphs in Spire's application and Mr. Yonce's direct testimony, if accurate, indicate only that there is a deviation from what the Company believes it should have earned over the requested AAO period based on its calculation of expected monthly revenues. The Company claims that this deviation between real and expected revenues resulted from a decline in customer usage, but it has not identified what exactly caused customers to suddenly use less gas than expected. For example, Spire Missouri has not identified:

---

3 Case No. EU-2020-0350, Report and Order, issued January 13, 2021, pages 19-21.

- Any specific event that occurred that would have caused customers to use less gas than expected,
- Why that event is extraordinary,
- What makes that event unique,
- How the Commission can be sure that event is unlikely to occur again; or
- Why an AAO, rather than traditional ratemaking, is the appropriate remedy to account for that event.

Staff's recommendation reached this same conclusion in its recommendation that the Commission deny the Company's AAO application.

Q. In response to Staff's recommendation, Mr. Yonce states that Spire did identify an extraordinary event. He specifically states that the Company identified "the immediate, unprecedented, and sustained collapse in customer usage relative to HDDs" as the extraordinary event. Do you agree with Mr. Yonce?

A. No. Mr. Yonce's statement describes an outcome but not an event that has occurred to cause that outcome. For the AAO, the underlying extraordinary event is not solely observing that customer usage differed from the Company's expectations. Customer usage can be expected to vary based on a wide array of factors and, without identifying the underlying cause, neither the Company nor the Commission can determine whether what occurred for Spire was extraordinary, abnormal, unique, or is not expected to recur. Consequently, Spire has not established one of the fundamental requirements of General Instruction 7.

WEATHER-RELATED CLAIMS

Q. What explanation does Mr. Yonce provide in seeking to explain the decline in customer usage relative to HDDs?

A. Mr. Yonce attributes the decline in customer usage relative to Heating Degree Days (HDD) to what he characterizes as an immediate, unprecedented, and sustained collapse in customer usage following the implementation of new rates.[4] He states that, despite temperatures that were at or colder than normal during portions of the 2025-2026 heating season, customer usage relative to HDDS fell to the lowest ever recorded by the Company.[5] He further asserts

---

[4] Direct Testimony of Company Witness, David Yonce. Page 6 and 7, Lines 19-20 and 1-2, respectfully.
[5] Direct Testimony of Company Witness, David Yonce. Page 3, Lines 17-19.

that the decline reflects abnormal weather, historically unprecedented customer usage relative to HDDS, and a resulting inability to recover the Company's authorized revenue requirement and fixed costs.[6]

Q. Do you agree with Company's position?

A. No. At this time, I do not believe the Company has demonstrated what caused the claimed under recovery. Mr. Yonce attributes the deviation to abnormal weather and customer usage. However, the Company's position is somewhat paradoxical. The primary impact that weather has on customer gas usage is the change in temperature. Cold weather brings low temperatures which increases usage while warm weather does the opposite. However, Mr Yonce is claiming that customer usage declined despite colder than normal temperatures. It does not make sense to argue both that customers used less gas despite colder temperatures and that this behavior was caused by the impact on temperature caused by weather. Moreover, the Company still has not demonstrated why other potential explanations were excluded before concluding that an extraordinary event occurred.

Q. Did the Company evaluate other possible explanations for the deviation of actual revenues to what they expected?

A. Not that I observed. Mr. Yonce's testimony does not meaningfully evaluate other explanations such as billing determinants, data quality, forecasting methodology, meter or billing issues, or long-term usage trends. Since the Company is requesting an AAO without knowing the actual cause of the deviation in revenues from what they expected, it has not sufficiently demonstrated that an extraordinary event was the cause. Rather, the Company largely assumes that because revenues differed from expectations, the cause must have been extraordinary customer usage behavior.

Q. On page 3 through 4 of his direct testimony, Mr. Yonce points to his Figure 1 which he argues shows an "unprecedented" decline in usage vs HDD. Does Mr. Yonce's graph establish that an extraordinary event occurred?

