

Decision No. 51132**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
PACIFIC LIGHTING GAS SUPPLY COMPANY)	
for a General Increase in Gas Rates)	Application No. 35129
under Section 454 of the Public)	(1st Supplemental)
Utilities Code.)	

OPINION ON FIRST SUPPLEMENTAL APPLICATION

By this first supplemental application in the above-entitled matter, filed January 14, 1955, Pacific Lighting Gas Supply Company, a California corporation, seeks authority to maintain its gas rates after April 1, 1955 at a level consistent with a 52 per cent federal income tax rate. The federal income tax rate for corporations under existing law will be reduced from 52 to 47 per cent on April 1, 1955. Applicant states in the application its firm belief that Congress, by appropriate action in the year 1955, will prevent said federal income tax rate from being reduced to 47 per cent on April 1, 1955.

Tax Rate Revision

Applicant points out that the United States Congress can retroactively revise income taxes and expects that it will not finally consider the income tax rate for corporations until the middle of the year 1955 or later. As a precedent for this expectation, it cites the fact that Congress, in the year 1954, did not finally pass on the income tax rate for corporations for that year until on or about July 29, 1954, and the President did not sign the 1954 Revenue Act until August 16, 1954. Applicant states that the President has already indicated his desire that corporation tax rates for 1955 be maintained at the 52 per cent level for the full year 1955 in his State of the Union Message, delivered to the Congress of

the United States on January 6, 1955, for the reason that no great loss of revenue can be permitted this year.

Applicant's Position

Applicant contends that if its rates are reduced on April 1, 1955 on the premise that the 47 per cent income tax rate would be effective for corporations from April 1, 1955 to December 31, 1955 and Congress later by retroactive action after April 1, 1955 maintains the 52 per cent rate, or sets some rate higher than 47 per cent, it will suffer a revenue loss which cannot thereafter be recouped. To guard against the possible overcollection of revenue if a rate lower than 52 per cent is finally effective, applicant proposes a refund plan.

Refund Plan

In our earlier decision herein, Decision No. 50741, the commodity rate was set at 21.5 cents per Mcf, using a 52 per cent income tax rate, and at 21.2 cents per Mcf, using a 47 per cent rate. For any final tax rate between 52 and 47 per cent applicant proposes an adjustment of 0.06 cents per Mcf per percentage point. It proposes that the revised commodity rate be applied to the actual Mcf sales during the refund period starting from April 1, 1955 to the date that the revised commodity rate becomes effective, that the revised commodity rates be made effective within thirty days following the enactment into law of the final tax bill for 1955, and that the refunds be made as soon as practical thereafter.

Applicant's Specific Requests

Applicant requests the Commission to issue an order:

1. Modifying Paragraph 4 of the order in Decision No. 50741 so as to authorize the retention of the present commodity rate.
2. Approving the proposed refund plan.
3. Establishing rates in accordance with Exhibits A and B attached to the first supplemental application which include appropriate refund provisions.

Findings and Conclusion

After considering applicant's statements and refund proposal in this first supplemental application, it is our finding and conclusion that an order should be issued granting the authorization sought, except that applicant's refund plan should include a provision for payment of interest at a rate of 6 per cent per annum on any overcollections that would be refundable thereunder.

ORDER ON FIRST SUPPLEMENTAL APPLICATION

The Commission having considered the request of applicant and being of the opinion that the application should be granted and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED as follows:

1. Ordering Paragraph 4 of Decision No. 50741 is hereby rescinded.
2. Applicant's proposed refund plan is approved subject to the additional provision for payment of interest at the rate of 6 per cent per annum on the refundable overcollections.
3. Applicant is authorized and directed to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, revised tariff schedules as set forth in Exhibits A and B attached to this first supplemental application and upon not less than five days' notice to this Commission and to the public to make said schedules effective for service rendered on and after April 1, 1955.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 23rd day of February, 1955.

[Signature]
 President

[Signature]
 Commissioner

[Signature]
 Commissioner

Commissioners