

ORDER NO. 18-481

ENTERED Dec 19 2018

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1984

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,

Application to Defer Certain Expenses or  
Revenues Relating to the Multnomah County  
Business Income Tax (MCBIT).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 18, 2018, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



---

**Michael Grant**  
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 18, 2018

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2019

DATE: December 11, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *MM*

THROUGH: Jason Eisdorfer *JE* and John Crider *JC*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1984) Request Authorization to defer Revenues and Expenses Related to the Multnomah County Business Income Tax.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural or Company) request to authorize the deferral of revenues and expenses associated with the Multnomah County Business Income Tax (MCBIT) for the 12-month period beginning January 1, 2019.<sup>1</sup>

**DISCUSSION:**

Issue

Whether the Commission should approve NW Natural's request for authorization to defer revenues and expenses associated with the collection and remittance of the MCBIT.

Applicable Law

NW Natural makes this filing in accordance with 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer.

<sup>1</sup> NW Natural filed this deferral at the request of Staff due to a change in understanding regarding the need for deferrals underlying certain balancing accounts.

NWN UM 1984 Defer MCBIT expenses  
December 11, 2018  
Page 2

### Analysis

#### *Background:*

The Company maintains a balancing account to accrue any difference between the Company's actual MCBIT expense and what is collected from customers. Each year, the Company makes an advice filing to adjust the rate to reflect the Company's projections of the MCBIT tax expense for the coming year, as well as incorporating any residual balance from the previous year.

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 deferred amounts may result in an increase or a decrease in the MCBIT rate for the following year.

#### *Proposed Accounting:*

NW Natural proposes to account for the expenses and revenues associated with the MCBIT by recording the deferrals in Account 186. NW Natural proposes to amortize the deferral as part of its adjustment to rates with its annual Schedule A filing updating the MCBIT expense.

#### *Estimated Deferrals in Authorization Period:*

NW Natural does not have sufficient information at this time to accurately estimate the amount subject to deferral for the upcoming 12-month period because the amount is dependent on the actual tax assessed by Multnomah County and customer usage which collects, on a variable basis, the revenues for MCBIT.

#### *Information Related to Future Amortization:*

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.

NWN UM 1984 Defer MCBIT expenses  
December 11, 2018  
Page 3

- Rate Spread/Design – The costs are allocated among all Multnomah County customers on an equal cents per therm basis.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve NW Natural's application.

**PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's request for authorization to defer revenues and expenses associated with the collection and remittance of the MCBIT.

CA24 NWN UM 1984 Defer MCBIT expenses