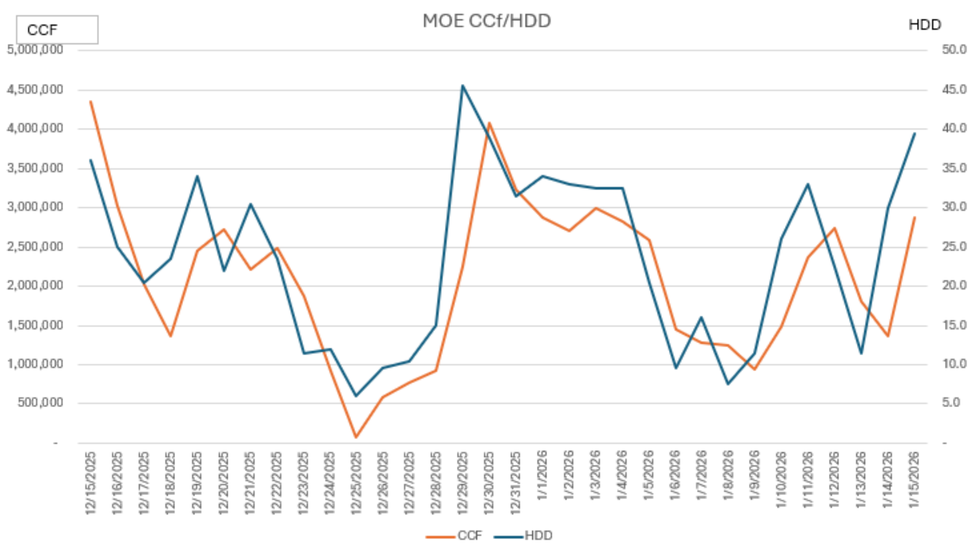
A. No. Figure 1 demonstrates that East Residential Use/Bill/HDD values were lower during FY 2026. It does not establish why those values were lower. Nor does it demonstrate that observed values resulted from an extraordinary event. It does, however, suggest that there is a trend of

[6] Direct Testimony of Company Witness, David Yonce. Page 3.

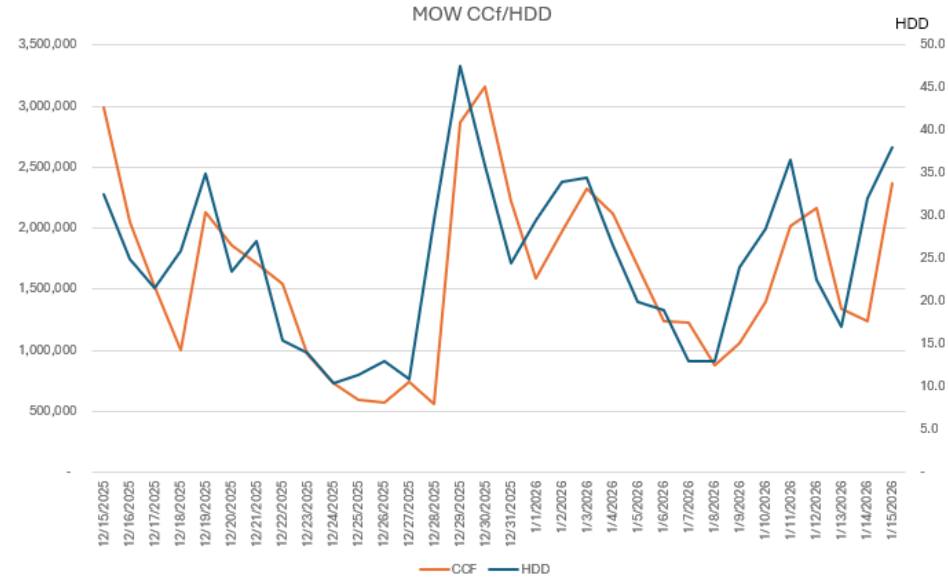
lower Use/Bill/HDD over the last ten years. If Spire believes that the observed relationship is representative of a continuing change in customer usage patterns, then that would directly contradict the Company's position that the event is extraordinary and nonrecurring. Conversely, if Spire believes that the condition is only temporary, it has not demonstrated what caused the temporary condition. The Company has not eliminated other potential explanations including, but not limited to, billing determinants, data irregularities, incorrect customer counts, or that customers are simply using less due to the rising cost of living.

