

Exhibit No:	_____
Issue:	Income Taxes
Witness:	Charles J. Kuper
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Sponsoring Party:	Spire Missouri Inc.
Case No.:	GR-2025-0107
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SPIRE MISSOURI INC.

CASE NO. GR-2025-0107

SURREBUTTAL TESTIMONY

OF

CHARLES J. KUPER

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DIRECT TESTIMONY OF CHARLES J. KUPER

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Charles J. Kuper. My business address is 700 Market Street, St. Louis, MO 63101.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am presently employed as Director, Tax for Spire Missouri Inc. (“Spire Missouri” or the “Company.”)

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

A. I have been employed in my current position since I joined Spire Missouri in August 2015. For the period from January 2017 until July 2018 I also oversaw the External Financial Reporting function. 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 “Commission”), the Federal Energy Regulatory Commission and other governmental agencies.

Q. PLEASE BRIEFLY DESCRIBE YOUR PROFESSIONAL EXPERIENCE PRIOR TO JOINING SPIRE MISSOURI.

A. Prior to joining Spire Missouri, I was employed with Lumara Health, Inc. as its Senior Director, Reporting & Tax. I worked for Lumara Health from 2000 to 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 its 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.

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

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

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

6 A. Yes, I testified in Spire Missouri's most recent rate case, Case No. GR-2022-0179. I also
7 filed testimony in Case Numbers GR-2021-0108, GR-2017-0215, GR-2017-0216, GO-
8 2019-0115, GO-2019-0116, GO-2019-0356, and GO-2019-0357.

9 **Q. HAVE YOU FILED TESTIMONY IN THE PRESENT CASE YET?**

10 A. No.

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. The purpose of my surrebuttal testimony is to respond to the Office of Public Counsel
13 witness John Riley's testimony regarding income tax treatment when the Company is in a
14 net operating loss situation.

15 **II. RESPONSE TO WITNESS RILEY**

16 **Q. OPC WITNESS RILEY HAS STATED THAT INCOME TAX SHOULD NOT BE**
17 **ADDED IN SPIRE'S ISRS CASES DUE TO SPIRE BEING IN A CONTINUAL NET**
18 **OPERATING LOSS SITUATION. DO YOU AGREE WITH THIS CONCLUSION?**

19 A. No. Witness Riley does not appear to understand the normalization method of accounting
20 for a public utility. Normalization is a system of accounting used by regulated public
21 utilities to reconcile the tax treatment of accelerated depreciation of public utility assets
22 with their regulatory treatment. Under the Internal Revenue Code, 15 U.S.C. § 168, the
23 use of normalization is required for a utility to take advantage of the accelerated cost

1 recovery system for public utility property. Section 168(f)(2) provides that the depreciation
2 deduction determined under § 168 shall not apply to any public utility property if the
3 taxpayer does not use a normalization method of accounting.

4 **Q. WHAT MUST BE MET IN ORDER TO USE THE NORMALIZATION METHOD**
5 **OF ACCOUNTING?**

6 A. In order to use a normalization method of accounting, § 168(i)(9)(A)(i) requires that the
7 taxpayer, “in computing its tax expense for establishing its cost of service for ratemaking
8 purposes and reflecting operating results in its regulated books of account, to use a method
9 of depreciation with respect to [utility] property that is the same as, and a depreciation
10 period for such property that is not shorter than, the method and period used to compute its
11 depreciation expense for such purpose.” Under normalization, a utility receives the tax
12 benefit of accelerated depreciation in the early years of an asset’s regulatory useful life and
13 passes that benefit through to ratepayers ratably over the regulatory useful life of the asset.
14 Tax normalization computes the income tax component of the cost of service as if the
15 amounts of timing differences recognized in each period for ratemaking purposes were also
16 recognized in the same amount in each period for income tax purposes. The existence of
17 a net operating loss that was created by accelerated depreciation in the early years of the
18 asset’s regulatory life should not influence the need to compute income taxes in these ISRS
19 cases.

20 **Q. MR. RILEY ALSO STATED THAT SPIRE MISSOURI “WILL NOT HAVE TO**
21 **PAY TAXES ON THESE REVENUES SO THE TAX CALCULATION SHOULD**

1 **BE SUSPENDED UNTIL THE NEXT GENERAL RATE CASE.”¹ DO YOU AGREE**
2 **WITH THIS STATEMENT?**

3 A. No. This statement is not accurate. Spire Missouri will have to pay taxes on this revenue
4 at some point, just not in the current year. That is the purpose and intent of having the
5 income tax component in cost of service under the normalization method of accounting.
6 Additionally, § 168(i)(9)(B)(i) provides the normalization method of accounting will not
7 be satisfied if for ratemaking purposes the taxpayer uses a procedure or adjustment that is
8 inconsistent with such requirements. Not computing tax expense as part of the cost of
9 service, as Witness Riley has recommended, is an adjustment that would be inconsistent
10 with this provision and would not allow for the normalization method of accounting to be
11 used.

