

ORIGINAL

Decision No. 50660

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of SOUTHERN CALIFORNIA GAS COMPANY	:	Application
for a general increase in gas rates)	No. 30299
under Section 63(a) of the Public	:	
Utilities Act.)	
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SUPPLEMENTAL OPINION

By Decision No. 44850, dated October 3, 1950, as amended by Decision No. 45438, dated March 9, 1951, the Commission authorized Southern California Gas Company to record certain journal entries on its books to carry out the provisions of a memorandum of understanding relative to depreciation practices. The entries thus approved resulted in a reduction of \$18,942,000 in the depreciation reserve account as of December 31, 1949, with concurrent credits to the following accounts:

Earned surplus, representing the difference between actual charges for the annual depreciation provision in 1949 and the amounts which would have been charged under revised depreciation rates	\$ 3,000,000.00
Reserve for retirement of Aliso gas plant	3,942,000.00
Reserve for writing off intangible capital and stock expense	1,282,861.48
Reserve for writing off acquisition adjustments	4,788,687.45
Reserve for possible tax deficiencies for the calendar years 1945 through 1949	3,363,000.00
Reserve for insurance	<u>2,565,451.07</u>
Total	<u>\$18,942,000.00</u>

It was stated in the memorandum that the differences between the acquisition adjustments and the tax deficiencies, on the one hand, and the amounts thus set up in reserves, on the other hand, upon actual determination, will be disposed of through surplus.

Applicant now has filed proposed journal entries to make final disposition of reserve balances and to reclassify its plant accounts to an original cost basis. It seeks the Commission's approval of the entries.

It appears that the requirements to write off the recorded balances representing the investment in the Aliso manufactured gas plant and in items of intangible capital and stock expenses are the same as the amounts appearing in the reserves set up to absorb them so that these two reserves will be eliminated in their entirety.

As to the recorded plant accounts, applicant has filed an original cost study of its properties which has been reviewed by the staff with certain proposed revisions. The study proposes reductions in the plant accounts in order to reflect original costs which will require a charge against the reserve for acquisition adjustments of \$2,232,718, leaving a balance therein of \$2,555,969.

With respect to the reserve for tax deficiencies, applicant had accumulated therein a total of \$5,393,283, including the \$3,363,000 credit arising from the memorandum of understanding. It now reports that its deficiencies in taxes for the years 1945 through 1949, inclusive, have been determined to be \$1,764,062, leaving a balance in the reserve of \$3,629,221.

By the proposed journal entries applicant will restate its plant accounts on an original cost basis and will eliminate all items of acquisition adjustments from its books, as well as its manufactured gas production plant and all items of intangible capital, excepting the recorded cost for franchises. The entries will dispose of four of the special reserves which were set up in accordance with the memorandum of understanding and will result in the transfer to surplus of unused balances in such reserves in the amount of \$6,185,190.

FIFTH SUPPLEMENTAL ORDER

The Commission has reviewed this matter and is of the opinion that the proposed journal entries should be approved; therefore,

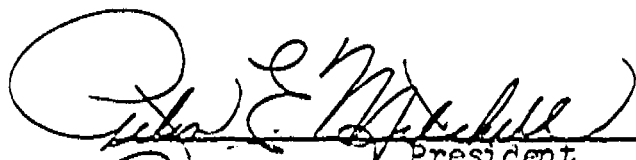
IT IS HEREBY ORDERED as follows:

1. The Public Utilities Commission hereby approves, for accounting purposes, journal entries 1 to 9, inclusive, submitted by Southern California Gas Company under date of September 22, 1954, to reflect the reclassification of its plant accounts to an original cost basis and to record adjustments in its several reserves, and hereby authorizes Southern California Gas Company to enter such entries on its books of account.

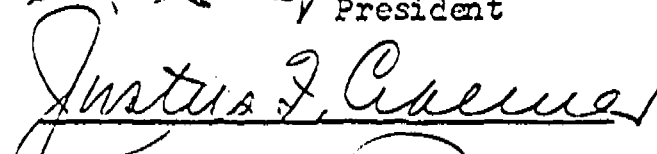
2. The action taken herein shall not be construed to be a finding of the value of applicant's plant.

3. The authority herein granted will become effective upon the date hereof.

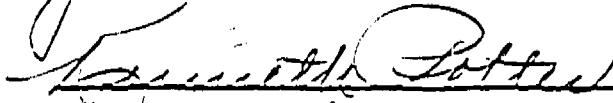
Dated at San Francisco, California, this 19th day of October, 1954.




President



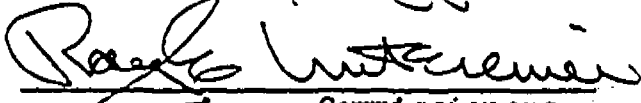
Commissioner



Commissioner



Commissioner



Commissioner