Q. Is there other information that addressed how Spire's customer usage aligns with HDD?

A. In response to questions posed during a technical conference between the parties, Spire Missouri provided the following two graphs that show customer usage compared to HDD for Spire Mo East and Spire Mo West from December 15, 2025 to January 15, 2026.[7]



[7] PDF file named "AAO Technical Conference Preso" provided by Spire. Attached as Schedule MMP-R-2.



In what appears to be a stark contradiction of Mr. Yonce's Figure 1, these graphs seem to show that customer usage is in fact largely aligned with HDD. I note that the periods from December 15, 2025, to January 15, 2026, was used because this is the period where the Company has calculated the largest delta between actual revenues and expected revenues, as can be seen in Mr. Yonce's Figure 2.

Q. On page 8 of his direct testimony, Mr Yonce includes a Figure 2 which represents the difference between Spire Missouri's billed revenue and what the Company calculated it should have recovered for its Spire East residential customers broken down by month. This graph would appear to show a significant outlier for the Month of January, 2026. Based on that graph, would you agree that Figure 2 establishes a significant under recovery of Spire's authorized revenue requirement?

A. No. Mr. Yonce's figure 2 seeks to compare actual monthly revenues to monthly billing determinant allocations prepared by the Company on a monthly basis from January 2023 through March 2026. However, the Commission did not approve a monthly revenue requirement in Spire's last case. Instead, the Commission ordered an approval of a full and unanimous stipulation and agreement by the parties that stated the following about the revenue requirement:

> Total Revenue Requirement. The Signatories agree to an increase in Spire Missouri's total annual revenue requirement of $210 million above the revenue requirement approved by the Commission in Spire Missouri's last

> general rate case. This amount resolves all issues impacting Spire Missouri's revenue requirement raised in this case. This increase allocated to Spire Missouri East is $104,600,000 and the increase to Spire Missouri West is $105,400,000.[8]

Moreover, this amount was authorized and not guaranteed.

Because the Commission did not approve or order a revenue requirement on a monthly basis in Spire's last case, there is no Commission ordered monthly revenue from which Spire can calculate the supposed deviation that forms the basis of its AAO request. Stated another way, for the Commission to order Spire's AAO as requested, it would have to effectively agree with Spire's monthly revenue allocations that were never part of the Stipulation that the Commission approved in the Company's last rate case and which is not now in the record. This could potentially violate the terms of that Stipulation and is not something the Commission should do.

Q. Does Mr. Yonce's discussion of climate variability have implications for Spire's claim that this under recovery resulted from an extraordinary event?

A. Yes. Mr. Yonce states:

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

This statement by Mr. Yonce describes climate variability as an ongoing change rather than an isolated occurrence. If historical weather patterns are no longer stable and the definition of "normal weather" is continually changing, then the Company is describing a condition that may reasonably be expected to continue rather than an isolated, extraordinary event. While his testimony may support revisiting weather normalization methodologies in a future general

[8] Case No. GR-2025-0107, Item No. 179, GR-2025-0107 Full and Unanimous Stipulation and Agreement, Page 2.
[9] Direct Testimony of Company Witness, David Yonce. Page 10, Lines 9-15.

rate case, it does not, by itself demonstrate that the Company's claimed under recovery resulted from a unique, nonrecurring event warranting an AAO.

SPIRE'S AAO ENTITLEMENT

Q. Mr. Yonce mentions the financial significance of the under recovery. Is this a red herring?

A. Yes. Mr. Yonce's testimony places considerable emphasis on the magnitude of the Company's alleged revenue short fall. OPC witness John Riley directly addresses Mr. Yonce's calculation of the overall impact and explains how Spire is already overemphasizing the loss. Even if the amount of claimed under recovery was financially significant to the Company, though, financial significance alone does not determine whether an AAO is appropriate. This is a problem because the Company has positioned the issue as whether they are entitled to the money they believe they should have earned from customers. Yet that is a question for a rate case, where the revenue requirement can be updated.

