Service Date: September 26, 2025

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petitions of CASCADE NATURAL GAS CORPORATION, Petitioner, For an Order Authorizing Deferred Accounting Treatment of Cascade's Costs associated with the United States Tariffs on Energy Imports from Canada	DOCKET UG-250151 ORDER 01 GRANTING ACCOUNTING PETITION

BACKGROUND

1 On February 1, 2025, President Trump issued Executive Order (E.O.) 14193 directing the imposition of import tariffs on all articles that are products of Canada, including a 10 percent duty on natural gas imported into the United States (U.S.) from Canada.[1] However, the tariffs do not apply to electrical energy imported from Canada based on the definition of "energy and energy resources," which were adopted by reference in E.O. 14193 and defined in E.O. 14156.[2] Although President Trump issued E.O. 14197 on February 3, 2025, suspending implementation of the tariffs to go into effect on March 4, 2025,[3] on March 5, 2025, E.O. 14226, was issued effectively suspending implementation of tariffs on goods qualifying for the United States-Mexico-Canada Agreement (USMCA) preference.[4]

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[1] Executive Order No. 14193, *Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border*, § 2(a) (Feb. 1, 2025), available at https://www.govinfo.gov/content/pkg/FR-2025-02-07/pdf/2025-02406.pdf.

[2] Specifically, Executive Order No. 14156, specifies that the term "energy" or "energy resources" means crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water, and critical minerals, as defined by 30 U.S.C. 1606(a)(3). *See* Exec. Order No. 14156, *Declaring a National Energy Emergency*, at § 8(a) (January 20, 2025), available at: https://www.govinfo.gov/content/pkg/FR-2025-01-29/pdf/2025-02003.pdf.

[3] Executive Order No. 14197, *Progress on the Situation at Our Northern Border*, § 3 (Feb. 3, 2025), available at https://www.govinfo.gov/content/pkg/FR-2025-02-10/pdf/2025-02478.pdf.

[4] Executive Order No. 14226, *Amendment to Duties To Address the Flow of Illicit Drugs Across Our Northern Border*, § 1 (March 6, 2025), available at https://www.govinfo.gov/content/pkg/FR-2025-03-06/pdf/2025-03728.pdf.

2 Given that natural gas produced in Canada and imported into the U.S. qualifies for USMCA preferential treatment[5] effective March 7, 2025, natural gas imports from Canada are now exempted from import tariffs and were only subject to tariffs for a three-day period from March 4, 2025, to March 6, 2025.

3 On March 7, 2025, Cascade Natural Gas Corporation (Cascade or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition in Docket UE-250151 seeking an order under WAC 480-07-370 and RCW 480-90-203 authorizing deferred accounting treatment for increased costs associated with any tariffs on energy and natural gas resources imported from Canada.

4 Cascade provides utility services to approximately 250,000 to 300,000 customers across Washington and Oregon. For Cascade's natural gas operations, approximately 10 percent is U.S. sourced, primarily from the U.S. Rocky Mountains basin with the remaining 90 percent being sourced from Canada.[6]

5 Cascade has a purchased gas adjustment mechanism (PGA), which the Company used to track and defer variances of natural gas costs relative to the costs included in the PGA baseline. Unlike the annual variances for the Power Cost Adjustment Mechanisms (PCAMs) in place for electric utilities, the annual PGA variances do not pass through dead bands or sharing bands. Rather, they are passed through to ratepayers in full over the subsequent rate year subject to a prudency review, and generally it is unnecessary for the utility to petition for deferred account treatment given that the costs are captured annually through the PGA deferral mechanism.

6 However, Cascade is unique in that it cannot record the cost of tariffs to an account that is tracked through the PGA. While Cascade uses its Commission approved PGA mechanisms for natural gas expenses and tracks FERC accounts[7] into the PGA, it would

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[5] 19 C.F.R. § 182. See also 19 C.F.R. § 182, Appendix A § 3.

[6] PSE states that if the ten percent tariff is imposed it estimates that its gas supply costs will increase by approximately $25 million for the balance of the 2025 calendar year from March through December 2025). *See In the Matter of the Petition of Puget Sound Energy For an Order Authorizing Deferred Accounting Treatment of PSE's Costs associated with the United States Tariffs on Energy Imports from Canda*, Docket UE-250135, Petition of Puget Sound Energy at 5 ¶ 13 (March 4, 2025).

