

It is the rule established by the Supreme Court of the United States that income taxes, both state and federal, are a proper charge to operating expense (Galveston Electric Company v. City of Galveston - decided in 1922 - 285 U.S. 388,399, 66 L.ed. 678,684; Georgia Railway and Power Company v. Railroad Commission - decided in 1923 - 262 U.S. 625,632,633, 67 L.ed. 1144,1148). The Court stated unequivocally that income taxes are a proper charge to operating expense and that it is error not to allow such charge. In the circumstances, we are of the opinion that the Commission is bound by the rule laid down by the Supreme Court of the United States concerning the subject in question. Therefore the additional income taxes levied against this applicant at the 52 per cent rate must be allowed as a proper charge to its operating expense.

Applicant has heretofore made a full showing of the facts justifying the increased gas service rates authorized by our Decision No. 49560 and we have so found.

The Commission is of the opinion that applicant's request is reasonable and that it should be granted without delay. Being of the further opinion that a public hearing thereon is not necessary, ✓

IT IS FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ therefrom, are for the future unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that Coast Counties Gas and Electric Company is authorized to file in quadruplicate with this Commission on or after the effective date hereof, the tariff schedules contained in Exhibit B attached to the First Supplemental Application and, after not less than one day's notice to the public and to this Commission, to make said tariffs effective for all service billings

based upon regular meter readings taken on and after the effective date of said filing.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 17th day of August, 1954.

John E. Mitchell
President

Justus J. Colwell

Kenneth G. Gattis

Gene Higgins

Commissioners