BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Avista Corporation, d/b/a Avista Utilities For an Order Authorizing Deferral of Tariffs Imposed on Imports of Energy Resources from Canada not Otherwise Tracked in Existing Deferral Mechanisms	)))))))	Docket No. UG-25______ PETITION OF AVISTA CORPORATION

I. INTRODUCTION

1 In accordance with WAC 480-90-203(3), Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Commission for an order authorizing it to utilize deferred accounting for the potential impact to its expenses due to the levying of tariffs by the United States on energy resources imported from Canada. As discussed below, the impact of such tariffs, and how they will be paid for is unclear. As of now the Company does not know whether such tariffs would be reflected in the embedded cost of the Canadian commodity (and therefore flow through the Company's natural gas Purchased Gas Cost Adjustment Mechanism (PGA)), or would be considered something more akin to an excise tax (such taxes are not tracked in the PGA deferrals). Therefore, the Company is seeking deferral treatment of any imposed tariff (tax[1]), which aligns the cost of providing service to customers with the benefits customers receive from

[1] Requests for treatment of unforeseen changes in taxes are not new. For example, in 2017, the Company filed, and the Commission ultimately approved deferred accounting treatment of reductions in federal taxes from the Tax Cuts and Jobs Act (see Dockets UE-170485, UE-180176, etc.).

the Company's delivered energy.[2]

2 Avista is a utility that provides service to approximately 420,000 electric customers and 381,000 natural gas customers in eastern Washington, northern Idaho, and Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters. Please direct all correspondence related to this Petition as follows:

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3 Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(1)(b).

II. BACKGROUND

4 On February 1, 2025, President Trump announced his intention to impose tariffs on Canadian energy imports as part of a broader strategy to address national security concerns and trade imbalances. The proposed tariffs, which include a 25% tariff on all imports from Canada and a 10% tariff specifically on energy resources, were justified by the administration as necessary measures to combat the flow of illegal drugs into the United States, among other reasons. These energy imports issue include natural gas and electricity. While the tariffs were suspended for a period of time, on February 27, 2025 the President announced that "the proposed

[2] Given the uncertainty that exists around the imposition of tariffs, and the accounting thereof, Avista will update this request as necessary if it learns more during the processing of this Application. Further, it is our understanding that other utilities will also be making similar filings, and we will monitor those and adjust our request as appropriate.

tariffs scheduled to go into effect on March 4th will, indeed, go into effect, as scheduled."[3] On March 4, 2025, the tariffs went into effect.[4]

5 For natural gas operations, the Company purchases natural gas for distribution customers in wholesale markets at multiple supply basins in the western United States and western Canada. Purchased natural gas can be transported through six inter-connected pipelines on which Avista holds firm contractual transportation rights. Approximately 10% is U.S.-sourced natural gas, primarily the Rocky Mountains basin. The remaining 90% is from Canadian-sourced natural gas, located in Alberta and British Columbia. The majority of natural gas is purchased at 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. Even with the proposed tariffs, natural gas prices at AECO are still well below any alternative, and is the lowest cost resource for our customers.

6 The same holds true for electric operations. To fuel its natural gas turbines, Avista purchases natural gas from various supply basins. As discussed in our Integrated Resource Plan, Avista transports fuel to its natural gas-fired generators using the Gas Transmission Northwest (GTN) pipeline owned by TC Energy. The pipeline runs between Alberta, Canada and the California/Oregon border at Malin, Oregon. Avista holds 60,592 dekatherms per day of capacity from Alberta to Stanfield, Oregon. Avista's customers not only benefit from the low cost natural gas used to generate electricity, but also benefit from optimization activities where low cost natural gas sourced in Canada can be sold in markets in the United States at a premium, the

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[3] https://www.msn.com/en-us/money/markets/trump-plans-tariffs-on-mexico-and-canada-for-march-4-while-doubling-existing-10-tariffs-on-china/ar-AA1zUCDl

[4] https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-proceeds-with-tariffs-on-imports-from-canada-and-mexico/

benefits of which flow through the Energy Recovery Mechanism.

7 The Company employs Commission-approved mechanisms for tracking actual natural gas as compared to that authorized by the Commission. The specific FERC accounts (and various subaccounts) that are tracked in the PGA are as follows:

PGA Accounts include:

- Account 483: Sales for Resale
- Account 804: Natural Gas City Gate Purchases
- Account 495: Other Gas Purchases
- Account 808: Gas Delivered/Withdrawn from Storage
- Account 811: Gas Used for Compression Station Fuel
- Account 813: Other Gas Supply Expenses

8 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 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.

9 If, however, Avista is considered the importer, and therefore responsible for paying the tariff (the excise tax), we believe such an expense would be posted to FERC Account 408 (Taxes Other Than Income Taxes) and the payable would be posted to a 236 account (Taxes Accrued). These accounts are not included in the accounts tracked in the PGA, as shown above. Avista does not believe that it should absorb such unexpected expenses/taxes that are beyond its control. Further, while Avista will seek to procure commodity resources at the lowest reasonable cost from producers in the United States, as discussed earlier Canadian natural gas that Avista

has access to is the lowest in the region, even with levied tariffs. As such, it is reasonable that the costs associated with the tariffs be deferred and recovered from customers just like any other cost that is directly related to the underlying commodity which customers benefit from.

III. PROPOSED ACCOUNTING TREATMENT

10 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, except income taxes. These accounts are charged in each accounting period with the amounts of taxes which are applicable to each account, with concurrent credits to FERC Account 236, Taxes accrued, or FERC Account 165, Prepayment, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known. For the reasons discussed above, Avista proposes to defer those amounts to FERC Account 182.3 (Regulatory Asset). The monthly accounting entries would be as follows:

Accounting Entry to Record the Deferral of Tariffs - Recorded Monthly

Account Description	FERC Account	Debit	Credit
Regulatory Asset - Deferred Costs	182.3XX	xxx	
Regulatory Credit - Deferred Costs	407.4XX		xxx

11 Interest would accrue in the same manner as is authorized for the PGA.

IV. REQUEST FOR RELIEF

12 WHEREFORE, Avista respectfully requests that the Commission issue an Order approving the deferred accounting treatment proposed above. Avista will address the prudence and recovery of these costs in future PGA filings, as appropriate.

DATED this 4th day of March 2025

By: Patrick D. Ehrbar
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Director of Regulatory Affairs