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December 23, 2019

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street SE, Suite 100  
Salem, Oregon 97301-3398

**Re: OPUC Docket UM \_\_\_\_; Application of NW Natural for Authorization to Defer Certain Expenses or Revenues Relating to Corporate Activity Tax (“CAT”)**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), files herewith the above-referenced Application for Authorization to Defer Certain Expenses or Revenues. The Application is filed in order to defer amounts relative to the Company’s CAT pursuant to House Bill 3427 that was signed into law on May 16, 2019 for later recovery in rates coincident with the annual Purchased Gas Adjustment (“PGA”) process.

A notice of this Application has been served on all parties who participated in the Company’s last general rate case, UG 344, and is attached hereto as Exhibit B.

A Certificate of Service is attached as Exhibit C.

Please address correspondence on this matter to me with copies to the following:

eFiling  
NW Natural Rates & Regulatory Affairs  
220 NW Second Avenue  
Portland, Oregon 97209  
Telephone: (503) 226-4211, ext. 3589  
Telecopier: (503) 220-2579  
eFiling@nwnatural.com

Sincerely,

*/s/ Zachary D. Kravitz*

Zachary D. Kravitz  
Director, Regulatory Affairs

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM \_\_\_\_\_

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba, NW NATURAL

For Authorization to Defer Certain  
Expenses or Revenues Pursuant  
to ORS 757.259

**APPLICATION**

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the  
2 “Company”), hereby files with the Public Utility Commission of Oregon (the  
3 “Commission”) this application (“Application”) seeking authorization to use  
4 deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the  
5 12-month period beginning January 1, 2020 through December 31, 2020, for  
6 amounts associated with the Corporate Activity Tax (“CAT”) assessed on NW  
7 Natural, as summarized below.

8 House Bills 3427 and 2164, enacted through the Oregon Legislature’s  
9 2019 session, contain the CAT provisions and a number of technical corrections  
10 to the CAT provisions, respectively (collectively, the “CAT Law”). The CAT Law  
11 establishes a new Oregon State tax on all businesses that have more than \$1  
12 million in Oregon taxable commercial activity and is assessed in addition to any  
13 other taxes or fees imposed under the Oregon tax laws. The tax will be imposed  
14 on a calendar-year basis beginning January 1, 2020, with the first full CAT return  
15 due on April 15, 2021.

1           The CAT liability is computed as \$250 plus 0.57 percent of taxable  
2 commercial activity in excess of \$1.0 million for the calendar year regardless of  
3 the timing of the taxpayer’s year end accounting for federal income tax  
4 purposes.<sup>1</sup> “Taxable commercial activity” is defined as the total amounts realized  
5 by the taxpayer arising from includable transactions and activity in the regular  
6 course of the taxpayer’s trade or business that are sourced to Oregon, less a  
7 deduction for 35 percent of the greater of the amount of cost inputs or labor  
8 costs.<sup>2</sup> “Cost inputs” means the “cost of goods sold as calculated in arriving at  
9 federal taxable income under the Internal Revenue Code,”<sup>3</sup> and “labor costs”  
10 means the “total compensation of all employees, not to include compensation  
11 paid to any single employee in excess of \$500,000.”<sup>4</sup> The method of accounting  
12 for commercial activity, cost inputs and labor costs for a tax year is the same  
13 method used for federal income tax purposes.<sup>5</sup>

14           Taxpayers must register for the CAT each year within thirty days of having  
15 \$750 thousand of total commercial activity.<sup>6</sup> “Commercial activity” is the total  
16 amount realized by the taxpayer, worldwide, before consideration of any  
17 deduction for cost inputs or labor.<sup>7</sup> The Oregon Department of Revenue (“DOR”)

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<sup>1</sup> H.B. 3427, 80<sup>th</sup> Assem., Reg. Sess., § 58(4) (Or. 2019).

<sup>2</sup> H.B. 2164, 80<sup>th</sup> Assem., Reg. Sess., § 50 (Or. 2019) (revising H.B. 3427, 80<sup>th</sup> Assem., Reg. Sess., § 58(17) (Or. 2019)).

<sup>3</sup> H.B. 2164, 80<sup>th</sup> Assem., Reg. Sess., § 50 (Or. 2019) (revising H.B. 3427, 80<sup>th</sup> Assem., Reg. Sess., § 58(4) (Or. 2019)).

<sup>4</sup> H.B. 3427, 80<sup>th</sup> Assem., Reg. Sess., § 58(13) (Or. 2019); H.B. 2164, 80<sup>th</sup> Assem., Reg. Sess., § 50 (Or. 2019).

