

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** November 1, 2023

**DATE:** October 2, 2023

**TO:** Public Utility Commission

**FROM:** Rawleigh White

**THROUGH:** Bryan Conway, Marc Hellman, and Anna Kim **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. UG 478/Advice No. 23-11B)  
Corporate Activity Tax.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) Advice No. 23-11B, revising its Schedule 177 rates to reflect incremental Oregon Corporate Activity Tax (OCAT or Oregon CAT) for service rendered on and after November 1, 2023, with less than statutory notice.

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural's Advice No. 23-11B, revising its Schedule 177 rates to reflect incremental OCAT pursuant to Commission Order No. 20-364.

Applicable Rule or Law

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

OAR 860-022-0020 states that an energy utility seeking authority to make tariffs or rate schedules effective on less than statutory notice must use application forms approved by the Commission.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

### Analysis

#### *Background*

The 2019 Oregon Legislative Assembly approved a new Corporate Activities Tax for years beginning on and after January 1, 2020.<sup>1</sup>

The tax is imposed for the privilege of doing business in Oregon and is neither a transactional tax nor an income tax. However, apportionment and tax administration will occur pursuant to existing income tax statutes.

The tax is in addition to any other taxes or fees imposed by the State of Oregon and will be imposed at a rate of \$250 plus 0.57 percent of taxable commercial activity in excess of \$1 million each year. Taxable commercial activity is defined as commercial activity sourced in this state less a deduction for 35 percent of the greater of “cost inputs” or “labor costs.”

In Order No. 20-364, the Commission adopted a comprehensive stipulation among which the parties agreed that the OCAT would be included in base rates effective November 1, 2020, and that the annual PGA adjustment should include an OCAT component reflecting changes in gross revenue and cost of goods sold that occur as a result of the PGA.<sup>2</sup>

The tariff associated with this docket depends on the overall PGA adjustment in determining the periods covered and the relevance of any earnings test. Staff has determined it is unnecessary to address periods covered or the need for an earnings test in this docket but to rely on the individual dockets that make up the revenue requirement for the PGA adjustment to address the time periods covered and the relevance of any earnings test.

---

<sup>1</sup> 2019 Oregon Laws Chapter 122.

<sup>2</sup> See *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision*, Docket No. UG 388, Order No. 20-364, October 16, 2020, at 1, 18-19.

The Company's filed tariff sheets and work papers on October 12, 2023, that requested amortization of OCAT expenses totaling \$517,813 over a 12-month period beginning November 1, 2023. The company included a Less than Statutory Notice form that is approved by the Commission in its October 12 filing.

The net effect of the removal of the current temporary adjustments applied to rates effective November 1, 2022, and the application of the new temporary adjustments is a decrease of the Company's annual revenues by \$15,675.

Staff met with the Company on October 11, 2023, to review the Company's work papers and confirmed that the proposed tariff rate is designed to recover the appropriate OCAT associated with the current PGA adjustments.

The monthly bill of the average residential customer served under Rate Schedule 2 using 56 therms will see no change. The monthly decrease for the average industrial Rate Schedule 3 customer using about 1,304 therms is \$0.03. The average industrial Rate Schedule 31 firm sales customer using 5,776 therms will see a monthly decrease of about \$0.12, and the average industrial Rate Schedule 32 firm sales customer using about 18,823 therms will see a monthly decrease of about \$0.10.

In compliance with OAR 860-022-0025, the Company states that the number of customers affected by the proposed change in this filing is 636,785 residential customers, 61,984 commercial customers, and 845 industrial customers.

### Conclusion

Staff concludes the proposed tariff is calibrated to recover amounts based on the 2023 purchase gas adjustment, the tax itself is applicable, and that the proposed tariff rate is fair, just, and reasonable. Staff recommends the Commission approve UG 478 and the waiver for less than statutory notice.

The Company has reviewed this memo and agrees with its contents.

### **PROPOSED COMMISSION MOTION:**

Approve NW Natural's Advice No. 23-11B, revising its Schedule 177 rates to reflect incremental Oregon Corporate Activity Tax with less than statutory notice, for service rendered on and after November 1, 2023.