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Witness: Christopher M. Reck
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Sponsoring Party: Laclede Gas Company
Case No.: GR-2013-0171
Date Testimony: December 21, 2012

LACLEDE GAS COMPANY

GR-2013-0171

DIRECT TESTIMONY

OF

CHRISTOPHER M. RECK

DECEMBER 2012

TABLE OF CONTENTS

PURPOSE OF TESTIMONY	2
TAXES OTHER THAN INCOME TAXES	2
INCOME TAXES	3

DIRECT TESTIMONY OF CHRISTOPHER M. RECK

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
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- Q. Please state your name and business address.
- A. My name is Christopher M. Reck, and my business address is 720 Olive Street, St. Louis, Missouri 63101.
- Q. What is your present position?
- A. I am Director of Corporate Taxes for Laclede Gas Company (“Laclede” or “Company”).
- Q. Please state how long you have held your position and briefly describe your responsibilities.
- A. I was appointed to my present position in February, 2008. In this position, I am responsible for the Company’s tax accounting, tax compliance, tax audits, and tax planning functions.
- Q. Will you briefly describe your experience with prior to joining Laclede?
- A. I was previously employed with Wal-Mart Stores, Inc. in their Global Tax Department. I held various positions with the tax department concluding with the position of Senior Manager Global Tax Planning on my departure. My tenure at Wal-Mart focused on research and planning, state income tax, audits and various other activities. Prior to joining Wal-Mart, I was in private practice as a tax attorney with a law firm in Rogers, Arkansas.
- Q. What is your educational background?
- A. I graduated from the University of Arkansas at Little Rock in 1990 with the degree of Bachelor in Business Administration, majoring in management. In 1991, I received a Master’s Degree in Business Administration from the University of Central Arkansas. In 1996 I received my Juris Doctorate from the University of Arkansas at Little Rock

1 School of Law. In 1997 I received my Masters of Law degree in taxation from the
2 University of Denver.

3 Q. Have you previously filed testimony before this Commission?

4 A. Yes, I filed testimony in GR-2010-0171.

5 **PURPOSE OF TESTIMONY**

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to present evidence to the Commission concerning the
8 following items:

9 1. Taxes other than income taxes; and

10 2. Income taxes.

11 Q. Please list the schedules you are sponsoring.

12 A. The following schedules were prepared by me or under my supervision:

13 Schedule 6 contains the calculation of income taxes included on Schedule 4. I am also
14 sponsoring various adjustments listed on Schedule 5. Specific items are detailed later in
15 my testimony.

16 **TAXES OTHER THAN INCOME TAXES**

17 Q. Please describe the adjustments you have made to taxes, other than income taxes.

18 A. Adjustment 11.a. calculates the adjustment of property taxes and manufacturers' license
19 expense to reflect the increase in assessed value at January 1, 2012 and anticipated at
20 January 1, 2013, and for the unrealized portion of such taxes applicable to net utility plant
21 at July 31, 2013, at tax rates which were in effect during calendar year 2012.

22 Q. Please continue.

1 A. Adjustment 11.b. increases FICA expense to reflect the increased wage and salary level
2 described earlier in the testimony of other witnesses and reflected on Adjustment 8.
3 Adjustment 11.c. reflects the increase in the City of St. Louis Payroll Expense Tax
4 resulting from the wage and salary level changes made in Adjustment 8.

5 **INCOME TAXES**

6 Q. Please describe Schedule 6.

7 A. Schedule 6 shows the calculations of the proper amount of income tax expense related to
8 the adjusted Test Year and Pro Forma Utility Operating Income Statement. The resulting
9 adjustment to income tax expense is included in Adjustment 12 on Schedule 5. Page 1 of
10 Schedule 6 shows the differences in the recognition of revenue and expense for tax and
11 book purposes, and the resulting calculation of taxable income.

12 Q. Do the pro forma adjustments listed on Schedule 5 also affect taxable income?

13 A. Yes. All of the pro forma adjustments affect income, and consequently, they all affect
14 either current or deferred income tax expense.

15 Q. Please continue.

16 A. Page 2 of Schedule 6 shows the calculation of the current, pro forma income tax expense.
17 Finally, Page 3 of Schedule 6 shows the calculation of total income tax expense,
18 including deferred income taxes and investment tax credit amortization. The pro forma
19 investment tax credit amortization matches the lives used for calculating book
20 depreciation as reflected in Adjustment 10.a.

21 Q. Are there any other items relevant to your testimony regarding the Company's calculation
22 of pro forma income tax expense that you have not mentioned?

1 A. Yes. There are various items for which the timing of expense is different between
2 financial reporting and tax reporting purposes. I have not included in the calculation of
3 income tax expense on Schedule 6 the book to tax timing differences, known as Schedule
4 M items, for which there is an equal and corresponding deferred tax offset unless the item
5 appears in the determination of rate base. This treatment is done in this case for the
6 purpose of brevity only. The situation exists because income tax rates have not changed
7 in recent years and the Company's deferred tax balances for the omitted items have been
8 provided at rates equal to current income tax rates. The Company hereby reserves the
9 right to include the omitted Schedule M items in future filings before the Commission
10 should income tax rate changes result in deferred tax balances which are not provided at
11 then current rates.

12 Q. Are you sponsoring any additional adjustments?

13 A. Yes. I have included a reduction in rate base on Schedule 1 related to deferred income
14 taxes resulting from tax timing differences on depreciation and other rate base items.

15 Q. Does this conclude your direct testimony?

16 A. Yes, it does.

