

ORIGINAL

Decision No. 82997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIR CALIFORNIA,
INC. for an ex parte order
to increase intrastate passenger
fares.

Application No. 54546
(Fourth Amendment
filed May 28, 1974)

FOURTH INTERIM OPINION

Air California, Inc. (Air California) is a passenger air carrier serving the airports of Orange County, San Francisco, San Jose, Oakland, Sacramento, Ontario, Palm Springs, and San Diego. In the fourth amendment to this application filed May 28, 1974, Air California seeks further revenue increases to offset additional increases in the cost of aviation fuel. A statement of present and proposed fares is set forth in Appendix A hereto.

Decision No. 82687 dated April 2, 1974 in this proceeding and in Applications Nos. 53308, 53987, and 54106 established permanent fare levels for Air California which included the two interim adjustments for increased fuel costs authorized by Decisions Nos. 82353 and 82389 in this proceeding. The Third Interim Opinion and Order in this proceeding (Decision No. 82847 dated May 7, 1974) authorized a further interim increase in fares to offset fuel costs which were placed into effect by Air California's fuel suppliers on March 1, 1974 and April 1, 1974.

The Fourth Amendment to Application No. 54546 filed May 28, 1974 states that Air California's principal fuel suppliers, Shell Oil Company and Texaco, Inc. have imposed additional increases in jet fuel prices effective May 1, 1974 of 5.916 cents and 6.00 cents per gallon, respectively. In order to recover these increases in fuel costs, Air California seeks a further interim increase in fares averaging 81 cents per passenger.

The following table sets forth Air California's compilation of the additional annual operating expense resulting from the May 1, 1974 fuel cost increases, and the revenue per passenger required to offset such cost increase:

TABLE 1

AIR CALIFORNIA, INC.

Revenue Requested To Offset Increase In Fuel Cost
At May 1, 1974 Level

Revenue Passengers				1,400,000
Total Fuel Available (gallons)				21,430,713
Total at 95% of Allocation (gallons)				20,359,177
Gallons Burned per Hour				1,100
Total Flight Hours				18,508

<u>Supplier</u>	<u>1974 Allocated Fuel</u>	<u>95% of Allocation</u>	<u>Fifth Price Increase (per gallon)</u>	<u>Total Cost Increase</u>
Shell	17,473,200	16,599,540	5.916¢	\$ 982,029
Texaco	2,314,912	2,199,167	6.00	131,950
Chevron	1,608,000	1,527,600	-	-
Phillips	<u>34,601</u>	<u>32,870</u>	<u>-</u>	<u>-</u>
Total	21,430,713	20,359,177	4.98¢	\$1,013,979
			Sales Tax @ 6%	<u>60,839</u>
			Total	\$1,074,818

Revenue required per passenger to cover cost (net of transportation tax and 5% dilution)	81¢
Revenue from increase of 81¢ (less 5% dilution)	\$1,077,300
Revenue in excess of fuel cost increase	\$2,482

Air California requests that the fare increase per passenger vary according to the markets served, as shown in the following table:

TABLE 2

AIR CALIFORNIA, INC.

Proposed Rate Spread Designed To Recover Revenue
Necessary To Offset Increased Fuel Costs

<u>Market</u>	<u>Forecast Passengers 1974</u>	<u>Proposed Fare Increase (Rounded)</u>	<u>Total Revenue Increase</u>
SNA-SFO/SJC/OAK	833,500	\$.83	\$ 691,805
ONT-SJC/OAK	180,200	.83	149,566
SMF-SNA/ONT	176,600	.92	162,472
SAN-SJC/OAK	72,000	.70	50,400
PSP-SFO/SJC/OAK	43,900	.69	30,291
SNA-ONT	1,500	.93	1,395
-PSP	14,000	.92	12,880
-SAN	54,000	.69	37,260
SMF-SJC	24,000	.69	16,560
-PSP	100	.69	69
-SAN	200	.70	140
Total	1,400,000		\$1,152,838
Total Annual Passengers			1,400,000
Per Passenger Revenue			\$.81
Total			\$1,134,000
Difference in Rounding			\$18,838
Per Passenger			\$.013
Amount of last increase granted but not exercised by Air Cal (per passenger)			\$.01

Air California alleges that the proposed fare increases shown in the above table will produce approximately the same annual increase in revenues as a fare increase of 81 cents per passenger.

