

Decision No. 53022

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
PACIFIC GAS AND ELECTRIC COMPANY for
an order authorizing applicant to
change, in the manner set forth herein,
its method of accounting for ad valorem
property taxes.

Application
No. 37922

OPINION AND ORDER

In this application Pacific Gas and Electric Company seeks an order approving certain accounting procedures with respect to accruals on ad valorem taxes on property.

For many years applicant has followed a procedure whereby ad valorem taxes have been accrued and charged to income or construction work in progress on a calendar year basis although such taxes have been paid to the various taxing bodies on a fiscal year basis, that is to say, the taxes thus accrued for the calendar year 1955 would reflect the taxes levied for the fiscal year July 1, 1955, to June 30, 1956. Applicant now has concluded to revise its accounting procedure so as to accrue ad valorem taxes in such manner that its charges to income and construction work in progress for the calendar year will reflect the ad valorem taxes applicable to that year. It reports that the change in procedure will bring its accounting practice into uniformity with the Federal Power Commission's requirements with respect to determinations of the cost of federally licensed projects and will eliminate the recurring charges to surplus of items disallowed in such determinations. In presenting the matter to us at this time applicant agrees that in rate fixing proceedings

it will claim for ad valorem property taxes for a specific calendar year only an amount estimated to be equal to the sum of one-half of the taxes due for the fiscal year ending on June 30 of such calendar year and one-half of the taxes due for the fiscal year ending on June 30 of the following calendar year.

The company's present procedure has resulted in accruals for taxes six months in advance of the applicable fiscal year during which such taxes are paid. The proposed change over to the new procedure would result, according to the application, in an estimated amount of \$22,047, 019.51 accrued on its books as of January 1, 1956, becoming available for disposition for other purposes. It proposes to utilize \$22,047,019.51 to make certain adjustments in its investment and other accounts.

The Commission has considered this application and is of the opinion that a public hearing is not necessary and that the proposed revision in the applicant's accounting procedure and its adjustments in its book accounts are not adverse to the public interest; therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company as of January 1, 1956, may change its accounting procedure so that its calendar year's income will be charged with an amount equal to the ad valorem taxes levied by the taxing jurisdictions for the last half of the fiscal year ending June 30 and the first half of the succeeding fiscal year.

2. Upon adopting the revised accounting procedure for accruing ad valorem taxes and making the appropriate adjustment in its taxes accrued account, applicant shall -

(a) Charge off the unamortized balance of utility

plant acquisition adjustment in the total amount of \$9,328,395.68 as of January 1, 1956.

(b) Charge off that portion of the unamortized balance in its other deferred debits account, namely, \$126,629.69 as of January 1, 1956, representing the balance of the amount resulting from the acquisition of the Vallejo Electric Light and Power Company.

(c) Make provision for absorbing an estimated amount of \$926,576.66 of surplus adjustments of the Federal Power Commission with respect to the claimed cost of federally licensed projects.

(d) Appropriate the remaining balance of approximately \$11,665,417.48 to a deferred credit account and thereafter amortize the same by credits to income (ad valorem property tax expense) in equal annual amounts over a period of ten years beginning with the year 1956 and continuing through the year 1965, such credits to income to be recognized for rate-making purposes during this ten year period.

3. This order will become effective on the date hereof.

Dated at San Francisco, California, this 8th day of May, 1956.

[Signature]
President

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Commissioners