<sup>5</sup> H.B. 3427, 80<sup>th</sup> Assem., Reg. Sess., § 59 (Or. 2019).

<sup>6</sup> *Id.* at § 68(1).

<sup>7</sup> H.B. 2164, 80<sup>th</sup> Assem., Reg. Sess., § 50 (Or. 2019) (revising H.B. 3427, 80<sup>th</sup> Assem., Reg. Sess., § 58(1)(a)).

1 is using a new online registration for 2020 which became available in early  
2 December 2019. NW Natural registered for the 2020 CAT on December 6, 2019.  
3 The CAT liability is due and payable to the DOR in quarterly installments on or  
4 before the last day of April, July, October and January of each year for the  
5 previous calendar quarter.<sup>8</sup>

6 The DOR is currently issuing draft rules to implement the CAT Law. The  
7 DOR expects to issue temporary rules in the first quarter of 2020 and final rules  
8 in the summer of 2020. The DOR has indicated that not all CAT Law issues will  
9 be addressed through rulemaking, leaving some uncertainties about the CAT  
10 Law to be resolved in the future separately through tax authority examination,  
11 appeals or other judicial outcomes. It is also possible that the 2020 session of  
12 the Oregon Legislature will produce changes and/or technical corrections to the  
13 CAT Law.

14 The CAT is not currently included in customer rates. NW Natural is  
15 requesting a regulatory deferral, beginning January 1, 2020, to address this new  
16 tax imposed by the State of Oregon.

17 In support of this Application, NW Natural states:

18 **A. NW Natural.**

19 NW Natural is a public utility in the State of Oregon and is subject to the  
20 jurisdiction of the Commission regarding rates, service, and accounting practices.

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<sup>8</sup> H.B. 2164, 80th Assem., Reg. Sess., § 56 (Or. 2019) (revising H.B. 3427, 80th Assem., Reg. Sess., § 70(2)).

1 NW Natural also provides retail natural gas service in the States of Oregon and  
2 Washington.

3 **B. Statutory Authority.**

4 This application is filed pursuant to ORS 757.259, which empowers the  
5 Commission to authorize the deferral of expenses or revenues of a public utility  
6 for later inclusion in rates.

7 **C. Communications.**

8 Communications regarding this Application should be addressed to:

9 NW Natural  
10 e-Filing for Rates & Regulatory Affairs  
11 220 NW Second Avenue  
12 Portland, Oregon 97209-3991  
13 Telephone: (503) 226-4211, ext. 3589  
14 Facsimile: (503) 721-2516  
15 Email: eFiling@nwnatural.com;

16  
17 Zachary D. Kravitz (OSB# 152870)  
18 Director, Rates & Regulatory Affairs  
19 220 NW Second Avenue  
20 Portland, Oregon 97209-3991  
21 Phone: (503) 220-2379  
22 Email: zdk@nwnatural.com;

23  
24 and

25  
26 Kyle Walker, CPA  
27 Rates & Regulatory Affairs  
28 220 NW Second Avenue  
29 Portland, Oregon 97209-3991  
30 Phone: (503) 226-4211 Ext. 5858  
31 Email: Kyle.Walker@nwnatural.com

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33 ///

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1 **D. Description of the Expenses or Revenues for which Deferred**  
2 **Accounting is Requested – OAR 860-027-0300(3)(a).**

3 NW Natural is subject to the CAT Law and hereby requests the  
4 authorization to use deferred accounting treatment for the quarterly tax. The  
5 deferred amounts are likely to result in a surcharge to customers.

6 **E. Reasons for Application for Deferred Accounting – OAR 860-027-**  
7 **0300(3)(b).**

8 ORS 757.259 is a “statutorily authorized exception to the general  
9 prohibition against retroactive ratemaking” that allows a “means to address utility  
10 expenses or revenues outside of the utility’s general rate case proceeding.”<sup>9</sup>  
11 Under ORS 757.259(2)(e), the Commission has discretion to authorize a deferral  
12 of “[i]dentifiable utility expenses or revenues, the recovery or refund of which the  
13 commission finds should be deferred in order to minimize the frequency of rate  
14 changes . . . or to match appropriately the costs borne by and benefits received  
15 by rate payers.”

16 NW Natural’s rates do not currently capture the impact of the CAT.  
17 Ordinarily, taxes are recovered in rates, but because the passage and financial  
18 impact of the CAT could not have been predicted in the Company’s last rate  
19 case, the Company would be required to bear this increase, but for a deferral  
20 application being filed to defer the CAT. For this reason, NW Natural requests to  
21 recover the CAT through deferred accounting.

