

ORDER NO. 23-216

ENTERED Jun 22 2023

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2137(2)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Reauthorization to Defer
Costs Associated with Metro Supportive
Housing Services (MSHS)

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 13, 2023, 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:



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.

ITEM NO. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: June 13, 2023.

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: May 30, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL GAS COMPANY:
(Docket No. UM 2137(2))
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, 2023 through December 31, 2023.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's application for deferred accounting for the 12-month period beginning January 1, 2023, related to the MSHS Tax.

Applicable 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.

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ORS 757.259(2)(e) and (4). 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. 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

NWN is seeking reauthorization to use deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month period January 1, 2023 through December 31, 2023, for amounts associated with the MSHS Tax pursuant to Metro Measure No. 26-210.

On May 19th, 2020, the Metro Council referred to Metro Region voters Measure 26-210, supporting homeless services through a higher earners' personal income tax and business profits tax. The measure authorized Metro to create a Supportive Housing Services (hereafter "SHS") program, funded by a marginal personal income tax on households with taxable income in excess of \$200,000 (\$125,000 for single filers), and a business profits tax of one percent with an exemption for small businesses with gross receipts of \$5 million or less per year.

Furthermore, 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.

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Beginning in December 2020, the Council has adopted various ordinances and administrative rules necessary to implement the new tax.¹

In addition, 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 MSHS Tax.

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 2022-2023 PGA filing. Cost recovery under Schedule A for calendar year 2022 and a true-up for 2021 was approved in ADV 1456, effective January 1, 2023.

Reason for deferral

Northwest Natural requests the Commission authorize this account under ORS 757.259(2)(e) and Order No. 22-041.

Description of Expenses

The amount deferred last year \$197,113 was deferred for Oregon during the last deferral year of November 30, 2021, through the then most recent month, November 30, 2022.

Proposed Accounting

Continuing NW Natural proposes to account for the costs associated with the MSHS Tax by recording the deferral in Account 186.

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.

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

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

Conclusion

Staff recommends the Commission approve NW Natural's application.

The Company has reviewed this memo and has no concerns.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's application for reauthorization to use deferred accounting for amounts associated with the MSHS Tax for the 12- month period beginning on January 1, 2023.

NWN UM 2137(2) MSHS Deferral