[7] Cascade tracks the following FERC accounts into PGA: (1) 283 (Sales for Resale); (2) 804 (Natural Gas City Gate Purchases); (3) 495 (Other Gas purchases); (4) 808 (Gas Delivered/Withdrawn from Storage; (5) 811 (Gas Used for Compression Station Fuel); and (6) 813 (Other Gas Supply Expenses). *See In the Matter of Cascade Natural Gas, Petition for an Accounting Order Authorizing Accounting and Ratemaking Treatment for Tariffs on Canadian*

be appropriate for the Company to record the costs to FERC Account 804. However, Cascade's current natural gas tariff does not include language that would allow the tariff costs to be included in the cost of gas tracked through the PGA, like other similarly situated utilities.[8] Specifically, Rule 19 of Cascade's tariff states that the cost of gas tracked through the PGA includes "commodity charges and commodity-related fixed charges *under the Company's acquisition contracts* of all types of natural gas commodities."[9] Given that the tariff costs would not be included in Cascade's commodity acquisition contacts, the tariff costs cannot be treated as gas costs tracked through the PGA.

7 In its Petition, Cascade argues that because it is unclear how the tariff cost will appear and if they will flow through the PGA or not, that "[i]t is possible that the costs associated with the tariffs will be absorbed or paid by Canadian produced and included in the embedded cost of the natural gas billed to Cascade."[10] This in turn would result in such expenses continuing to be deferred through the PGA FERC accounts and require Cascade to absorb 100 percent of the costs associated with the tariff, when such cost could not be anticipated when establishing costs in its last general rate case,[11] and are beyond its control. Therefore, given that the other Commission-regulated natural gas utilities are able to defer the tariff costs through a PCAM, Cascade is requesting that it be granted the same opportunity to recover the costs of the tariffs in full through its PGA deferral mechanism and to receive the appropriate accounting treatment.

8 Cascade reports that for the three-day period from March 4, 2025, to March 6, 2025, that the new import tariffs were imposed by the federal government, its Washington-allocated natural gas tariff costs totaled $110,548.

9 Commission staff (Staff) reviewed Cascade's Petition finding that the costs associated with the tariffs for the three-day period meet the Commission's "extraordinary circumstances" standard, reasoning that given the restrictive language of the Company's

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Energy Imports (Cascade's Petition for an Accounting Order), Docket UG-250151, as 203:36-43 (March 7, 2025).

[8] PSE's tariff states that costs *associated with* the Company's acquisition of natural gas commodities can be included in the PGA, and Avista's tariff states that *other miscellaneous expenses* directly related to the Company's cost of purchasing gas will be recorded in the PGA.

[9] WN U-3, Sheet No. 23. (Emphasis added).

[10] Cascade's Petition for an Accounting Order, Docket UG-250151 at 3:45-47.

[11] *Washington Utilities and Transportation Commission (W.U.T.C.) v. Cascade Natural Gas Corporation*, Docket UG-240008, Order 05, Rejecting Tariff Sheets; Approving and Adopting Settlement With Conditions; Authorizing and Requiring Compliance Filing (February 24, 2025).

tariff, it is appropriate to allow Cascade to defer the tariff costs and receive appropriate accounting treatment under FERC Account 182.3 (other regulatory assets).

10 Staff further noted that absent the deferred accounting treatment that Cascade seeks, it would not be afforded an opportunity to seek recovery of the tariff costs, which the other Commission-regulated natural gas utilities are able to defer through a PCAM.

11 Therefore, Staff recommends issuing an order in this docket: (1) authorizing the deferred accounting treatment to allow Cascade to recover the costs of the tariffs in full; and (2) approving Cascade's request to track any cost increases resulting from the U.S. imposed tariffs on energy imports from Canada so that such costs do not pass through its PGA deferral mechanism.

DISCUSSION

12 The Commission typically reserves deferred accounting treatment for costs that result from extraordinary circumstances and have material impacts on the Company's financial results. The Commission has allowed deferred accounting where costs were beyond the utility's control,[12] and when the utility would not have an opportunity to recover the costs in rates.

