

Exhibit No.:
Issue(s): *Cash Working Capital,
Propane Operations,
Income Taxes*
Witness: *Keith Majors*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal /
Cross-Surrebuttal Testimony*
Case No.: *GR-2025-0107*
Date Testimony Prepared: *June 30, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / CROSS-SURREBUTTAL TESTIMONY

OF

KEITH MAJORS

**SPIRE MISSOURI INC.,
d/b/a Spire**

CASE NO. GR-2025-0107

*Jefferson City, Missouri
June 2025*

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SURREBUTTAL / CROSS-SURREBUTTAL

TESTIMONY OF

KEITH MAJORS

**SPIRE MISSOURI INC.,
d/b/a Spire**

CASE NO. GR-2025-0107

Q. Please state your name and business address.

A. Keith Majors, Fletcher Daniels Office Building, 615 East 13th Street, Room 201,
Kansas City, Missouri, 64106.

Q. By whom are you employed and in what capacity?

A. I am a Utility Regulatory Audit Unit Supervisor employed by the Staff (“Staff”) of the Missouri Public Service Commission (“Commission”).

Q. Are you the same Keith Majors who previously provided testimony in this case?

A. Yes. I provided direct testimony in this case on April 23, 2025, and rebuttal testimony on May 30.

Q. What is the purpose of your surrebuttal / cross-surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to sponsor Staff's updated and corrected accounting schedules. I also respond to the rebuttal testimony of the following Spire Missouri Inc., d/b/a Spire ("Spire Missouri") witnesses and topics:

- Timothy S. Lyons
 - Cash Working Capital (“CWC”) Income Tax lag
- David A. Yonce
 - Propane Cavern
- Eric Bouselli
 - Propane Cavern
 - Discrete Adjustments

1 I also respond to the following Office of the Public Counsel (“OPC”) witnesses and
2 topics:

- 3 • John S. Riley
 - 4 ▪ Propane Cavern
 - 5 ▪ Income Taxes

6 **UPDATED AND CORRECTED REVENUE REQUIREMENTS**

7 Q. What are Staff’s updated Spire Missouri revenue requirements and the significant
8 changes?

9 A. At Staff’s midpoint return on equity of 9.63%, Staff’s accounting schedules
10 reflect an increase of \$81.1 million for Spire East and \$80.9 million for Spire West. With the
11 true-up estimate of \$41.6 million, the total estimated revenue requirement at true-up is
12 \$203.6 million. This estimate will be replaced with the actual revenue requirement when Staff
13 files its true-up case.

14 The significant changes included the following:

- 15 • Correction of the income tax rate
- 16 • Included stranded asset amortization for meter upgrades
- 17 • Updated depreciation rates
- 18 • Updated revenues
- 19 • Corrected payroll and benefits
- 20 • Updated property tax regulatory asset amortization

21 **CASH WORKING CAPITAL INCOME TAX LAG**

22 Q. On page 5 of his rebuttal testimony, Spire Missouri witness Lyons supports
23 utilizing the Internal Revenue Service’s (“IRS”) payment schedule for income tax payments for
24 calculation of the CWC income tax requirement for federal and state income taxes. Is this the
25 correct methodology?

1 A. No. Due to income tax benefits such as accelerated depreciation and bonus
2 depreciation, Spire Missouri is currently not a cash income taxpayer. Staff has reflected a 365-
3 day lag for federal and state income taxes.

4 Q. Has the Commission recently determined this issue?

5 A. Yes. In Case No. GR-2021-0108, OPC witness John A. Riley proposed to reflect
6 a 365-day expense lag as part of cash working capital because Spire Missouri would not be
7 required to pay income taxes through the period that the rates from the last rate case were in
8 effect. This issue was litigated and the Commission found that:

9 The Commission finds that federal and state income tax expense is
10 included in rates but the Company is not likely to remit any federal or state
11 income taxes because of its [net operating loss carryforward] NOLC.
12 Since the Company is not remitting any income taxes to the IRS on a
13 quarterly basis, using a 38-day income tax expense lag in the CWC
14 calculation is inappropriate. This lack of income tax payment should be
15 reflected in the CWC expense lag. The fact that no income tax payments
16 have been made in the test year or true-up period justifies the use of a
17 365-day expense lag. Therefore, the Commission finds that the
18 appropriate expense lag days for income taxes within the CWC calculation
19 is 365 days.

