



ORS 757.259(2)(e) and (4). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9).

The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

ORS 757.269(1) states that "the Public Utility Commission shall act to balance the interests of the customers of the utility and the utility's investors by setting fair, just and reasonable rates that include amounts for income taxes" and "amounts for income taxes included in rates are fair, just and reasonable if the rates include current and deferred income taxes and other related tax items that are based on estimated revenues derived from the regulated operations of the utility."

OAR 860-022-0045 states that, in part, if any county in Oregon imposes or increases taxes or licensing, franchise, or operating permit fees, the utility required to pay such taxes or fees shall collect the amount from its customers within the county imposing such taxes or fees.

## Analysis

### *Background*

NWN is seeking reauthorization to use deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month period January 1, 2023 through December 31, 2023, for amounts associated with the MSHS Tax pursuant to Metro Measure No. 26-210.

On May 19th, 2020, the Metro Council referred to Metro Region voters Measure 26-210, supporting homeless services through a higher earners' personal income tax and business profits tax. The measure authorized Metro to create a Supportive Housing Services (hereafter "SHS") program, funded by a marginal personal income tax on households with taxable income in excess of \$200,000 (\$125,000 for single filers), and a business profits tax of one percent with an exemption for small businesses with gross receipts of \$5 million or less per year.

Furthermore, Metro is organized under the provisions of Oregon Revised Statutes Chapter 268 and the Metro Charter. The Metro Council is the governing body of Metro.

Beginning in December 2020, the Council has adopted various ordinances and administrative rules necessary to implement the new tax.<sup>1</sup>

In addition, as noted in that order, the method of amortization was yet to be determined. The Company's subsequently requested to add an additional exaction rate to its General Schedule A for the MSHS Tax.

The application also states that amortization of this deferral was not included in the Company's 2021-22 Purchased Gas Adjustment (PGA) filing. However, the Company has provided the information required by the Commission if ongoing cost recovery were to be included in the upcoming 2022-2023 PGA filing. Cost recovery under Schedule A for calendar year 2022 and a true-up for 2021 was approved in ADV 1456, effective January 1, 2023.

*Reason for deferral*

Northwest Natural requests the Commission authorize this account under ORS 757.259(2)(e) and Order No. 22-041.

*Description of Expenses*

The amount deferred last year \$197,113 was deferred for Oregon during the last deferral year of November 30, 2021, through the then most recent month, November 30, 2022.

*Proposed Accounting*

Continuing NW Natural proposes to account for the costs associated with the MSHS Tax by recording the deferral in Account 186.

*Information Related to Future Amortization*

- Earnings Review – Pursuant to ORS 757.259(5), deferred amounts will be allowed in rates to the extent authorized by the Commission following review of the utility's earnings at the time of application to amortize the deferral.
- Prudence Review – Prior to amortization, a prudence review will be conducted to ensure all costs were prudently incurred.
- Sharing – This deferral is subject to sharing as determined by the Commission in a future ratemaking proceeding.

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<sup>1</sup> <https://www.oregonmetro.gov/public-projects/supportive-housing-services-tax/codes-and-rules>.

- Rate Spread/Design – The allocation basis for the prudently incurred costs will be discussed at the time of the amortization.

### Conclusion

Staff recommends the Commission approve NW Natural's application.

The Company has reviewed this memo and has no concerns.

### **PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's application for reauthorization to use deferred accounting for amounts associated with the MSHS Tax for the 12- month period beginning on January 1, 2023.