13 The Commission in the past has applied a "materiality" threshold when determining whether deferred accounting treatment is warranted. That is, at times the Commission has required the costs in question to be large enough to have a material impact on the company's earnings.[13]

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[12] *See, e.g., In Re: the Petition of Puget Sound Energy for an Order Approving Deferral of Wildfire Insurance Costs*, Docket UE-231048, Order 01 at ¶8 (February 13, 2025) citing to *WUTC v. PacifiCorp d/b/a Pacific Power & Light Co.*, Dockets UE-140762, UE-140617, UE-131384, & UE-140094 (*consolidated*) Order 08. *See also* W*UTC v. Pacific Power & Light Co.*, Dockets UE-050684 and UE-050412, Order 04 at 123 ¶370; I*n Re: the Petition of PacifiCorp d/b/a Pacific Power & Light Co. for an Order Approving Deferral of the Costs Associated with the Clean Energy Transformation Act, Docket UE-210414*, Order 01 at 2 ¶7 ("utilities seeking deferred accounting must demonstrate that extraordinary circumstances exist to justify such treatment").

[13] *See* In re: the Petition of Pacific Power & Light Company for an Order Approving Deferral of the Costs Associated with the Clean Energy Transformation Act, Docket UE-210414, Order 01 at 2, ¶7 ("Circumstances that qualify as extraordinary are beyond the company's control and generate costs that have a material impact on a company's financial results.") *See also* Wash. Utils. & Transp. Comm'n. v. Nw. Nat. Gas Co., Docket UG-080519, Order 01, 3, ¶ 7 (May 2, 2008). ("[D]eferred amounts must be of a magnitude such that recording the costs under the Federal Energy Regulatory Commission's uniform system of accounts has a material impact on company earnings.")

14 However, we agree with Staff that we should not apply a materiality threshold to this accounting petition. The Commission has declined to adopt a bright-line definition for what constitutes a "material" impact on utility earnings. Moreover, while the tariff costs incurred to date likely would not be considered material under any definition of the word, there remains significant uncertainty as to whether President Trump will end the suspension currently in effect and reinstitute the tariff on natural gas imports from Canada. It is possible that utilities will incur additional tariff costs pursuant to E.O. 14193, so it may be premature to conclude that the costs are immaterial.

15 After reviewing the Petition, Staff's recommendations, and the discussion that took place at the Commission's September 25, 2025, Open Meeting we agree that:

(a) the costs associated with new import tariffs imposed by the federal government meet the Commission's extraordinary circumstances standard;

(b) the $110,548 in natural gas tariff costs that accrued from March 4, 2025, to March 6, 2025, could not have been accounted for when Cascade's base rates were last set by the Commission in its 2024 rate case;

(c) the cost increases borne from the imposition of tariffs on energy imports should be tracked through the proper accounting treatment and deferred to FERC Account 182.3 (other regulatory assets); and

(d) the carrying costs applied to the deferral should be at the FERC rate, consistent with WAC 480-90-233.

16 We therefore grant Cascade's request in its Petition for deferred accounting treatment in accordance with Staff's recommendations set forth in paragraph 13 above. We do so as it pertains to costs accrued from March 4, 2025, through March 6, 2025. However, we will continue to monitor the tariff situation moving forward and may adjust our treatment of tariff costs if needed.

FINDINGS AND CONCLUSIONS

17 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.

18 (2) Cascade is a public service company regulated by the Commission, providing service as a natural gas company.

19 (3) The Commission has jurisdiction over the subject matter of this proceeding and over Cascade.

20 (4) WAC 480-07-370(3), allows companies to file petitions including that for which Cascade seeks approval.

21 (5) This matter came before the Commission at its regularly scheduled meeting on September 25, 2025.

22 (6) After reviewing and giving due consideration to all relevant matters and for good cause shown, the Commission grants Cascade's request for deferred accounting treatment of the $110,548 in natural gas tariff costs that accrued from March 4, 2025, to March 6, 2025. We further adopt Cascade's request that any cost increases borne from the imposition of tariffs on energy imports be tracked separately from other power supply-related costs and not pass through the PGA deferral mechanism. However, we will continue to monitor the tariff situation moving forward and may adjust our treatment of tariff costs if needed.

ORDER

THE COMMISSION ORDERS:

23 (1) Cascade Natural Gas Corporation's Petition for Accounting Order Authorizing Deferred Accounting Treatment associated with new import tariffs imposed by the federal government are granted as set forth in paragraph 15 above.

24 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petitions be construed as an

agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

25 (3) The Commission retains jurisdiction over the subject matter and Cascade Natural Gas Corporation to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 26, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

BRIAN J. RYBARIK, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner