GH* ORIGINAL Decision No.___50415 BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA In the Matter of the Application of COAST COUNTIES GAS AND ELECTRIC COMPANY. a corporation, for authority to increase rates applicable to gas service furnished within the State of California. Application No. 34392 FIRST SUPPLEMENTAL OPINION AND ORDER By its first supplemental application in the above-entitled proceeding filed July 29, 1954, Coast Counties Gas and Electric Company seeks authorization to file increased gas rates in order to produce additional gross revenues in an amount equivalent to increased federal income taxes to be imposed upon applicant by the Revenue Code of 1954. Under said code applicant will be obligated to pay federal income taxes from and after April 1, 1954 at a rate of 52% rather than at the 47% rate upon which its presently effective tariffs are based. With respect to the provisions of said code which would permit applicant to adopt a liberalized method of depreciation for its property, applicant covenants that it has no present intention of adopting any such method for the year 1954 and that it will not undertake to do so without prior approval of this Commission. The rates for gas service authorized by this Commission's Decision No. 49560, issued January 12, 1954, were based upon revenues and expenses that reflected the 52% federal income tax rate in effect at that time. Subsequently, income taxes were reduced and applicant correspondingly reduced its rates for gas service on April 1, 1954 thereby returning applicant to the earning position found to be fair and reasonable by said Decision No. 49560. Applicant presently seeks to restore the rates to the level reflecting the 52% federal income tax rate. This will result in an increase of \$166,480 in gross revenue. -1City 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 /7th day

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