

ORDER NO. 22-006

ENTERED Jan 11 2022

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1984(3)

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,

Application for Reauthorization 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 January 11, 2022, 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:

A handwritten signature in blue ink, appearing to read "Nolan Moser".

**Nolan Moser**  
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: January 11, 2022**

REGULAR  CONSENT  EFFECTIVE DATE January 1, 2022

**DATE:** January 3, 2022

**TO:** Public Utility Commission

**FROM:** Mitchell Moore

**THROUGH:** Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

**SUBJECT:** NORTHWEST NATURAL:  
(Docket No. UM 1984(3))  
Request Authorization to defer Revenues and Expenses Related to the Multnomah County Business Income Tax.

**STAFF RECOMMENDATION:**

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, 2022.

**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

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

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Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities and requires the utility to provide certain information in an application to defer, such as the reason for the deferral and the estimated amount of the deferral.

The Commission most recently reauthorized the Company's deferral in Order No. 21-012.

### 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

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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.
- 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.

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