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<sup>9</sup> *In re Matter Public Utility Commission of Oregon Staff Request to Open Investigation Related to Deferred Accounting*, Docket UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

1 **F. Accounting – OAR 860-027-0300(3)(c).**

2 Beginning on January 1, 2020, and ending twelve months from this date,  
3 NW Natural proposes to account for the expenses associated with the CAT by  
4 recording a deferral, inclusive of gross-up, in Account 186, a tax payable in  
5 Account 236, and a deferred tax liability in Account 283. Amortization will be  
6 credited to Account 186, debited to Account 283, and debited to Account 409.1.  
7 In the absence of approval of deferred accounting, NW Natural would record an  
8 expense to Account 409.1 and a corresponding tax payable to Account 236,  
9 which would affect the Company's income statement negatively. NW Natural  
10 proposes to amortize the deferral coincident with its annual Purchased Gas  
11 Adjustment ("PGA") filing.

12 **G. Estimated Accounts Subject to Deferral – OAR 860-027-0300(3)(d).**

13 NW Natural estimates that approximately \$2.5 million will be recorded in  
14 the CAT deferral account for the upcoming twelve-month period subsequent to  
15 this Application. This estimated amount is subject to revision as the amount due  
16 is dependent on NW Natural's actual revenue and cost and on the nature of rules  
17 to be promulgated.

18 **H. Requirement per Commission Order No. 09-263**

19 Pursuant to Commission Order No. 09-263, issued in Docket UM-1286,  
20 NW Natural is required to provide a completed Summary Sheet, the location in  
21 the PGA filing of the backup workpapers, and an accounting map that highlights  
22 the transfer of dollars from one account to another. The Summary Sheet will be

1 included in the 2020 PGA filing workpapers and in the electronic file entitled  
2 “Proposed Temps Oregon 2020-21 PGA filing.xlsx.”

3 **I. Notice – OAR 800-027-0300(6).**

4 A notice of this Application has been served on the all parties who  
5 participated in the Company’s most recent general rate case, UG 344, and is  
6 attached to this Application.

7 NW Natural respectfully requests that the Commission issue an order  
8 authorizing the Company to defer the under collected amounts described in the  
9 Application associated with CAT, beginning on January 1, 2020.

10 Date this 23<sup>rd</sup> day of December, 2019.

11 Respectfully Submitted,

12 NW NATURAL

13 /s/ Kyle Walker, CPA  
14 Kyle Walker, CPA  
15 Rates/Regulatory Manager  
16

17 /s/ Zachary D. Kravitz  
18 Zachary D. Kravitz (OSB# 152870)  
19 Director, Rates & Regulatory Affairs  
20 220 NW Second Avenue  
21 Portland, Oregon 97209-3991  
22 Phone: (503) 220-2379  
23 Email: zdk@nwnatural.com



**NOTICE OF APPLICATION FOR AUTHORIZATION TO  
DEFER CERTAIN EXPENSES OR REVENUES**

December 23, 2019

**To All Parties Who Participated in UG 344:**

Please be advised that on December 23, 2019 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for authorization to use deferred accounting for amounts associated with the Corporate Activity Tax ("CAT"), pursuant to ORS 757.259 and OAR 860-027-0300.

**This is not a rate case.** The purpose of this Notice is to inform parties who participated in the Company's most recent general rate case, UG 344, that an Authorization of Deferral Application has been filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Public Utility Commission of Oregon as follows:

**NW Natural**  
**Attn: Kyle Walker, CPA**  
**220 NW Second Ave**  
**Portland, Oregon 97209-3991**  
**Telephone: (503) 226-4211 Ext. 5858**

**Public Utility Commission of Oregon**  
**Attn: Filing Center**  
**PO Box 1088**  
**Salem, Oregon 97308-1088**  
**Telephone: (503) 373-6678**

Any person may submit to the Commission written comments on this matter by January 22, 2020. The granting of this Authorization of Deferral Application will not authorize a change in rates, but will permit the Company to defer amounts in rates to a subsequent proceeding.

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**CERTIFICATE OF SERVICE**

I hereby certify that on December 23, 2019 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN EXPENSES AND REVENUES for amounts associated with the Corporate Activity Tax (“CAT”) to all parties on record for the Company’s most recent general rate case, UG 344.

**UG 344**

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DATED December 23, 2019 Portland, OR.

/s/ Erica Lee-Pella  
Erica Lee-Pella  
Rates & Regulatory Affairs  
NW NATURAL