

Data Request From
Office of Public Counsel
MPSC Case No. GR-2022-0179

Requested From: Staff of the Commission
Requested By: John Riley
Date of Request: September 9, 2022

Information Requested:

On page 4 line 23 through page 5 ln. 2 of his direct testimony, Spire witness Mr. Charles Kuper states that “an adjustment for income tax expense has already been reflected in rate base as an ADIT offset.” Please formally admit that Staff has included an adjustment for current income tax expense as an ADIT offset in its rate base calculations. If this is not correct, please provide a narrative explanation for why the statement is not correct and formally admit that Staff has not included an adjustment for current income tax expense as an ADIT offset in its rate base calculations.

Response:

In the cost of service, current income tax is calculated in the income tax schedule in conformity with the IRS normalization rules based on applying the statutory tax rates to the current net taxable income. This is calculated using the annualized/normalized net income before taxes from the income statement and then adding or subtracting back deductions of certain items. The deferred income tax is calculated by applying the effective tax rate to the excess tax depreciation deduction. In this case Staff applied the effective tax rate to the portion of excess tax depreciation related to Spire Missouri from the fiscal year 2021 federal income tax return.

In the income statement, the current and deferred income tax is deducted from the annualized/normalized net income before taxes to calculate the net income available. This net income available is then compared to the overall net operating income requirement as calculated in the income tax tab to determine the additional net income required. The current income tax based on Staff’s mid-point rate of return is then compared to the income tax available (the income tax prior to application of the rate of return to the increase in net income) to determine the additional current tax that is needed to be included in the revenue requirement. During the rate case where base rates are re-established, there is no adjustment in ADIT for the current and deferred income tax that is included in the income tax schedule, income statement or revenue requirement schedules that are used to determine the overall revenue requirement.

The deferred tax that is developed in the cost of service in the income tax tab and income statement will ultimately end up in ADIT in a future time period. The ADIT in ratebase is typically the total amount of regulatory ADIT as of a historical date in time as close to the update or true-up cut-off date established in the rate case.

The attached information provided to the Office of Public Counsel in response to the above Data Information Request is accurate and complete and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Office of Public Counsel if, during the pendency of Case No. GR-2022-0179 before the Commission, any matters are discovered which would materially affect the

accuracy or completeness of the attached information.

If the data is voluminous, please (1) identify the relevant documents and their location; (2) make arrangements with requestor to have documents available for inspection at a location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g., book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this Data Request, the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to the person identified in the "Requested From" block above and all other employees, contractors, agents or others employed by or acting on behalf of the organization, group or governmental unit associated with that person. When used with respect to a natural person, "identify" means state his or her name, address, telephone number, current employer, job title, and current work telephone number.

Response Provided By: Lisa Ferguson

Date: September 19, 2022