

ORDER NO. 22-041

ENTERED Feb 10 2022

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2137(1)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application to Defer Costs Associated with
Metro Supportive Housing Services (MSHS)
Tax.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on February 8, 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: February 8, 2022**

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

DATE: January 25, 2022

TO: Public Utility Commission

FROM: John Fox

THROUGH: Bryan Conway and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL GAS COMPANY:
(Docket No. UM 2137(1))
Application for Reauthorization to Defer Costs Associated with Metro Supportive Housing Services Tax.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Northwest Natural's (NWN, NW Natural, or Company) application for reauthorization to use deferred accounting for amounts associated with the Metro Supportive Housing Services (MSHS) Tax for the 12-month period beginning January 1, 2022 through December 31, 2022.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's application for deferred accounting for the 12-month period beginning January 1, 2022, related to the Metro Supportive Housing Services Tax.

Applicable Rule or Law

Beginning with the date of the Application, the Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.259(2)(e) and (4). Unless subject to an

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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. ORS 757.259(4); OAR 860-027-0300(9). 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. ORS 757.259(5).

ORS 757.269(1) states that "the Public Utility Commission shall act to balance the interests of the customers of the utility and the utility's investors by setting fair, just and reasonable rates that include amounts for income taxes" and "amounts for income taxes included in rates are fair, just and reasonable if the rates include current and deferred income taxes and other related tax items that are based on estimated revenues derived from the regulated operations of the utility."

OAR 860-022-0045 states that, 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

Background

In May 2020, voters in Multnomah County, Washington County, and Clackamas County approved a measure to raise money for supportive housing services for people experiencing homelessness or at risk of experiencing homelessness in the greater Portland area. The program is administered by the Portland Area Metropolitan Service District (Metro) and funded by a 1 percent tax on taxable income of more than \$125,000 for individuals and \$200,000 for couples filing jointly, and a 1 percent tax on profits from businesses with gross receipts of more than \$5 million. The taxes are effective for tax years beginning on and after January 1, 2021.

Metro is organized under the provisions of Oregon Revised Statutes Chapter 268 and the Metro Charter. The Metro Council is the governing body of Metro. Beginning in December 2020, the Council has adopted various ordinances and administrative rules necessary to implement the new tax.¹

¹ <https://www.oregonmetro.gov/public-projects/supportive-housing-services-tax/codes-and-rules>.

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NW Natural's Filing

The Company seeks to reauthorize its deferral of amounts associated with the MSHS Tax previously approved in this docket.²

As noted in that order, the method of amortization was yet to be determined. The Company's subsequently requested to add an additional exaction rate to its General Schedule A for the Metro Supportive Housing Services tax.³

The application also states that amortization of this deferral was not included in the Company's 2021-22 Purchased Gas Adjustment (PGA) filing. However, the Company has provided the information required by the Commission if ongoing cost recovery were to be included in the upcoming 2022-23 PGA filing.⁴

Proposed Accounting

NW Natural proposes to account for the costs associated with the MSHS Tax by recording the deferral in Account 186. In the absence of approval of deferred accounting, NW Natural would record the amounts in several accounts affecting the Company's income statement and balance sheet.

Estimated Deferrals in Authorization Period

NW Natural cannot estimate what amounts will be recorded in the Metro deferral account for the upcoming 12-month period because the amount is dependent on the actual tax assessed by the Metro Region and customer usage which collects, on a variable basis, the revenues for the MSHS tax.

Information Related to Future Amortization

- Earnings Review – Pursuant to ORS 757.259(5), deferred amounts will be allowed in rates to the extent authorized by the Commission following review of the utility's earnings at the time of application to amortize the deferral.
- Prudence Review – Prior to amortization, a prudence review will be conducted to ensure all costs were prudently incurred.
- Sharing – This deferral is subject to sharing as determined by the Commission in a future ratemaking proceeding.

² Order No. 21-043.

³ See *NW Natural's Advice No. 21-16, Revisions to Schedule A, Billing for City and County Exactions*, Docket No. ADV 1346, approved December 8, 2020.

⁴ Application at 4.

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- Rate Spread/Design – The allocation basis for the prudently incurred costs will be discussed at the time of the amortization.
- 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.

Discussion

Although NW Natural states that the amount of the deferral cannot be estimated with respect to OAR 860-027-0300(3)(d),⁵ Exhibit A of the application provides an estimated amount of \$334,615 for 2022, which Staff finds to be reasonable and consistent with amounts underlying the Company's recently approved tariff.⁶

Conclusion

For the reasons stated above, Staff recommends the Commission approve NW Natural's application.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's application for reauthorization to use deferred accounting for amounts associated with the Metro Supportive Housing Services Tax for the 12-month period beginning on January 1, 2022.

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⁵ Application at 4.

⁶ Docket No. ADV 1346.