

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2375

In the Matter of

CASCADE NATURAL GAS
CORPORATION,

Application for Authorization to Use
Deferred Accounting Related to Tariffs on
Imported Natural Gas from Canada.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 30, 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. CA13

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 30, 2025**

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

DATE: September 22, 2025

TO: Public Utility Commission

FROM: Julie Dyck

THROUGH: Scott Gibbens and Anna Kim **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. UM 2375)
Avista Deferral of Canadian Natural Gas Tariffs

STAFF RECOMMENDATION:

Approve Avista's application seeking authorization to use deferred accounting for the 12-month period beginning March 4, 2025, with the modification that the Company only defer 90 percent of the costs and revenues associated with the impacts on the Company's natural gas supply of any federal tariffs imposed on imported Canadian natural gas over the deferral period.

DISCUSSION:

Issue

Whether the Commission should approve Avista's application seeking authorization to use deferred accounting for the 12-month period beginning March 4, 2025, for all costs and revenues associated with the impacts on the Company's natural gas supply of any tariffs imposed on imported Canadian natural gas over the deferral period.

Applicable Rule or Law

Under ORS 757.259, the Commission may authorize a utility to use a deferred account to capture and track costs and revenues without passing them to customers until a later time. Upon application and opportunity for comment and hearing, if requested by any party, ORS 757.259(2)(e) provides that the Commission may authorize a deferral of utility revenues and expenses, for later inclusion in rates:

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- (a) Amounts incurred by a utility resulting from changes in the wholesale price of natural gas or electricity approved by the Federal Energy Regulatory Commission,
- (b) Balances resulting from the administration of Section 5(c) of the Pacific Northwest Electric Power Planning and Conservation Act of 1980,
- (c) Direct or indirect costs arising from any purchase made by a public utility from the Bonneville Power Administration pursuant to ORS 757.663, provided that such costs shall be recovered only from residential and small-farm retail electricity consumers,
- (d) Amounts accruing under a plan for the protection of short-term earnings under ORS 757.262 (2), or
- (e) 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.

ORS 757.259(4) and OAR 860-027-0300(2) prohibit a deferral authorization from exceeding twelve months beginning on or after the date of the application.

OAR 860-027-0300(3) requires a deferral application to include the following:

- (a) A description of the utility expense or revenue for which deferred accounting is requested,
- (b) The reason(s) deferred accounting is being requested and a reference to the section(s) of ORS 757.259 or 759.200 under which deferral may be authorized,
- (c) The account proposed for recording of the amounts to be deferred and the account which would be used for recording the amounts in the absence of approval of deferred accounting,
- (d) An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application, and
- (e) A copy of the notice of application for deferred accounting and list of persons served with the notice.

Analysis

Background

Deferred accounting provides a way to address utility expenses or revenues outside of a general rate case and is “a statutorily authorized exception to the general prohibition against retroactive ratemaking.”¹ The Commission may authorize the use of deferred

¹ *In the Matter of Public Utility Commission of Oregon, Deferred Accounting Principles Adopted*, Docket No. UM 1147, Order No. 05-1070 at 2 (October 5, 2005).

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accounting to allow “a utility to capture and track costs and revenues without passing them to customers until a later time.”²

The Commission has previously articulated the two-stage process in which it considers utility applications for deferrals and clarified that it may deny authorization to defer costs at either stage:

One stage of review involves a determination of whether a proposed deferral meets the criteria set forth in subsections (a) through (e) of ORS 757.259(2). These subsections identify types of monies, whether expenses or revenues, that the legislature has given the Commission discretion to defer. Past controversy has predominately involved disputes about ORS 757.259(2)(e), a catch-all provision that allows deferral of [i]dentifiable 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 the benefits received by ratepayers.

The other stage entails an exercise of Commission discretion under ORS 757.259(2), providing in part (*emphasis added*): Upon application of a utility or ratepayer or upon the commission's own motion * * * the commission by order *may* authorize deferral of the following amounts for later incorporation in rates[.].

As we explained in Order No. 04-108, in exercising this discretion, we consider two interrelated factors: the type of event that caused the deferral; and the magnitude of the event's effect. These two considerations interact with each other so that neither is dispositive without the other. With regard to the type of event causing the deferral, we drew a distinction between risks that can be predicted to occur as part of the normal course of events, classified as stochastic risks, and risks that are not susceptible to prediction and quantification, classified as scenario risks. We concluded that risks that are reasonably predictable and quantifiable are generally not appropriate for deferral unless the second consideration, the magnitude of the financial impact of the event on the utility, is substantial enough to warrant deferral. See Order No. 04-108 at 9. If, in our discretion, we deem a requested deferral to be inappropriate, we may deny it without further consideration.

² *Id.*

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Alternatively, if we deem a requested deferral to be appropriate, we must verify that it is legally authorized before we approve it.³

Description of Expenses

On February 1, 2025, President Trump announced his intention to impose 25 percent tariffs on Canadian imports as part of a broader strategy to address national security concerns and trade imbalances with the signing of an executive order.⁴ On February 3, the tariffs were suspended for 30 days amid discussions between leaders. On March 4, 2025, the 25 percent tariffs on imports from Canada and Mexico (limited to 10 percent for energy products) went into effect.⁵ The Company made its filing on March 4, 2025, as well. China, Canada, and Mexico promised retaliatory measures.

On March 4, 2025, Avista submitted its application in Docket No. UM 2375 for deferred accounting treatment for all costs and revenues, \$29,373, associated with the impacts on the Company's natural gas supply of any tariffs imposed on imported Canadian natural gas over the deferral period. The Company proposes amortizing deferrable amounts over March 4, 2025 to March 3, 2026, to smooth rate impacts.

