



Oregon

Kate Brown, Governor

Public Utility Commission

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December 13, 2022



BY EMAIL

Northwest Natural Gas Company

efiling@nwnatural.com

RE: Advice No. 22-20

At the public meeting on December 13, 2022, the Commission adopted Staff's recommendation in this matter docketed as ADV 1456. The Staff Report 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**

PUBLIC MEETING DATE: December 13, 2022

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2023

DATE: December 2, 2022

TO: Public Utility Commission

FROM: Ishraq Ahmed

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL GAS COMPANY:
(Docket No. ADV 1456/Advice No. 22-20)
Filing to revise Schedule A – Billing for City and County Exactions.

STAFF RECOMMENDATION:

Approve Northwest Natural Gas Company's (NW Natural, NWN or Company) Advice No. 22-20 revising the exaction rates for the Metro Supportive Housing Services (MSHS) tax and adjusting the Multnomah County Business Income Tax (MCBIT) percentage rate in Schedule A, effective January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's Advice No. 22-20 to 1) revise the exaction rates to Schedule A for the MSHS tax for Portland Area Metropolitan Service District customers for 2023, and 2) revise the exaction rates to Schedule A to adjust the MCBIT percentage rate to customers in Multnomah County for 2023.

Applicable Rule or Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.

ORS 757.220 provides that no change shall be made in any schedule, except upon 30 days' notice to the Commission before the time the changes are to take effect.

Analysis

Schedule A

Schedule A includes business or occupation taxes, license, franchise or operating permit fees, or similar "exactions" imposed upon the Company by any city, county, or local/regional entity for engaging in business or for use and occupancy of streets and public ways.

Proposed MSHS Tax

In May 2020, voters in Multnomah County, Washington County, and Clackamas County approved Measure 26-210 supporting homeless services through higher earners' income tax and business profits tax. The program is administered by the Portland Area Metropolitan Service District (Metro) and funded by a one percent tax on taxable income of more than \$200,000 for couples filing jointly and over \$125,000 for single filers, and a one percent tax on profits from businesses with gross receipts of more than \$5 million. The taxes have been effective for tax years beginning on or after January 1, 2021, and are imposed in Multnomah, Washington, and Clackamas counties.

The MSHS Tax is collected from customers in the Metro jurisdictional region through Schedule A. An MSHS Tax balancing account will be maintained to accrue any difference between the Company's actual Metro Tax expense and the amount collected from customers.

The Company states that the number of customers in the Metro region affected by the proposed change is 442,756, of whom 408,879¹ are residential customers. Due to estimated overcollections from customers in the calendar year 2022, NW Natural estimates the MSHS Tax liability to be collected next year will be a credit of \$209,430. This indicates an estimated amount of \$209,430 will be refunded to Metro customers in 2023 and results in a proposed MSHS rate of -0.04 percent. A detailed discussion of the MSHS rate is in the Staff Review section.

Proposed MCBIT Adjustment

Multnomah County assesses a business income tax of 1.45 percent of the net business income on "persons" doing business in the county. Revenue from MCBIT is directed to the county general fund and used to finance libraries, law enforcement, community corrections, jails, juvenile justice, bridges, social services, and health services.

¹ From workbooks provided by NW Natural.

The MCBIT is collected from customers in Multnomah County through Schedule A. The number of customers affected by the proposed change is 212,330, of whom 194,762² are residential customers. Due to estimated overcollections in the calendar year 2022, an estimated amount of \$115,760 will be refunded to Multnomah customers in 2023, which results in a proposed MCBIT rate of -0.05 percent. A detailed discussion of the MCBIT rate is in the Staff Review section.

Staff Review

Staff has reviewed the filing, and the associated work papers and participated in discussions with the Company. Staff finds that the updated exaction rates in Schedule A are correctly calculated.

MSHS Exaction rate

The MSHS Tax Rate is based on the following calculation:

MSHS Tax Rate = (Forecasted amount to be collected in 2023) / (Forecasted Metro regional Gas Revenues)

The forecasted amount to be collected indicates the amount that either needs to be collected from or refunded to Metro customers.

The Company's calculation of the MSHS rate is below:

Table 1 – MSHS Tax rate

Forecasted amount to be collected/refunded	(\$209,430)
Forecasted Metro regional revenues	\$495,850,007
2023 MSHS Exaction rate	-0.04%

The amount to be refunded back to customers is \$209,430 resulting in a 2023 MSHS Tax rate of -0.04 percent. The proposed MSHS rate will decrease the average bill of a residential customer by \$0.03 per month, and will reduce the average bill of a non-residential customer by \$0.12 per month. The Company's operating revenues will not change as a result of the change in MSHS rate. The proposed rate will be applied as a percentage of Metro customers' total bills.

² From workbooks provided by NW Natural.

MCBIT Exaction rate

The MCBIT Tax Rate is based on the following calculation:

MCBIT Tax Rate = (Forecasted amount to be collected in 2023) / (Forecasted Multnomah County Gas Revenues)

The forecasted amount to be collected indicates the amount that either needs to be collected from or refunded to customers in Multnomah County.