Q. So you are saying that the Company's claimed revenue shortfall is not itself justification for an AAO?

A. Yes. The reduced revenues, standing alone, do not establish entitlement for an AAO. Under traditional ratemaking, utilities operate under principles that provide an opportunity, and not a guarantee, to recover their revenue requirement. Consequently, the Company's demonstration that actual revenues differed from forecasted revenues does not, by itself, establish that an extraordinary event occurred. Instead, the Company must first demonstrate that an extraordinary event caused the claimed under recovery.

Q. Does Spire's discussion of its revenue requirement shortfall resolve the issue before the Commission?

A. No. As Staff has pointed out in its recommendation, the issue should be handled in a future rate case. If the Company's billing determinant or usage assumptions no longer accurately reflect current customer usage, those assumptions should be evaluated and updated in a future rate case. In this way the traditional regulatory ratemaking process that oversees changes in sales, usage patterns, or revenue recovery are addressed correctly.

DATA RELIABILITY

Q. Are there any other factors that could affect Spire's actual revenues delta from expected revenues?

A. Yes. During the Spire's most recent rate case, Case No. GR-2025-0107, Staff identified concerns regarding the quality and reliability of certain customer and billing information used by the Company. Specifically, Staff noted that Spire informed Staff that customer counts had been "artificially inflated" because customers were back billed for up to twelve months of gas usage in a single billing month. Staff Witness, Melissa J. Reynolds in their direct testimony in Case No. GR-2025-0107 stated the following:

> Q. Why is the dataset format important?
>
> A. Staff must rely on the accuracy of the monthly summary sheets for customer numbers and usage and does not include all billed charges that would show up on a customer's bill such as EGM charges. Therefore, normalized revenue calculations are only as accurate as the summarized data provided by Spire Missouri.
>
> Q. Was information shared suggesting data supplied may be inaccurate for revenue and adjustments?
>
> A. Yes. During meetings with Spire Missouri on April 1 and April 3, 2025, Spire Missouri brought to Staff's attention that customer counts for the test year are "artificially inflated" due to back billing for up to 12 months of usage in a single month to customers during the test year starting around March 2024.
>
> Q. Why was Spire Missouri back billing customers for up to 12 months of usage in a single month?
>
> A. Spire Missouri stated they began looking at meters that were not physically disconnected when a customer closed their account due to moving and gas service continued with a new resident without an account attached to the gas usage. The new accounts that were then connected to these meters to keep service were back-billed, meaning billed for gas usage in prior months during which the same resident occupied the residence but did not have a Spire Missouri account, for gas usage for up to one

year. This meant that a significant amount of gas usage is inaccurately distributed among months, and some back-billed gas usage may not have occurred during the test year. Customer bill numbers and potentially customer charges may also be inflated during months of back-billing.[10]

Q. Are there any other remarks from testimony of Ms. Reynolds that are useful to note?

A. Yes. In the surrebuttal testimony of Ms. Reynolds in the same rate case, GR-2025-0107, she stated the following:

> Q. Does Staff have other reasons why the current Weather Normalization Adjustment or any Adjustment or Riders using weather normalization should not change during this rate case?
>
> A. Yes. Billing data provided by Spire Missouri in Data Request ("DR") 0109 that is consolidated in my rebuttal Revenue workpapers, the back-billed/delayed transfer data discussed in a meeting on June 6, 2025 and provided by email on June 10, 2025 which has been requested to supplement DR 0109, and the frequency analysis provided in DR 0182 clearly show that, even outside the delayed transfer backlog that was identified in March 2024, Spire Missouri has customer charges and usage being billed months after the actual usage every month of the year. This means that summer usage is billed or credited during all winter month billing cycles and winter usage is billed or credited during all summer month billing cycles. This is expected during May and November, the first months of the summer and winter seasons, or rate changes, but summer usage should ideally not be billed in all winter months and vice versa. The relationship between customer usage and weather is only as accurate as the data recorded and provided as usage each month. Minimizing and better tracking of back-billing/delayed transfers at the billing cycle level so that data utilized for Weather Normalization is more accurate is a recommended first step "to better reflect the relationship between customer usage and weather."[11]

---

[10] Staff Witness, Melissa Reynolds direct testimony in Case No. GR-2025-0107, Pages 4-5, lines 20-22 and 1-19, respectfully.