12 **Q. WHAT WOULD BE THE RESULT IF MR. RILEY’S RECOMMENDATION WAS**
13 **ADOPTED?**

14 If Mr. Riley’s logic were applied to a general rate case, then the Company would not need
15 to compute an income tax component in cost of service as it has a net operating loss. If
16 Spire Missouri did this, they would not be following the normalization method of
17 accounting. As such, income taxes need to be computed in general rate cases as well as in
18 ISRS cases. The presence of a net operating loss should not influence the need to provide
19 income taxes associated with the revenue requirement, as the depreciation deduction for
20 regulatory purposes and tax purposes will be the same in total over the life of the underlying
21 public utility property. Moreover, by introducing any adjustment or exclusion to the tax

¹ Riley Reb. Test. p. 6 at lines 27-28.

1 computation, it runs against the consistency rules included in the normalization method of
2 accounting as mentioned above.

3 **Q. WHY IS IT IMPORTANT TO ABIDE BY THE NORMALIZATION METHOD OF**
4 **ACCOUNTING?**

5 A. If the Company does not abide by the normalization method of accounting, they run the
6 risk of not being able to use accelerated depreciation for tax purposes.

7 The Company will pay taxes on the revenues in the future. Mr. Riley understands
8 this concept. He explains that the tax is being collected to be recognized as payments for
9 future taxes just as property taxes are collected for the payment of future property taxes on
10 the ISRS pipe. So, **his** statement in **his** testimony recognizes and supports the fact that taxes
11 need to be collected currently to provide for the payment of taxes in the future.

12 **Q. WITNESS RILEY ALSO STATES A TAX GROSS UP SHOULD NOT BE**
13 **INCLUDED BECAUSE SPIRE MISSOURI IS IN AN OPERATING LOSS**
14 **SITUATION. DO YOU AGREE WITH THIS STATEMENT?**

15 A. No. The presence of a net operating loss in the current period will not impact the ultimate
16 tax liability associated with the revenue requirement under the normalization method of
17 accounting over the life of the utility property nor should it impact the computation of the
18 tax gross up. The accelerated depreciation that was recorded for income tax purposes in
19 the early years that was in excess of the regulatory depreciation that contributed to the
20 operating loss will reverse in a future period and result in the amount of income tax owed
21 in a future year to be more than what is being collected in rates. Therefore, the income tax
22 component of cost of service and the corresponding tax gross up are necessary to properly
23 account for the full life cycle of this item.

1 **Q. DOES THE COMPANY NOT OWE THE INTERNAL REVENUE SERVICE**
2 **(“IRS”) ANY TAXES?**

3 A. No. Although Mr. Riley states in his testimony “with Spire being in a net operating loss
4 scenario, it does not owe the IRS any tax,”² this is a major mischaracterization of how
5 deferred tax liabilities work. Although the Company is not paying the IRS taxes currently,
6 it will owe taxes in future periods. Spire Missouri does not have a current tax to be paid
7 this year, but it has a significant deferred tax liability that will be paid in the future. There
8 will be a future tax obligation so a tax gross up is necessary and appropriate in order to
9 have collected the tax needed to satisfy that liability.

10 **III. CONCLUSION**

11 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 A. Yes, it does.

² Riley Reb. Test. p. 10 at line 10.

**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)	File No. GR-2025-0107
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 the Director, Tax for Spire Missouri Inc. My business address is 700 Market St., St. Louis, Missouri 63101.
2. This affidavit is attached to my surrebuttal testimony, which is filed on behalf of Spire Missouri Inc.
3. I hereby swear and affirm that my answers to the questions contained in my surrebuttal testimony are true and correct to the best of my knowledge, information, and belief.



Charles J. Kuper

Subscribed and sworn to before me this 30th day of June, 2025.



Notary Public

TAMMY L. KIRKSEY NOTARY PUBLIC - NOTARY SEAL STATE OF MISSOURI MY COMMISSION EXPIRES NOVEMBER 20, 2028 ST. LOUIS CITY COMMISSION #24459582