The Company's calculation of the MCBIT rate is below:

Table 2 – MCBIT Tax rate

Forecasted amount to be collected/refunded	(\$115,760)
Forecasted Multnomah County revenues	\$243,680,382
2023 MCBIT Exaction rate	-0.05%

The amount to be refunded back to customers is \$115,760 resulting in a 2023 MCBIT Tax rate of -0.05 percent. The proposed MCBIT rate will reduce the average bill of a residential customer by \$0.04 per month, and will reduce the average bill of a non-residential customer by \$0.15 per month. The Company's operating revenues will not change as a result of the change in MCBIT rate. The proposed rate will be applied as a percentage of Multnomah County customers' total bills.

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

PROPOSED COMMISSION MOTION:

Approve Advice No. 22-20, NW Natural's request to revise its exaction rates for the Metro Supportive Housing Services tax and the Multnomah County Business Income Tax percentage rate in Schedule A, effective with service rendered on and after January 1, 2023.

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Eighth Revision of Sheet A-1
Cancels Seventh Revision of Sheet A-1

SCHEDULE A BILLING FOR CITY, COUNTY, AND LOCAL EXACTIONS

APPLICABLE:

To all Customers served by the Company under the Tariff of which this Schedule is a part.

PURPOSE:

To specify the method for billing of business or occupation taxes, license, franchise or operating permit fees, or similar exactions, hereinafter referred to in the entirety as "Exactions", imposed upon the Company by any city, county or local/regional entity for engaging in business therein or for use and occupancy of streets and public ways.

CITY EXACTIONS:

The aggregate of the Exactions imposed on the Company, up to 3% of the Company's gross revenues, will be applied to rates in accordance with OAR 860-022-040 (1), except that the actual amount of Exactions applicable to Customers taking service under Special Contracts set forth in **Schedule 60** will be added to the total of all charges due.

When the aggregate of the Exactions imposed on the Company by any city exceeds 3%, the excess shall be billed pro rata to Customers served within that city, and the excess amount will be separately stated on the Customer's regular billings.

Any other Exactions unilaterally imposed or increased by any city during the unexpired term of an existing franchise that contains a provision for compensation, shall be billed pro rata to Customers served within that city in the manner stated above.

COUNTY EXACTIONS:

The full amount of all new or increased taxes, license, franchise or operating permit fees imposed on the Company by any county, other than a city/county, shall be billed pro rata to Customers served within that county. If the taxes or fees cover the Company's operations in only a portion of the county, the amount shall be billed pro rata to Customers served within that portion of the county. The amount associated with these taxes or fees shall be separately stated on Customer's regular billings.

Multnomah County Business Income Tax (MCBIT):

Applicable: All customers that receive Natural Gas service within Multnomah County

A MCBIT Balancing Account will be maintained to accrue any difference between the Company's actual MCBIT expense and the amount collected from Customers. Any over- or under-collection reflected in this account will be considered when the MCBIT Rate is established. The Balancing Account will accrue interest at the rate approved by the Commission.

The MCBIT Rate is based on the following calculation:

(Forecast MCBIT expense +/- Balancing Account amounts) / Forecast Multnomah County Gas Revenues

Rate: **-0.05%** of the total billed amount for Rate Schedule charges excluding public purposes charges billed pursuant to Schedule 301 or Schedule 310, and all other separately stated taxes. (R)

(continue to Sheet A-2)

Issued November 16, 2022
NWN OPUC Advice No. 22-20

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Filing Center
NOV 16 2022

Effective with service on
and after January 1, 2023

SCHEDULE A
BILLING FOR CITY, COUNTY, AND LOCAL EXACTIONS

(continued)

LOCAL EXACTIONS:

The full amount of all new or increased taxes, license, franchise or operating permit fees imposed on the Company by any local or regional entity shall be billed pro rata to Customers served within the jurisdiction covered by the local or regional entity. The amount associated with these taxes or fees shall be separately stated on Customer's regular billings.

Metro Supportive Housing Services (MSHS) Tax:

Applicable: All customers that receive Natural Gas service within Metro's jurisdiction in Clackamas, Washington and Multnomah Counties.

A Metro Tax Balancing Account will be maintained to accrue any difference between the Company's actual Metro Tax expense and the amount collected from Customers. Any over- or under-collection reflected in this account will be considered when the MSHS Tax Rate is established. The Balancing Account will accrue interest at the rate approved by the Commission.

The MSHS Tax Rate is based on the following calculation:

Forecast MSHS Tax expense +/- Balancing Account amounts / Forecast Metro regional Gas Revenues

Rate: **-0.04%** of the total billed amount for Rate Schedule charges excluding public purposes charges billed pursuant to Schedule 301 or Schedule 310, and all other separately stated taxes. (R)

GENERAL TERMS:

Service under this Rate Schedule is governed by the terms of this Rate Schedule, the General Rules and Regulations contained in this Tariff, and any other Schedules that by their terms or by the terms of this Rate Schedule apply to service under this Rate Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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