20
21 Additionally, the Commission finds that using a 365-day expense lag for
22 federal and state income taxes in the calculation of CWC under the
23 methodology used in rate cases before the Commission does not
24 circumvent IRS normalization rules or create a violation because CWC
25 does not include ADIT. Thus, the IRS rules on normalization are not
26 relevant to this CWC issue.¹

27 Q. On this specific issue, does OPC concur with Staff's recommendation?

28 A. Yes, that is my understanding as described on pages 2-4 of OPC witness Riley's
29 rebuttal testimony filed in the current rate case.

¹ Case No. GR-2021-0108, Amended Report and Order, page 31, issued Nov. 12, 2021, EFIS Item No. 435.

PROPANE CAVERN

Q. On page 5 of his rebuttal testimony, Spire Missouri witness Bouselli states that if the propane cavern asset is included in rate base, all expenses should be included in cost of service. Do you agree?

A. Yes. To Staff's knowledge, all revenues and expenses attributable to the propane cavern are included in Staff's revenue requirement.

Q. On page 21 of his rebuttal testimony, Spire Missouri witness Yonce states that the cost of the propane cavern is greater than any revenue opportunities being received. Do you agree?

A. No. As I explained in my rebuttal testimony, the propane cavern operations are realizing a profit, albeit a relatively minor one.

Q. On pages 11-12 of his rebuttal testimony, OPC witness Riley recommends that the propane inventories should be disposed of and the proceeds compensate the ratepayer. How do you respond?

A. I would agree that if propane operations were no longer part of the regulated Spire Missouri cost of service as Spire Missouri witnesses are requesting, then some credit would be given for the propane disposition. However, Staff recommends the continued inclusion of the propane operations "above the line" and included in cost of service. The inventories are integral to the operations of the propane cavern, which is currently making a small profit.

Q. Mr. Riley further states that if there are revenue opportunities from the propane operations, then OPC would support inclusion in the cost of service. Do you believe this is the case?

1 A. Yes. The propane operations are making a small profit, which offsets other
2 fixed costs.

3 **INCOME TAXES**

4 Q. On page 4 of his rebuttal testimony, OPC witness Riley identifies that Staff had
5 an incorrect income tax rate in its accounting schedules. Has this error been corrected?

6 A. Yes, and it is reflected in the attached updated accounting schedules.

7 **DISCRETE ADJUSTMENTS**

8 Q. On page 6 of his rebuttal testimony, Spire Missouri witness Bouselli narrows his
9 request for discrete plant adjustments past the true-up date of May 31, 2025 in this rate case.
10 Is Staff still opposed to these discrete adjustments?

11 A. Yes. The true-up hearings in this case are scheduled for August 14-15, 2025.
12 It would be unlikely final plant and reserve information for July 2025 could be provided prior to
13 that date. Utilizing the true-up cutoff date for plant additions is consistent with Staff's approach
14 in the recent Missouri American Water rate case, Case No. WR-2024-0320. Spire Missouri also
15 has the ability to file for the Infrastructure System Replacement Surcharge ("ISRS") immediately
16 following this rate case for qualifying plant additions. This would reduce the regulatory lag for
17 June and July additions for which Spire Missouri is requesting recovery of in this rate case.

18 Q. Does this conclude your surrebuttal / cross-surrebuttal testimony?

19 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)
Request for Authority to Implement a General)
Rate Increase for Natural Gas Service Provided)
in the Company's Missouri Service Areas)

Case No. GR-2025-0107

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
COUNTY OF Jackson) ss.

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Keith Majors*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Keith Majors
KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 27th day of June 2025.

B. L. Stigger
Notary Public

