

ORIGINALDecision No. 86767

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of NOR-CAL AVIATION, INC.,)
 for authority to increase intrastate) Application No. 56792
 passenger fares.) (Filed October 4, 1976)

O P I N I O N

Nor-Cal Aviation, Inc., is a passenger air carrier with operations between Sacramento and Redding and the intermediate point of Chico. Nor-Cal requests the authority to increase all fares by \$4.63 (\$5.00 including tax). The last fare increase authorized to the applicant was in Decision 83205, dated July 30, 1974 and made final in Decision 84070, dated February 11, 1975.

In support of the application, Nor-Cal states that its operating costs have increased considerably since January of 1976, particularly in the area of fuel, salaries and wages and repairs and maintenance. The proposed fares are necessary to offset the increases in costs of operations and to maintain the present level of service.

The staff's results of operation study for the 12 months ending December 13, 1976, as shown on the attached table, indicates an operating loss of \$53,800 and an operating ratio of 112.7% under the present fares, and an operating loss of \$2,800 and an operating ratio of 100.6% under the proposed fares. The proposed fares will increase Nor-Cal's annual gross revenue by approximately \$51,000 or 12%.

The staff's results are based on the following:

1. Passengers for the first seven months of 1976 (Historical) are actual passengers as reported by the carrier. Rate Year 1976 passengers are estimated based on the historical traffic trend.
2. Passenger revenues are calculated by multiplying the estimated number of passengers between airports by the corresponding present and proposed fares.

3. Freight and other revenues are estimated by annualizing the revenues for the seven months ended July 31, 1976.

4. Operating expenses are estimated by annualizing the reported expenses for the seven months ended July 31, 1976, and adjusting them to reflect the present units of expenses for the entire year.

Notice of the filing of this application to increase fares was made pursuant to the Commission's Rules of Practice and Procedure, and it appeared in the October 5, 1976 issue of the Commission's Daily Calendar. No protests have been received.

Upon consideration of data submitted with the application and in the report of the staff, we find and conclude that applicant should be authorized to establish the fares as proposed in the application.

Nor-Cal charged its passengers a security charge in addition to its fare from February 1975 until April 1976, without first obtaining Commission authorization. The charge was 50 cents for passengers departing Sacramento Airport. This charge was the actual cost Nor-Cal incurred by paying this amount to a third party. Since April 1976, Nor-Cal has paid for security at the Sacramento Airport but has not charged its passengers for this service. A security charge is an allowable expense when setting air passenger fares. Nor-Cal collected approximately \$2,800 in security charges from February 1975 until April 1976. The present fares do not compensate for this security charge. The requested fares of this application have considered the security charges within the operating expenses. Since Nor-Cal did incur the security charge and it ceased to collect the extra charge upon Commission staff request, no punitive action should be taken against Nor-Cal because of this illegal fare collection.

O R D E R

IT IS ORDERED that:


1. Nor-Cal Aviation, Inc., a corporation, is authorized to establish the increased fares proposed in Application 56792.

2. 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.

3. No punitive action shall be taken against Nor-Cal Aviation, Inc., because of its illegal security fare collection between February 1975 and April 1976.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 21st day of DECEMBER, 1976.



President



William J. Lyons



Vernon L. Sturgeon



Bernard Ross

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

NOR-CAL AVIATION, INC.
APPLICATION 56792
ESTIMATED RESULTS OF OPERATION - YEAR ENDING DECEMBER 31, 1976

: Line:	Reference	Item	: Historical : : 1/1/76 - : : 7/31/76 :	: Rate Year 1976 : : Present : Proposed : : Fares : Fares :	
	(1)	(2)	(3)	(4)	(5)
1		Passengers	6,200	11,500**	11,500
		<u>Revenue</u>			
2		Scheduled Passengers	\$137,700*	\$255,000	\$306,000
3		Postal and Freight	93,900	161,000	161,000
4		Other Revenue	<u>3,700</u>	<u>6,000</u>	<u>6,000</u>
5	L.2 to L.4	Total Revenue	\$235,300	\$422,000	\$473,000
		<u>Expenses</u>			
6		Pilots' Salaries	\$ 23,600	\$ 54,000	\$ 54,000
7		Fuel and Oil	42,200	93,000	93,000
8		Repairs and Maintenance	49,300	110,000	110,000
9		Aircraft Lease	1,300	-	-
10		Aircraft Insurance	5,400	9,200	9,200
11		Aircraft Depreciation	39,700	97,300	97,300
12		Landing Fees	2,500	5,200	5,200
13		Weather Observations	100	200	200
14		Security Charges	3,400	2,700	2,700
15		Courier Services	600	1,000	1,000
16		General and Admin.	<u>45,600</u>	<u>103,200</u>	<u>103,200</u>
17	L.6 to L.16	Total Expenses	\$213,700	\$475,800	\$475,800
18	L.5 - L. 17	Operating Inc. (Loss-)	\$ 21,600	\$-53,800	\$ -2,800
19	L. 17 - L.5	Operating Ratio	90.8%	112.7%	100.6%

*As reported by the airline, passenger revenue is adjusted by staff to exclude Federal Tax.

**As reported by airline except for months of November and December.