Findings

1. Air California is a passenger air carrier operating between points in California.
2. Air California was granted a permanent fare increase in Decision No. 82687 dated April 2, 1974 in Application No. 53308 and related proceedings. Included in the permanent fare level authorized in Decision No. 82687 was the interim fare increases authorized by Decisions Nos. 82353 and 82389 in this proceeding granted to offset increased fuel costs incurred by Air California on or before February 1, 1974. Further interim fare increases authorized by Decision No. 82847 dated May 7, 1974 in this proceeding were granted to offset increased fuel costs incurred by Air California on March 1 and April 1, 1974.
3. Air California has incurred subsequent increases in fuel costs on May 1, 1974 for which no provision is made in Air California's fare structure. Such increases raised Air California's fuel costs by an additional 26.8 percent.
4. Table 1 sets forth applicant's estimate of the impact of the added fuel costs incurred on May 1, 1974 and also shows the revenue increase necessary to recover such cost increases. Such estimates are reasonable for the purpose of this interim order.
5. As indicated in Table 1, an average increase of 81 cents per passenger is required to offset the increased operating expenses resulting from the higher fuel costs which are the subject of this phase of Application No. 54546. The increases per passenger as shown in Table 2 will provide substantially the same revenue increase as a fare increase of 81 cents per passenger.

6. Further interim fare increases as proposed in Table 2 will result in reasonable fares and such increases are justified. The increased fares authorized herein should be rounded to the nearest \$0.25 to simplify sale of tickets.

Conclusions

1. Air California should be granted the interim fare increase found justified above. The specific fares authorized to be established are those set forth in Appendix A.

2. The increased interim fares should be authorized to become effective on two days' notice to the Commission and the public.

FOURTH INTERIM ORDER

IT IS ORDERED that:

1. Air California, Inc. is authorized to establish as interim fares the proposed fares (with rounding) set forth in Appendix A hereto.

2. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not earlier than two days after the effective date of this order on not less than two days' notice to the Commission and to the public.

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3. The authority granted herein shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 18th
day of JUNE, 1974.

William L. Stearns
President
William J. Quinn
William J. Quinn
William J. Quinn
William J. Quinn
Commissioners

APPENDIX A

AIR CALIFORNIA, INC.

Comparison of Present and Proposed Fares

Market	<u>Present Fare</u>		<u>Proposed Fare</u>		<u>Proposed Fare (With Rounding)*</u>	
	<u>Base</u>	<u>With Tax</u>	<u>Base</u>	<u>With Tax</u>	<u>Base</u>	<u>With Tax</u>
SNA-SFO	\$22.55	\$24.35	\$23.36	\$25.23	\$23.38	\$25.25
-SJC	22.55	24.35	23.36	25.23	23.38	25.25
-OAK	22.55	24.35	23.36	25.23	23.38	25.25
ONT-SJC	22.55	24.35	23.36	25.23	23.38	25.25
-OAK	22.55	24.35	23.36	25.23	23.38	25.25
SMF-SNA	22.92	24.75	23.73	25.63	23.84	25.75
-ONT	22.92	24.75	23.73	25.63	23.84	25.75
SAN-SJC	25.23	27.25	26.04	28.12	25.93	28.00
-OAK	25.23	27.25	26.04	28.12	25.93	28.00
PSP-SFO	27.78	30.00	28.59	30.87	28.47	30.75
-SJC	27.78	30.00	28.59	30.87	28.47	30.75
-OAK	27.78	30.00	28.59	30.87	28.47	30.75
SNA-ONT	6.94	7.50	7.75	8.37	7.87	8.50
-PSP	10.65	11.50	11.46	12.38	11.57	12.50
-SAN	10.19	11.00	11.00	11.88	10.88	11.75
SMF-SJC	10.19	11.00	11.00	11.88	10.88	11.75
-PSP	28.24	30.50	29.05	31.37	28.93	31.25
-SAN	25.69	27.75	26.50	28.62	26.39	28.50

* Rounded to the nearest \$.25.