On April 2⁶, Trump announced his long-promised "reciprocal" tariffs which applied a 10 percent tariff on imports from all countries however the White House reiterated that United States-Mexico-Canada Agreement (USMCA) compliant goods⁷ can continue to enter the U.S. duty-free.⁸ The Pacific Northwest consistently imports gas from Western Canada, with 89 percent of the supply in 2024 coming from Canada.⁹ The majority of natural gas that Avista purchases is from AECO, which has traditionally been one of the lowest priced natural gas trading hubs and is among the most liquid supply points, especially for longer-term transactions.

Proposed Accounting

Avista proposes to the extent any costs associated with tariffs imposed on Canadian imports do not otherwise flow through the various FERC accounts tracked in the PGA, they are charged to FERC Accounts 408.1 and 408.2, which reflect amounts of ad valorem, gross revenue or gross receipts taxes, state unemployment insurance, franchise taxes, Federal excise taxes, social security taxes, and all other taxes assessed by Federal, state, county, municipal, or other local governmental authorities,

³ Order No. 05-1070 at 2-3.

⁴ [Trump's trade wars: A timeline of how we got here | AP News](#)

⁵ [Fact Sheet: President Donald J. Trump Proceeds with Tariffs on Imports from Canada and Mexico – I.](#)

⁶ See Exec. Order 14156, 90 Fed. Reg. 8433 (Jan. 20, 2025).

⁷ Staff/302, PGE's response to Staff DR 22 (pdf).

⁸ [A timeline of Trump's tariff actions so far | PBS News.](#)

⁹ [Trump tariffs include 10 percent carve-out for Canadian gas, power, minerals | S&P Global.](#)

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except income taxes. Furthermore, Avista proposes to defer those amounts to FERC Account 182.3 (Regulatory Asset). Interest would accrue consistently with the PGA. Once the deferral is approved for recovery and associated amortization, interest will accrue at the Modified Blended Treasury Rate similar to the Company's other amortization accounts.

Reasons for Deferral

Avista states that deferral of the costs and revenues associated with the tariffs on imported Canadian natural gas is appropriate because they are "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 . . . [and] match appropriately the costs borne by and benefits received by ratepayers."¹⁰ The Company explains that authorizing it "to defer these costs and revenues for appropriate treatment in the PGA will minimize the frequency of rate changes that would otherwise occur in the absence of deferred accounting."¹¹ It also asserts that "[r]equiring the Company to bear a portion of the cost associated with the sudden imposition of such tariffs does not appropriately match the costs borne by and benefits received by ratepayers" because the Company has no control over the tariffs and could not have anticipated them in its annual natural gas forecast.¹²

Staff Review

Staff reviewed tariff documentation, confirmed new Canadian rates were passed through by pipeline operator and beyond the Company's control and the Company incurred approximately \$29,373 in additional costs.

Avista and Staff met to discuss these concerns.

Staff recognizes that these costs are like costs recovered under the PGA. In fact, the costs may actually be eligible for deferral under the PGA. In its application to defer costs associated with the tariffs, the Company explains the ambiguity about whether the tariff costs are covered by the PGA"

It is unclear at this point as to how those costs will appear and if they would flow through the PGA, or not. It is possible that the costs associated with tariffs will be absorbed or paid by Canadian producers and included in the embedded cost of the natural gas or electricity commodity billed to Avista. In such an instance, the Company would report a higher price for that item and have no special treatment for the

¹⁰ Avista application at 4 (citing ORS 757.259(2)(e)).

¹¹ Avista application at 4.

¹² Avista application at 4-5.

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excise tax that might be embedded in the cost of the item. Such expenses would continue to be deferred through the PGA FERC accounts noted above.¹³

Staff supports treating tariff costs as other costs like commodity costs eligible for recovery and deferral under the PGA. The Commission has already determined that gas commodity costs can be deferred and recovered in the PGA and has designed the PGA to address the risks and benefits typically considered during review of a deferred accounting application. Accordingly, Staff recommends the Commission authorize Avista to defer 90 percent of the costs and revenues at issue in this application.

Finally, Staff notes that it would support an amendment to Avista's PGA tariff to account for and ensure clarity that future gas-related federal tariffs be treated as a PGA cost covered by the PGA deferral. This would avoid the need for separate deferrals moving forward. Staff intends to engage with Avista and the other utilities on this amendment. In addition, this approach results in potential symmetric sharing of tariff costs, where some years the utility might absorb costs while in other years, the Company may benefit from sharing. Similar to regular gas costs, the Company is incentivized to minimize costs through sharing in a way that aligns with customers interests. The Company has reviewed this memo and had no further edits.

Conclusion

In Summation, the Commission approve Avista's application seeking authorization to use deferred accounting for the 12-month period beginning March 4, 2025 through March 3, 2026, for 90 percent of the costs and revenues associated with the impacts on the Company's natural gas supply of any federal tariffs imposed on imported Canadian natural gas over the deferral period.

PROPOSED COMMISSION MOTION:

Approve Avista's application seeking authorization to use deferred accounting for the 12-month period beginning March 4, 2025 through March 3, 2026, with the modification that the Company defer 90 percent of the costs and revenues associated with the impacts on the Company's natural gas supply of any federal tariffs imposed on imported Canadian natural gas over the deferral period.

¹³ Docket No. UM 2375 Avista Application to Authorize Deferred Accounting at 3.