

Decision No. 59994

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY
for an Order of the Public Utilities
Commission of the State of California,
authorizing it to establish certain
accounts all relating to Accelerated
Amortization and Accelerated
Depreciation.

Application No. 42104

O P I N I O N

On March 31, 1960, Southern California Edison Company filed the above-entitled matter for approval of accounting procedures so as to enable it to conform with certain requirements of the Federal Power Commission.

Under authorization granted by Decision No. 50723, dated November 3, 1954, Southern California Edison Company has been following certain accounting procedures with respect to the deferred amounts of taxes based on income arising from accelerated amortization of the cost of certificated defense facilities which procedures, among other things, provide for crediting tax deferrals to Account No. 258.2, Reserve for Deferred Income Taxes and for drawing down the balance in said reserve by subsequent credits to income.

In addition, prior to 1959, applicant has deducted liberalized depreciation in its tax returns and had credited the deferrals on its books to Account 228, Taxes Accrued, which account is included among the current and accrued liabilities.

Southern California Edison Company is subject, in certain accounting respects, to the jurisdiction of the Federal Power Commission, being a licensee of that commission and being engaged in the transmission of electric energy in interstate commerce. The Federal Power Commission has issued an order modifying its uniform system of accounts so as to prescribe new accounts and procedures for recording tax deferrals arising from accelerated amortization and liberalized depreciation. In general, the order provides for the establishment of a new balance sheet account, named Account 266, Accumulated Deferred Taxes on Income, which will be segregated into subaccounts and to which there would be credited the amounts of the tax deferrals, which amounts thereafter would appear on the balance sheet clearly identified as a separate classification instead of being included in current liabilities or miscellaneous reserves. The order further provides for the establishment of new income accounts to be utilized to offset the charges and credits to the new balance sheet account.

These new accounts which have been prescribed by the Federal Power Commission are not included in the uniform system of accounts which we have prescribed for electric utilities in California. Applicant, therefore, is faced with meeting conflicting accounting requirements of the two commissions and, in order to maintain its accounts upon a single and consistent basis, it has requested us to authorize it to establish, on its books, the accounts specified by the Federal Power Commission. We have considered this request. We are of the opinion, and so find, that it is desirable to earmark the tax deferrals so as to show them in a separate balance sheet account. We will grant the company's request.

The authorization herein granted is for accounting purposes only and is given as a matter of convenience to applicant to enable it to comply with accounting requirements of the Federal Power Commission. In issuing the order herein, we are not approving the normalization of taxes and are not authorizing applicant to normalize taxes in the future or to adopt accounting procedures with respect to accelerated amortization and liberalized depreciation except as indicated herein. Moreover, the order shall not be construed as indicative of amounts to be included in operating expenses, taxes or other accounts for the purpose of determining just and reasonable rates. The Commission's rate-fixing policy with respect to these items is set forth in Decision No. 59926, dated April 12, 1960, on Case No. 6148.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Edison Company may establish Account 266.1, Accumulated Deferred Taxes on Income - Accelerated Amortization, in lieu of Account 258.2, Reserve for Deferred Income Taxes, and may transfer the net balance existing as of the effective date of this order from said Account 258.2, Reserve for Deferred Income Taxes to said Account 266.1, Accumulated Deferred Taxes on Income - Accelerated Amortization,

and may continue, as thus modified, the accounting treatment authorized by Decision No. 50723 with respect to accelerated amortization.

2. Southern California Edison Company may establish on its books Account 266.2, Accumulated Deferred Taxes on Income - Liberalized Depreciation, Account 507.13, Provision for Deferred Taxes on Income, and Account 507.14, Portion of Taxes on Income Deferred in Prior Years - Credit (each of the latter two accounts being separate subaccounts under Account 507, Taxes, contra entries to said subaccounts being made to the aforesaid Account 266.2) and may transfer the net balance existing as of the effective date of this order in said Account 228, Taxes Accrued, representing such tax deferrals with respect to liberalized depreciation, to said Account 266.2, Accumulated Deferred Taxes on Income - Liberalized Depreciation, and may continue the accounting treatment with respect to said tax deferrals in a manner similar to the accounting treatment authorized by said Decision No. 50723, as modified herein.

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

Dated at San Francisco, California, this 26th day of April, 1960.

[Signature]
President
[Signature]
[Signature]
[Signature]
Theodore Jenner
Commissioners