

Decision No. 83205**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of NOR-CAL AVIATION,
INC., for authority to increase
intrastate passenger fares.

Application No. 54842
(Filed May 2, 1974)

INTERIM OPINION AND ORDER

Nor-Cal Aviation, Inc. is a passenger air carrier with operations between Sacramento and Redding and the intermediate points of Oroville, Chico, and Red Bluff. It here requests authority to increase all fares by \$4.63 (\$5.00 including tax). Applicant has not adjusted its fares since it commenced operations on June 12, 1972. It asserts that expenses have increased continuously since that time, particularly in the past seven months. The application states that fuel costs have almost doubled and although passenger loads have been increasing, applicant has been operating at a loss for the past few months. Financial statements appended to the application disclose for the first quarter of 1974 operating losses, before administrative expense, in passenger service of over \$8,000 and in freight and charter service of over \$2,000.

In a report dated June 28, 1974, the Commission's Finance and Accounts Division has informed us that it had made an analysis of applicant's operations and accounts and that changes recently were made in applicant's accounting procedures as well as in operations which prevent any reasonable projection of the effect of the proposed fare increase. It is stated that the initial review discloses losses from current passenger air carrier operations, that applicant's financial condition will not permit continuance of operating losses, and that it is apparent that some form of immediate

fare increase is warranted; however, the lack of a history of experience in current operating practices prevents a determination of whether the proposed increased fares will produce revenues sufficient to provide a reasonable return or be excessive. The staff asserts that it will undertake a review and analysis of records covering operations conducted during the first six months of 1974 which should permit measurement of the effect of the proposed fares. It recommends that the requested increase be granted on an interim basis subject to the qualification that if in further proceedings herein the record does not support the full increase sought that excess revenues collected be used to reduce future revenue requirements. This proposal appears to be retroactive ratemaking and is not appropriate.

Notice of the filing of this application to increase fare was made pursuant to the Commission's Rules of Practice and Procedure. No protests have been received. Upon consideration of data submitted with the application and in the report of the staff, we find that an immediate fare increase is justified. We further find that at this time it cannot be determined whether the full amount of the proposed fare increase is sufficient, insufficient, or excessive but that applicant's need for additional revenues is so urgent as to necessitate the establishment of the proposed fares pending further proceedings in this application.

We conclude that applicant should be authorized to establish the proposed fares pending further order in this proceeding.

IT IS ORDERED that Nor-Cal Aviation, Inc., a corporation, is authorized to establish, pending further order in this proceeding, the increased fares proposed in Application No. 54842. Tariff publications required for the establishment of the proposed increased fares may be made effective on not less than five days notice to the Commission and to the public.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th
day of JULY, 1974.

Vernon L. Stephens
President
William Symons, Jr.
[Signature]
[Signature]
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.