

Exhibit No:	_____
Issue:	Taxes
Witness:	Charles J. Kuper
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Spire Missouri Inc.
Case No.:	GR-2021-0108
Date Prepared:	December 11, 2020

SPIRE MISSOURI INC.

GR-2021-0108

DIRECT TESTIMONY

OF

CHARLES J. KUPER

DECEMBER 11, 2020

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1 **DIRECT TESTIMONY OF CHARLES J. KUPER**

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

A. My name is Charles (“Chuck”) J. Kuper and my business address is 700 Market St., St. Louis, Missouri 63101.

3 **Q. WHAT IS YOUR PRESENT POSITION?**

4 A. I am employed by Spire Missouri Inc. (“Spire”) as Director, Tax.

5 **Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY**
6 **DESCRIBE YOUR RESPONSIBILITIES.**

7 A. I am employed as Director, Tax which I have been since I joined Spire in August 2015. For
8 the period from January 2017 until July 2018 I also oversaw the External Financial
9 Reporting function. My responsibilities include tax accounting, tax compliance, tax audits
10 and tax planning, as well as external financial reporting activities with the Securities and
11 Exchange Commission, the Missouri Public Service Commission, the Federal Energy
12 Regulatory Commission and other governmental agencies.

13 **Q. WHAT WAS YOUR PROFESSIONAL EXPERIENCE PRIOR TO ASSUMING**
14 **YOUR CURRENT POSITION?**

15 A. Prior to joining Spire, I was employed with Lumara Health, Inc. as their Senior Director,
16 Reporting & Tax. I worked for Lumara Health from 2000 – 2015. I joined Lumara Health
17 in 2000 as Director, Tax and was promoted to Senior Director, Tax in 2007. I then added
18 the Reporting function in 2013. I worked for Hussmann Corporation as their International
19 Tax Manager from 1998 – 2000. I spent approximately 11 years working with two national
20 public accounting firms (Arthur Andersen & KPMG) prior to these roles.

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

1 A. I hold a Master of Accountancy with a Tax emphasis from Southern Illinois University at
2 Carbondale, Illinois (1987), and a Bachelor of Science in Accounting from Southern Illinois
3 University at Carbondale, Illinois (1986).

4
5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?**

6 A. Yes, I filed testimony in Case Numbers GR-2017-0215, GR-2017-0216, GO-2019-0115, GO-
7 2019-0116, GO-2019-0356, and GO-2019-0357.

8

9

PURPOSE OF TESTIMONY

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

11 A. The purpose of my testimony is to present evidence to the Commission concerning the
12 following items for Spire:

13 1. Property taxes.

14 2. Income taxes.

15 **Q. PLEASE LIST THE SCHEDULES YOU ARE SPONSORING.**

16 A. I am sponsoring the calculation of income taxes on Schedule WES-1, sub-schedule A1. I am
17 also sponsoring the 2020 Missouri property tax amounts and the adjustments to property tax
18 based on the deferral approved in the Company's last general rate case included in the
19 Company's test year and shown on Schedule WES-1, sub-schedule H.

20

PROPERTY TAXES

21 **Q. PLEASE DESCRIBE THE COMPANY'S PROPERTY TAX INCLUDED IN ITS TEST**
22 **YEAR.**

23 A. Spire's 2020 property tax amount is approximately \$39.8 million.

24 **Q. PLEASE EXPLAIN THE PROPERTY TAX DEFERRAL AND SUBSEQUENT**
25 **AMORTIZATION INCLUDED IN THE COMPANY'S TEST YEAR.**

26 A. As part of the Company's last general rate case, the Commission approved tracking of
27 property tax amounts and deferral of differences between those amounts and what was

1 included in rates. As of September 30, 2020, Spire has deferred \$14,351,924. The Company
2 is proposing to amortize this amount over 3 years and has added that to the 2020 property tax
3 amounts described above.

4
5 **Q. WILL THE COMPANY UPDATE PROPERTY TAX AMOUNTS IN ITS TRUE-UP?**

6 A. Yes. The Company will update its forecasted property tax amounts based on the January 1,
7 2021 assessment as part of its true up in this case.

8 **Q. ARE YOU AWARE OF ANY OTHER FACTORS THAT COULD**
9 **SIGNIFICANTLY AFFECT THE COMPANY'S PROPERTY TAXES IN THE**
10 **FUTURE?**

11 A. Yes. In accordance with the State Tax Commission's guidance, Spire and most of the
12 taxing jurisdictions in our service territory use a form of accelerated depreciation in
13 determining property values for ad valorem tax purposes. However, a small number of
14 taxing jurisdictions have challenged this depreciation methodology. If they are successful
15 in requiring a longer depreciation period, the property value for ad valorem tax would be
16 increased, resulting in additional property tax expense. Also, if additional tax jurisdictions
17 follow this potential change in methodology, the increase in property tax expense could be
18 significant; however, there have also been preliminary discussions to use a centralized
19 assessment methodology, which would impact such efforts. We will assess the impact of
20 changes and our options once the scenarios are more defined.

21 **INCOME TAXES**

22 **Q. PLEASE DESCRIBE THE INCOME TAX SCHEDULE.**

23 A. Schedule WES-1, sub-schedule A1 shows the calculation of the proper amount of income tax
24 expense related to the Test Year based on the Pro Forma Utility Operating Income Statement.

1 The adjustments to income tax expense reflect the differences in the recognition of revenue
2 and expense for tax purposes versus book purposes. These differences are flow through
3 adjustments and permanent adjustments. The flow through adjustments will reverse at some
4 point in the future. The permanent items will never reverse. The resulting difference is an
5 adjustment to net income to reduce income tax expense.

6 **Q. ARE THERE ANY OTHER ITEMS RELEVANT TO YOUR TESTIMONY**
7 **REGARDING THE COMPANY'S CALCULATION OF PRO FORMA INCOME TAX**
8 **EXPENSE?**

9 A. Yes. There are additional items that reflect differences in the recognition of revenue and
10 expense for tax purposes versus financial reporting, or book, purposes. These additional items
11 are timing differences and are reflected as deferred taxes. Spire reserves the right to include
12 these timing differences in future filings before the Commission should income tax rate
13 changes result in deferred tax balances which are not provided at the then current income tax
14 rate.

15
16 **Q. HAS THE COMPANY MADE ANY OTHER ADJUSTMENTS TO INCOME**
17 **TAXES?**

18 A. Yes. The State of Missouri enacted an income tax rate change in 2018 that is effective for
19 Spire Missouri on October 1, 2020. The tax rate changed from 6.25% to 4%. Spire has
20 calculated its effective tax rate using the updated Missouri tax rate. In addition, the
21 deferred taxes associated with rate base have been revalued and the Commission may want
22 to consider establishing a regulatory liability to be returned to ratepayers. This analysis is
23 similar to the exercise done when the federal tax rate was changed in 2017.

24 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

25 A. Yes.

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

In the Matter of Spire Missouri Inc.'s)
Request for Authority to Implement a)
General Rate Increase for Natural Gas) File No. GR-2021-0108
Service Provided in the Company's)
Missouri Service Areas)

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Charles J. Kuper, of lawful age, being first duly sworn, deposes and states:

1. My name is Charles J. Kuper. I am Director, Tax for Spire Missouri, Inc. My business address is 700 Market St., St Louis, Missouri, 63101.
2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Spire Missouri, Inc.
3. Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.

s/Charles J Kuper
Charles J. Kuper