

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: December 28, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2022

DATE: December 20, 2021

TO: Public Utility Commission

FROM: John Fox

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. ADV 1346/Advice No. 21-16)
NW Natural Revisions to Schedule A MSHS and MCBIT.

STAFF RECOMMENDATION:

Approve Northwest Natural's filing and allow the associated tariff to go into effect for service rendered on and after January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Northwest Natural Gas Company's (NW Natural or Company) application to add an additional exaction rate to Schedule A for the Metro Supportive Housing Services (MSHS) tax and to adjust the Multnomah County Business Income Tax (MCBIT) percentage rate applicable to customers that live in Multnomah County.

Applicable Rule or Law

Under ORS 757.205(1):

Every public utility shall file with the Public Utility Commission, within a time to be fixed by the commission, schedules which shall be open to public inspection, showing all rates, tolls and charges which it has established and which are in force at the time for any service performed by it within the state, or for any

service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

Filings that propose 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 change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

Further, the adjustment schedule represented in this filing applies to all customers receiving service within the boundaries of Multnomah County in accordance with OAR 860-022-0045(1), which states 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

Multnomah County Business Income Tax (MCBIT)

The Company maintains a balancing account to accrue any difference between the Company's actual MCBIT expenses and what is collected from customers. The rate adjustment in this filing reflects the Company's projections of the 2019 MCBIT tax expense and the current state of the MCBIT balancing account.

The Company determines the MCBIT Rate by forecasting its expected MCBIT tax liability for the next calendar year and adding this forecasted amount to the expected over- or under-collection of the prior year MCBIT taxes. This total amount is then divided by the forecasted revenues for Multnomah County to determine the final MCBIT Rate.

The current rate of 0.21 percent was authorized by the Commission at its December 18, 2018, public meeting (Advice No. 18-14). The proposed rate of 0.02 percent in this filing has been calculated to recover the projected tax expenses from January 1, 2022 through December 31, 2022.

In support of the decreased rate, the Company's application states the following:

The Company estimates it will end calendar year 2022 with an over collection of \$83,556 and the MCBIT tax liability in 2022 will be about \$126,933, resulting in a total amount to be collected in 2022 of \$43,669 including interest.

Staff has reviewed the Company's work papers and finds that the proposed reduction in the MCBIT tariff rate in the supplemental filing is appropriately calculated.

The most recent deferral associated with the MCBIT balancing account was approved in Order No. 21-012, effective for the 12-month period beginning January 1, 2021.

In compliance with OAR 860-022-0025, NW Natural states the proposed change in the MCBIT rate will decrease the average bill of a Multnomah County residential customer using an average of 54 therms per month by about \$0.13 and the average Schedule 3 nonresidential customer using an average of 242 therms per month by about \$0.47. There are about 212,067 NW Natural customers in Multnomah County, which is 30.83 percent of NW Natural's total Oregon customer base. There is no change in the Company's operating revenue as a result of this filing.

Metro Supportive Housing Services Tax

In Order No. 21-043, the Commission approved Northwest Natural's application for authorization to use deferred accounting for amounts associated with the Metro Supportive Housing Services Tax for the 12-month period beginning on January 1, 2021.

At that time, the Company stated that it was evaluating a range of options for recovery of the MSHS Tax from customers. Based on the information known at that time, Staff suggested that the MSHS Tax should be collected from NW Natural's customers located within Metro district, consistent with the Company's treatment of the MCBIT. Staff also

noted that OAR 860-022-0045 requires that taxes or fees imposed by a county are to be collected from the utility's customers within the county imposing such taxes or fees. Although Metro is not a county, its jurisdiction spans areas of three counties and Staff finds it to be more akin to a county, rather than a city.

The Company's proposal to provide an additional exaction rate to Schedule A to recover the MSHS tax is consistent with the discussion that occurred at the time the deferral was approved and is also the preferred outcome envisioned by Staff, consistent with the requirements of OAR 860-022-0045. Staff recommends the Commission approve this ratemaking treatment.

Staff has reviewed the Company's work papers and finds that the proposed MSHS tariff rate is appropriately calculated.

In compliance with OAR 860-022-0025, the Company states that the number of customers in the Metro jurisdictional region affected by the proposed change is 440,115. The proposed MSHS rate will increase the average bill of a residential customer in the Metro jurisdictional region using an average of 54 therms per month by about \$0.09, and the average Schedule 3 non-residential customer in the Metro jurisdictional region using an average of 242 therms per month by about \$0.34. There is no change in the Company's operating revenue as a result of this filing.

Conclusion

For the reasons stated above, Staff finds that the Company's proposed rates are reasonable. As this filing meets the requirements of ORS 757.205, ORS 757.210, OAR 860-022-0025, and OAR 860-022-0030, Staff recommends the Commission approve it.

PROPOSED COMMISSION MOTION:

Approve NW Natural's request to add an additional exaction rate to Schedule A for the Metro Supportive Housing Services tax, adjust the Multnomah County Business Income Tax percentage rate applicable to customers that live in Multnomah County, and the associated tariff be allowed to take effect on January 1, 2022.