[11] Staff Witness, Melissa Reynolds surrebuttal testimony in Case No. GR-2025-0107, Page 4, lines 1-18.

This excerpt from Ms. Reynolds' surrebuttal testimony further identified ongoing delayed transfers and back billing practices that affected the relationship between recorded customer usage and weather. Specifically, Ms. Reynolds explained that even outside of the delayed transfer backlog identified in March 2024, Spire Missouri continued to have customer charges and usage billed months after actual usage occurred. As a result, summer usage could be billed during winter billing cycles and winter usage could be billed during summer billing cycles.

Q. Why is this relevant to this AAO case?

A. The Company relies heavily upon summarized usage, billing determinants, normalized revenue calculations, and comparisons between expected and actual revenues. To the extent those analyses depend upon accuracy of the underlying billing and customer data, prior concerns regarding data quality are relevant. If customer usage is billed in months different from when it was consumed, the relationship between weather and recorded usage may be affected. While I am not concluding that similar issues affected the Company's AAO calculations, I am not aware of the Company ruling out whether billing irregularities, customer account issues, data quality concerns, or other plausible issues contributed to the observed revenue deviations. The Company's position relies heavily upon a hypothesis that the revenue deviation is due to abnormal weather and unusual customer behavior. And as Ms. Reynolds noted in their surrebuttal testimony, "the relationship between customer usage and weather is only as accurate as the data recorded and provided as usage each month."

Q. Do you believe that plausible alternatives caused Spire's claimed under recovery?

A. My testimony does not identify a specific alternative cause to the Company's hypothesis that led to the claimed under recovery of revenues. Rather, my point is that the Company has not demonstrated that data quality issues, billing irregularities, or other explanatory factors have not contributed to the results the Company has experienced but were not mentioned as a part of its application for an AAO. Because Spire bears the burden of proof, it is the Company's responsibility to establish that the claimed under recovery of revenues resulted from an extraordinary event rather than from other plausible explanations.

CONCLUSION

Q. How would you summarize your rebuttal testimony in the case?

A. The requested AAO is detrimental to the public interest in that it is requesting that the Commission charge customers in the future for claimed under recovery of revenues experienced now without demonstrating that an underlining extraordinary event occurred. These "lost revenues" are unjust charges to customers for utility service that was never provided by Spire. Ultimately, Spire has not demonstrated that an extraordinary, unusual, unique, and nonrecurring event occurred, nor has it established that such an event caused the claimed revenue under recovery. On the contrary, Spire has primarily demonstrated a financial outcome while leaving multiple plausible explanations that caused that outcome unresolved.

Q. What is your recommendation to the Commission?

A. My recommendation is that the Commission deny Spire Missouri's requested AAO. In doing this, the Commission follows precedent and General Instruction 7. Traditional ratemaking already provides the appropriate mechanisms for addressing changes in customer usage, billing determinants, revenues, and future earnings. Spire Missouri has not demonstrated why an Accounting Authority Order is the appropriate regulatory remedy, instead of a future rate case.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri Inc. d/b/a Spire's Application for an Accounting Authority Order	))	Case No. GU-2026-0225

AFFIDAVIT OF MANZELL PAYNE

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Manzell Payne, of lawful age and being first duly sworn, deposes and states:

1. My name is Manzell Payne. I am a Senior Utility Regulatory Auditor for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Manzell Payne
Senior Utility Regulatory Auditor

Subscribed and sworn to me this 21st day of July 2026.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

My Commission expires August 8, 2027.

Tiffany Hildebrand
Notary Public