



Oregon

Tina Kotek, Governor

Public Utility Commission

201 High St SE Suite 100

Salem, OR 97301-3398

Mailing Address: PO Box 1088

Salem, OR 97308-1088

503-373-7394

October 26, 2023



BY EMAIL

Northwest Natural Gas Company

efiling@nwnatural.com

RE: Advice No. 23-11B

At the public meeting on October 26, 2023, the Commission adopted Staff's recommendation in this matter docketed as UG 478. The Staff Report, LSN, and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**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, 2020.¹

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.²

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.

¹ 2019 Oregon Laws Chapter 122.

² 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.

LESS THAN STATUTORY NOTICE APPLICATION

This document may be electronically filed by sending it as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@puc.oregon.gov.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

IN THE MATTER OF THE APPLICATION OF <u>Northwest Natural Gas Company dba NW Natural</u> (UTILITY COMPANY)))))	UTILITY L.S.N. APPLICATION NO. <u>2307</u> (LEAVE BLANK)
TO WAIVE STATUTORY NOTICE.		

NOTE: ATTACH EXHIBIT IF SPACE IS INSUFFICIENT.

1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE(S) ADDITION, DELETION, OR CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)

Schedule 177 Adjustment for Oregon Corporate Activity Tax

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

Fifth Revision of Sheet 177-1 Adjustment for Oregon Corporate Activity Tax

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE AND ITEM)

Sixth Revision of Sheet 177-1 Adjustment for Oregon Corporate Activity Tax

4. REASONS FOR REQUESTING A WAIVER OF STATUTORY NOTICE:

On September 14, 2023, the Company provided a replacement filing in NWN OPUC Advice No. 23-11A, docketed as UG 478 to include costs related to the CAT based on changes in pass-through gross revenues for items effective November 1, 2023. Due to a change in revenues estimated for November 1, 2023, the Company is filing Advice 23-11B in this docket to provide the corrected tariff sheets and related workpapers and support.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE(S) OR CHANGE(S): November 1, 2023

AUTHORIZED SIGNATURE 	TITLE Senior Manager, Regulatory Affairs	DATE October 11, 2023
PUC USE ONLY		
<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DENIED	EFFECTIVE DATE OF APPROVED SCHEDULE(S) OR CHANGE November 1, 2023	
AUTHORIZED SIGNATURE 	DATE October 26, 2023	

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Sixth Revision of Sheet 177-2
Cancels Fifth Revision of Sheet 177-2

**SCHEDULE 177
ADJUSTMENT FOR OREGON CORPORATE ACTIVITY TAX
(continued)**

APPLICATION TO RATE SCHEDULES (continued):

Effective: November 1, 2023

The adjustments applicable to each Rate Schedule is shown in the table below:

Schedule	Block	CAT	Schedule	Block	CAT
2		\$0.00078	32 ITF	Block 1	\$0.00008
3 CSF		\$0.00062		Block 2	\$0.00007
3 ISF		\$0.00057		Block 3	\$0.00005
27		\$0.00067		Block 4	\$0.00003
31 CSF	Block 1	\$0.00048		Block 5	\$0.00002
	Block 2	\$0.00046		Block 6	\$0.00001
31 CTF	Block 1	\$0.00022	32 CSI	Block 1	\$0.00037
	Block 2	\$0.00020		Block 2	\$0.00036
31 ISF	Block 1	\$0.00044		Block 3	\$0.00034
	Block 2	\$0.00043		Block 4	\$0.00033
31 ITF	Block 1	\$0.00017		Block 5	\$0.00032
	Block 2	\$0.00016		Block 6	\$0.00031
32 CSF	Block 1	\$0.00043	32 ISI	Block 1	\$0.00037
	Block 2	\$0.00041		Block 2	\$0.00036
	Block 3	\$0.00039		Block 3	\$0.00034
	Block 4	\$0.00037		Block 4	\$0.00033
	Block 5	\$0.00035		Block 5	\$0.00032
	Block 6	\$0.00034		Block 6	\$0.00031
32 ISF	Block 1	\$0.00038	32 CTI	Block 1	\$0.00007
	Block 2	\$0.00037		Block 2	\$0.00006
	Block 3	\$0.00035		Block 3	\$0.00004
	Block 4	\$0.00034		Block 4	\$0.00003
	Block 5	\$0.00032		Block 5	\$0.00002
	Block 6	\$0.00032		Block 6	\$0.00001
32 CTF	Block 1	\$0.00010	32 ITI	Block 1	\$0.00007
	Block 2	\$0.00008		Block 2	\$0.00006
	Block 3	\$0.00006		Block 3	\$0.00004
	Block 4	\$0.00004		Block 4	\$0.00003
	Block 5	\$0.00002		Block 5	\$0.00002
	Block 6	\$0.00001		Block 6	\$0.00001
			33 (all)		\$0.00000

(R)(R)
|
(R)
|
(I)
|
(f)
|
(R)(I)
|
(I)
|
(I)(I)
|
(R)(R)
|
(R)
|
(I)
|
(I)
|
(R)(R)
|
(R)
|
(R)

Issued October 11, 2023
NWN OPUC Advice No. 23-11B

Received
Filing Center
OCT 11 2023

Effective with service on
and after November 1, 2023