

**Exhibit No:**  
**Issue:** Taxes  
**Witness:** Chuck J. Kuper  
**Type of Exhibit:** Direct Testimony  
**Sponsoring Party:** Laclede Gas Company;  
Missouri Gas Energy  
**Case Nos.:** GR-2017-0215; GR-2017-0216  
**Date Prepared:** April 11, 2017

**LACLEDE GAS COMPANY  
MISSOURI GAS ENERGY**

**GR-2017-0215  
GR-2017-0216**

**DIRECT TESTIMONY**

**OF**

**CHUCK J. KUPER**

**APRIL 2017**

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**DIRECT TESTIMONY OF CHUCK J. KUPER**

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

A. My name is Chuck J. Kuper and my business address is 700 Market St., St. Louis, Missouri, 63101.

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

A. I am employed by Spire Inc. as Director, Tax & External Financial Reporting.

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

A. I have held my current title since January 2017. Prior to that, I was employed as Director, Tax since I joined Spire in August 2015. My responsibilities include tax accounting, tax compliance, tax audits and tax planning, as well as external financial reporting activities with the Securities and Exchange Commission, the Missouri Public Service Commission, the Federal Energy Regulatory Commission and other governmental agencies.

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

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

**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  
3 Illinois University at Carbondale, Illinois (1986).

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

5 A. No I have not.

6 **PURPOSE OF TESTIMONY**

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

8 A. The purpose of my testimony is to present evidence to the Commission concerning the  
9 following items for Laclede Gas Company (“Laclede”), including its two operating units,  
10 Laclede Gas (“LAC”) and Missouri Gas Energy (“MGE”):

11 1. Property taxes.

12 2. Income taxes for LAC and MGE.

13 **Q. Please list the schedules you are sponsoring.**

14 A. I am sponsoring the calculation of income taxes on Schedule A2 in both Schedule MRN-  
15 D1 for MGE and Schedule MRN-D2 for LAC. I am also sponsoring the property tax  
16 adjustments based on year end plant and increased assessed values on Schedules H14 for  
17 both MGE and LAC.

18 **PROPERTY TAXES**

19 **Q. PLEASE DESCRIBE THE ADJUSTMENTS YOU HAVE MADE TO PROPERTY  
20 TAXES FOR LAC AND MGE.**

21 A. I am sponsoring adjustments to property taxes to reflect the increase in assessed valuation  
22 at January 1, 2017 as compared to the property taxes based on the assessed valuation at  
23 January 1, 2016. The increase is based on additional capital expenditures placed in service

1 during 2016 as well as an estimate of assessed valuation adjustments made by the taxing  
2 jurisdictions. The increase for LAC is approximately \$960 thousand and the increase for  
3 MGE is approximately \$2.2 million is shown on Schedule H14 for each company.

4 **Q. ARE YOU AWARE OF ANY OTHER FACTORS THAT COULD**  
5 **SIGNIFICANTLY AFFECT THE COMPANY'S PROPERTY TAXES IN THE**  
6 **FUTURE?**

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

### 17 **INCOME TAXES**

18 **Q. PLEASE DESCRIBE THE INCOME TAX SCHEDULE FOR LAC AND MGE.**

19 A. Schedule A2 shows the calculation of the proper amount of income tax expense related to  
20 the Test Year based on the Pro Forma Utility Operating Income Statement for both MGE  
21 and LAC. The adjustments to income tax expense reflect the differences in the recognition  
22 of revenue and expense for tax purposes versus book purposes. The resulting difference is  
23 flowed through net income to reduce income tax expense.

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

4 A. Yes. There are additional items that reflect differences in the recognition of revenue and  
5 expense for tax purposes versus financial reporting, or book, purposes. These additional  
6 items are timing differences and are reflected as deferred taxes. LAC and MGE reserve  
7 the right to include these timing differences in future filings before the Commission should  
8 income tax rate changes result in deferred tax balances which are not provided at the then  
9 current income tax rate.

10 **Q. ARE YOU AWARE OF ANY OTHER FACTORS THAT COULD**  
11 **SIGNIFICANTLY AFFECT THE COMPANY'S INCOME TAXES IN THE**  
12 **FUTURE?**

13 A. Yes. President Trump and Congressional Republicans have indicated their desire to make  
14 substantive changes to the U.S. Tax Code. Should any changes be made to the U.S. Tax  
15 Code that significantly impact LAC and/or MGE, we will assess the impact of the changes  
16 and work with the Commission to determine the appropriate course of action.

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

18 A. Yes.

