

ORDER NO. 24-244

ENTERED Jul 24, 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1984(5)

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 July 23, 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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 23, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A

DATE: July 5, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1984(5))
Request Authorization to defer Revenues and Expenses Related to the
Multnomah County Business Income Tax.

STAFF RECOMMENDATION:

Staff recommends 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, 2024.

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.

Amortization of a deferral 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.

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.

Reason for Deferral

The Company continues to annually submit this deferral to match the costs borne and benefits received by customers.

Proposed Accounting

The Company proposes to account for the expenses and revenues associated with the MCBIT by recording the deferral in Account 186.

Also, the Company proposes to amortize the deferral as part of its adjustment to rates with its annual Schedule A filing updating MCBIT expense.

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Description of Expense

The Company requests the reauthorization to use deferred accounting for any amounts that are over or under collected associated with the MCBIT balancing account.

Estimate of Amounts

The Company cannot estimate what amounts will be recorded in the MCBIT deferral account 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 the MCBIT.

Nevertheless, the Company in 2022 was deferred \$329,222 and it expects to defer \$259,424 for 2023, which represents the difference between the estimated tax provision and the collected amount from customers subject to Schedule A.

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.

The Company has reviewed a draft of this memo and voiced no concerns.

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PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request for authorization to defer revenues and expenses associated with the collection and remittance of the MCBIT for the 12-month period beginning January 1, 2024.

NWN UM 1984(5) Defer MCBIT Expense