

ORDER NO. 25-174

ENTERED May 13 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1984(6)

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 May 13, 2025, 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. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 13, 2025**

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

DATE: April 7, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1984(6))
Application for Reauthorization to Defer Certain Expenses or Revenues
Related with Multnomah County Business Income Tax (MCBIT).

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, 2025.

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

ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses, or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers.

A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

Docket No. UM 1984 (6)
April 7, 2025
Page 2

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.

Analysis

Background

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 deferred 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.

Also, each year, the Company address the information required by the commission in the Order NO. 09-263 issued in Docket UM-1286, Staff's Investigation into Purchase Gas Adjustment ("PGA").

- A completed Summary Sheet, the location in the PGA filing, and an account map that highlights the transfer of dollars from one account to another.
- The effective date of the deferral
- Prior year Order Number approving the deferral
- The amount deferred last year.
- The amount amortized last year.
- The interest rate that will apply to the accounts.
- An estimate of the upcoming PGA-period deferral and/or amortization.

Docket No. UM 1984 (6)
April 7, 2025
Page 3

Description of the Expenses

The expenses are the revenues and expenses associated with the Multnomah County Business Income Tax (MCBIT) balancing, and the collections from MCBIT.

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.

Estimate of Amounts

The Company does not have a firm estimate of the amounts expected to be deferred 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.

However, the Company states in its December 13, 2024, Application that it expected to defer \$267,109 for the months January 2024 through the end of December 2024, which represents the difference between the estimated tax provision and the collected amount from customers subject to Schedule A.¹

Additionally, Exhibit A in Docket No. ADV 1667 (NW Natural's Advice Filing 24-21) includes a summary sheet that reflects the estimated amounts deferred for 2024 and estimates for the tax provision in 2025, as well as calculation of the 2025 MCBIT rate.² This includes an estimate for the 2025 MCBIT tax liability of \$225,058. When combined with the 2024 ending deferral balance, a total amount to be collected in 2025 rates of \$492,167, excluding interest. If the Company's estimates in ADV 1667 are correct, the balance in the balancing account at the end of 2025 would be zero.

Reasons for Deferral

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and received by customers. In this application, Northwest Natural seeks to continue the use of a balancing account to match the costs borne and benefits received by customers.

¹ See UM [1984haq333516053.pdf](#).

² See, Advice Filing 24-21, docketed as ADV 1667 and approved at the December 19, 2024, OPUC public meeting. Link: [State of Oregon: Public Utility Commission of Oregon](#).

Docket No. UM 1984 (6)
April 7, 2025
Page 4

Information Related to Future Amortization

- Earnings Review – An earnings review may be 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 percentage of revenue 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 (8) and (10)) 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 this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request to re-authorize the deferral of revenues and expenses associated with the MCBIT for the 12-month period beginning January 1, 2025.

Northwest Natural UM 1984(6)