

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petitions of

PUGET SOUND ENERGY,

Petitioner,

For an Order Authorizing Deferred
Accounting Treatment of PSE's Costs
associated with the United States Tariffs
on Energy Imports from Canada

DOCKET UE-250135

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

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 imported into the U.S. qualifies for USMCA preferential treatment⁵ effective March 7, 2025, natural gas imports from Canada are now exempt 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 4, 2025, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition in Docket UE-250135 seeking an order under WAC 480-07-370 authorizing deferred accounting treatment for increased costs associated with any tariffs on energy and natural gas resources imported from Canada.
- 4 PSE provides utility services to approximately 1,200,000 electric customers and 878,000 natural gas customers in Western Washington. For its natural gas operations, approximately 85 percent is sourced from Canada, and for its electrical operations, 83 percent of the fuel consumed by PSE's natural gas-fired generation is imported from Canada.⁶
- 5 However, because PSE records the cost of energy tariffs to its FERC accounts tracked through the Company's Power Cost Adjustment Mechanism (PCAM),⁷ PSE is requesting that any increased costs associated with the federal energy tariffs be deferred and not subject to the PCAM deadband or sharing bands. PSE further requests that any direct, identifiable tariff costs that would flow through the PCAM be deferred to a FERC 186 Miscellaneous Deferred Debit account, with the offsetting entry recorded to where the increased cost would have typically been recorded.⁸
- 6 In its Petition, PSE argues that because it is unclear whether the tariffs will be reflected in embedded costs of the Canadian commodity or flow through the PCAM, if the annual overall variance were to fall within the deadband, PSE would be required to absorb the costs associated with the tariff. PSE further argues that given the potential magnitude of

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

⁶ PSE states that if the 10 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 PSE's records the costs to FERC Account 547 (Fuel) for electrical energy and natural gas.

⁸ PSE explains that this would be either the FERC 408.1 Taxes Other than Income Taxes, FERC 555, Purchased Power, or FERC 547, Fuel.

the unanticipated tariff costs that were imposed by an executive order, outside of its ability to control, that such extraordinary circumstances warrant the relief requested.

7 PSE 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 electric tariff costs totaled \$135,698.

8 Commission Staff (Staff) reviewed PSE's Petition finding that the costs associated with the tariffs for the three-day period meet the Commission's "extraordinary circumstances" standard. Specifically, Staff notes that the event that gave rise to the change in utility costs (i.e., the imposition of tariffs by executive order) and the change in cost itself (i.e., the cost increase to the utility resulting from those tariffs) were beyond PSE's ability to control.

9 Staff further noted that the tariff costs resulting from E.O. 14193 could not have been accounted for when PSE's base rates were last set by the Commission given that tariffs are a form of taxation, and PCAMs were never intended to address new taxes levied on a utility but rather designed to address imbalances resulting from market volatility. Finally, because one of the primary purposes of establishing a risk-sharing mechanism for PCAMs is to promote utility cost efficiency,⁹ Staff reasons that it would not make sense to pass costs through the deadband or sharing bands.

10 Therefore, Staff recommends issuing an order in this docket: (1) authorizing the deferred accounting treatment to allow PSE to recover the costs of the tariffs in full; and (2) approving PSE'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 the PCAM's dead bands and sharing bands and receive the appropriate accounting treatment.

DISCUSSION

11 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

⁹ Wash. Utils. & Transp. Comm'n. v. Pacific Power & Light Co., Docket UE-050684, Order 04 at 37, ¶ 96 (April 17, 2006). *See also* Wash. Utils. & Transp. Comm'n. v. Pacific Power & Light Co., Docket UE-130043, Order 05 at 67, ¶ 172 (December 4, 2013).

utility's control,¹⁰ and when the utility would not have an opportunity to recover the costs in rates.

12 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.¹¹

13 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.

14 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:

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

¹⁰ 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 *WUTC v. Pacific Power & Light Co.*, Dockets UE-050684 and UE-050412, Order 04 at 123 ¶370; *In 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”).

¹¹ 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.”)

- (2) the \$135,698 in electric tariff costs that accrued from March 4, 2025, to March 6, 2025, could not have been accounted for when PSE's base rates were last set by the Commission in its 2024 rate case;
- (3) the cost increases borne from the imposition of tariffs on energy imports should be tracked separately from other power supply-related costs and should not pass through a PCAM's dead bands and sharing bands; and
- (4) the carrying costs applied to the deferral should be at PSE's after tax actual cost of debt.

15 We therefore grant PSE's request in its Petition for deferred accounting treatment for the costs of energy resources imported from Canada and authorize deferral of those expenses for recovery in PSE's PCAM, not subject to the PCAM deadband or sharing bands. 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

- 16 (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.
- 17 (2) PSE is a public service company regulated by the Commission, providing service as an electric and natural gas company.
- 18 (3) The Commission has jurisdiction over the subject matter of this proceeding and over PSE.
- 19 (4) WAC 480-07-370(3), allows companies to file petitions including that for which PSE seeks approval.
- 20 (5) This matter came before the Commission at its regularly scheduled meeting on September 25, 2025.
- 21 (6) After reviewing and giving due consideration to all relevant matters and for good cause shown, the Commission grants PSE's request for deferred accounting

treatment of the \$135,698 in electric tariff costs that accrued from March 4, 2025, to March 6, 2025. We further adopt PSE'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 PCAM dead bands and sharing bands. We find this Order is appropriate now, but note it does not set precedent moving forward.

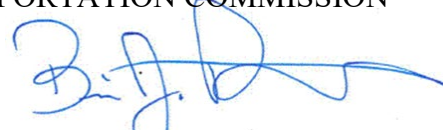
ORDER

THE COMMISSION ORDERS:

- 22 (1) Puget Sound Energy'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 14 of this Order.
- 23 (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.
- 24 (3) The Commission retains jurisdiction over the subject matter and Puget Sound
Energy to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective September 29, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



BRIAN J. RYBARIK, Chair



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner