

ORDER NO. 24-203

ENTERED Jun 27 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2137(3)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

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

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 25, 2024, 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:



Alison Lackey

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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 25, 2024**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: May 23, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: NORTHWEST NATURAL GAS COMPANY:
(Docket No. UM 2137(3))
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, 2024.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural’s application for deferred accounting for the 12-month period beginning January 1, 2024, related to the MSHS Tax

Applicable Law

Under ORS 757.259(2)(e) the Commission may authorize 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 or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

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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

On December 27, 2023, the Company, dba NW Natural (“NW Natural” or the “Company”), filed with the Public Utility Commission of Oregon (the “Commission”) this application (“Application”) seeking reauthorization to use deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the 12- month period beginning January 1, 2024, through December 31, 2024. The deferral is comprised of amounts associated with the Metro Supportive Housing Services (“MSHS”) Tax pursuant to Metro Measure 26-210.

This tax results from Measure 26-210, which was referred by the Metro Council, on May 19th, 2020, 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 annual income in excess of \$200,000 (\$125,000 for single filers), and a business profits tax of one percent with an exemption, per year, for small businesses with gross receipts of \$5 million or less.

The Company states in its Application that it is unable to estimate the amount to be deferred during the next PGA cycle. The Company’s intent is to amortize in rates all that is deferred.

In addition, Exhibit A in Advice Filing 23-26 includes a summary sheet that shows the estimated amounts deferred for 2023 and estimates for the tax provision in 2024, as well as calculation of the 2024 Metro rate.¹

¹ See, Advice Filing 23-26, docketed as ADV 1563 and approved at the December 28, 2023, public meeting.

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Description of Expenses

The expenses are as described above related to the Metro Supportive Housing Services Income tax assessed on the Company.

Estimate of Amounts

The Company does not have a firm estimate of the amounts expected to be deferred. However, the Company deferred (\$436,040) for the 2022 calendar year. The amounts deferred represents the difference between the estimated tax provision and the collected amount from customers subject to Schedule A.²

Reason for Deferral

The Commission has discretion to authorize a 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 or to match appropriately the costs borne by and benefits received by rate payers.”³

Thus, the Company requests this deferral to match the costs borne and benefits received by customers.

Proposed Accounting

The Company proposes to account for the costs associated with the MSHS Tax by recording the deferral in Account 186, for amounts beginning January 1, 2024, and ending 12 months from this date.

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 – Staff does not recommend this deferral be subject to sharing as this is a tax imposed on the Company.
- Rate Spread/Design – The allocation basis for the prudently incurred costs will be discussed at the time of the amortization.

² See, Advice 23-20, 2024-25 PGA filling.

³ See, ORS 757.259(2)(e).

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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, 2024.

NWN UM 2137(3) MSHS Deferral