

Decision No. 83548

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Golden West Airlines, Inc.)
for an Ex Parte Order to increase intra-
state passenger fares.

Application No. 54555
(First Amendment filed
August 28, 1974)

FINAL OPINION AND ORDER

Golden West Airlines, Inc. (GWA), by the First Amendment to Application No. 54555 filed August 28, 1974, seeks an ex parte order for expedited authority to increase its air fares to offset recent additional increases in the price of fuel.

The amendment states that since September 1973, GWA's fuel costs have increased at an unprecedented rate. By Decision No. 82355 dated January 15, 1974 and Decision No. 82389 dated January 22, 1974 in this proceeding, GWA was granted interim relief to increase its fares by a total of 38 cents per passenger to offset increases in fuel costs effective January 1, 1974 or before.

The amendment states that since January 1, 1974 GWA has incurred additional fuel price adjustments which will require an increase of 28 cents per revenue passenger to offset. GWA seeks further increases in its air fares of that amount.

The amendment asserts that the fuel increases incurred by GWA are a result of an escalation in the posted prices of crude oil to its fuel suppliers which, in accordance with existing agreements between GWA and its suppliers, resulted in increases in charges by the suppliers to GWA. Examples of the increases in fuel prices are appended to the amendment to the application.

Exhibit 4 to the amendment to the application, set forth in the table below, shows the amount of fuel cost increases per gallon experienced since January 1, 1974; the estimated fuel usage for the period January 1 through September 1, 1974; the estimated fuel cost increase in dollars for that period; and the revenue per passenger required to offset the additional fuel costs:

TABLE 1
Proposed Fare Increase and Increase in Fuel Cost
Calendar Year 1974

Projected Passengers 361,374
 Projected Flight Hours:
 Scheduled 18,832
 Training 180
 Total 19,012
 Projected Fuel Consumption 1,616,020
 (Gallons)
 19,012 Flt. Hrs. @ 85 gal/hr.

Location	Supplier	Fuel Cost Per Gallon 1-1-74	Gallons Forecast 1974	Increases per Gallon 9-1-74	Total Increased Expenses
FUL	Chevron	.2599	33,936	5.00¢	\$ 1,697
LAX	Chevron	.2493	878,113	5.00¢	43,906
LAX	Mobil	.3030	172,300	0.55¢	948
SBA	Chevron	.3383	144,795	5.40¢	7,819
SNA	Chevron	.4406	110,374	2.61¢	2,881
ONT	Shell	.3390	186,327	16.20¢	30,185
OKR	Union	.3600	75,630	0.00¢	-
MHV	Mobil	.3750	14,544	19.50¢	2,836
			1,616,020		\$90,272
			Sales Tax @ .06		\$5,416
			Revenue loss due to 5% dilution factor for reduced fares		4,514
			Total Revenue Increase Required		\$100,202
Revenue required per passenger to cover increased cost					\$.277
Rounding fares to the nearest \$.01 (\$.28 per passenger (361,374 x .28					\$101,184 \$ 982 ✓

The amendment alleges that the statistics set forth in the above table are based on GWA's DHC-6 Twin Otter operation only, and relate only to the present stations used by GWA where fuel is loaded. The table assertedly takes into account certain shiftings of volumes of fuel from various fueling points to others to effect the most economical means of fueling in 1974.

GWA's operations for the year 1973 resulted in a net operating loss of \$26,688. The increases in fares heretofore authorized in this proceeding provided increases in revenues no greater than necessary to offset prior fuel cost increases. In the circumstances a further immediate fare increase is required to offset the additional substantial increases in fuel costs incurred by GWA since the prior interim orders herein.

The Commission finds:

1. GWA is a passenger air carrier providing passenger air service between points in California.
2. Interim Decisions Nos. 82355 and 82389 authorized fare increases to offset the unprecedented increases in aviation fuel incurred by GWA in the period September 1973 through January 1, 1974.
3. In the period January 1, 1974 through September 1, 1974 GWA has incurred further substantial increases in fuel costs, as set forth in Table 1 in the preceding opinion.
4. GWA's air passenger operations were conducted below the break-evenpoint in 1973. GWA is unable to absorb the increases in fuel costs referred to in the preceding finding and continue to furnish necessary services to the public.
5. An increase of 28 cents per passenger is required to offset the further increases in fuel costs incurred by GWA in the period January 1, 1974 through September 1, 1974. Such increase in fares is justified.

The Commission concludes that further increase in fares sought in the First Amendment to Application No. 54555 should be granted, and that such fare increase and prior interim fare increases in this proceeding should be made final. A public hearing is not necessary.

IT IS ORDERED that:

1. Golden West Airlines, Inc. is authorized to establish a further increase of 28 cents per passenger in the fares authorized in Appendix C to Decision No. 82389 in this proceeding, and that such increased fares are authorized to be established as permanent fares.

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

3. The authority granted herein shall expire unless exercised within sixty 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 8th
day of OCTOBER, 1974.

Vernon L. Sturgeon
President
William J. ...
J. ...
...
Commissioners