

Decision No. 87119

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIR CALIFORNIA for
an ex parte order to increase its
intrastate passenger fares to
offset recent fuel cost increases.

} Application No. 56963
(Filed December 27, 1976;
amended February 7, 1977)

O P I N I O N

Air California, a passenger air carrier, seeks authority to increase its passenger air fares to offset recent increases in the price of fuel. The application, as amended, seeks an emergency fuel offset increase of 1.7 percent. The present and proposed fares are set forth in Appendix A of this decision.

The application shows that Air California was last granted a system fare increase on March 30, 1976 pursuant to Decision No. 85629 in Application No. 55784. Air California has filed a request for a systemwide fare increase in Application No. 56790, which is in the hearing process. Appendix F to that application shows that Air California's operations for the 12-month period ended August 31, 1976 resulted in an operating ratio (before income taxes and extraordinary items) of 92.2 percent. Air California alleges that such operating results are substantially below that found reasonable for its operations in Decision No. 85629. The application herein alleges that Air California's operating results have continued to further deteriorate due to increases in fuel and into-plane fueling costs and other costs.

This application asserts that if the requested fuel offset is granted, it will improve Air California's operating ratio by approximately two percent, and that the resulting operating results will not be more favorable than that found reasonable by Decision No. 85629.

The specific increases in fuel and into-plane fueling costs are described in the application, as amended. The following table depicts Air California's estimates of the fuel cost increases experienced by Air California and estimated revenue increases necessary to offset such fuel cost increases:

TABLE I :

AIR CALIFORNIA

REVENUE REQUESTED TO OFFSET INCREASES IN
FUEL AND INTO-PLANE FUELING COST

Revenue Passengers - Per A.56790	2,052,600
Flight Hours - Per A.56790	27,088
Gallons Burned Per Hour	1,060
Estimated Annual Gallons Consumed	28,713,280

Increase in Fuel Costs & Into-Plane Fueling Charge

<u>Supplier</u>	<u>% Purchased</u>	<u>Gallons Purchased</u>	<u>Cost Per Gallon</u>	<u>Total Cost</u>
Shell	76.3%	21,908,240	35.353¢	\$ 7,745,200
Texaco	9.3	2,670,340	35.070¢	936,500
Chevron	14.4	4,134,700	37.600¢	1,554,600
Totals	100.0%	28,713,280		\$10,236,300
Sales Tax	5.3%			542,500
			Total	\$10,778,800

Cost Per Flight Hour \$397.92

Cost Per Flight Hour - 4th

Amendment to A.55784 dated January 13, 1976

Increase in Cost Per Flight Hour

371.10
\$ 26.82

Total Fuel Cost Increase (27,088 hrs.)

\$726,500

Increase in Into-Plane Fueling Charge at SNA

6,891,000 Gallons (24% of 28,713,280 gallons) @ .2¢

13,800
\$740,300

Revenue Needed to Cover Increase in Cost

Increase in Fuel and Into-Plane Fueling Cost

\$740,300

Dilution 5%

39,000

Agency Commissions 3.5%

25,900

Total Needed

\$805,200

Total Requested

\$817,000

Excess - Increase Requested over Increase Needed

\$ 11,800^{1/}

(1) Due to Rounding.

Application No. 56963 was served in accordance with Commission rules, and notice of the filing of the application appeared on the Commission's Daily Calendar. There are no protests.

Findings

1. Air California's fares were last adjusted on a systemwide basis on March 31, 1976 pursuant to Decision No. 85629.

2. Since its last general fare increase, Air California has experienced increases in fuel costs as described in the instant application. The total annual increase in fuel costs and into-plane fueling charges is estimated to be \$740,300 as set forth in Table I.

3. Air California seeks authority to increase its fares by 1.7 percent in order to produce additional annual revenues of \$817,000. That amount of additional revenue is necessary to offset increases in fuel costs when agency commissions and dilution from discount fares are considered.

4. The annual revenue increase sought in Application No. 56963 is \$11,800 greater than necessary to offset the increased fuel costs experienced by Air California. That added amount results from rounding so that sought fares (including tax) will end in five-cent increments.

5. The proposed increased fares are justified.

6. A public hearing is not necessary.

Conclusions

1. The application, as amended, should be granted.

2. The effective date of this order should be the date on which it is signed because there is an immediate need for fare relief and because there is no known opposition nor any reason to delay granting the relief requested.

O R D E R

IT IS ORDERED that:

1. Air California is authorized to establish the increased fares set forth in Appendix A attached hereto.

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2. Tariff publications authorized to be made as a result of this order 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 to the public.

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

4. Tariff filings made pursuant to this order shall comply with the regulations governing the construction and filing of tariffs set forth in General Order No. 105-Series.

5. Air California shall give notice to the public by posting in its terminals a printed explanation of its fares authorized herein. Such notice shall be posted not less than three days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 22nd day of MARCH, 1977.

William J. ... President
... ..
... .. Commissioners

*See my attached
concerned
[Signature]
Commissioner*

*I dissent -
objections lead to indexing
and should be the exception
not the rule -
Robert Bortmanich Commissioner
Donald Ross Commissioner*

APPENDIX A

AIR CALIFORNIA PRESENT AND PROPOSED FARES
1977

	<u>Present Fares</u>		<u>Proposed Fares</u>		<u>Increase</u>	
	<u>Base</u>	<u>With Tax</u>	<u>Base</u>	<u>With Tax</u>	<u>Base</u>	<u>With Tax</u>
Oakland-Ontario	\$25.69	\$27.75	\$26.11	\$28.20	\$-.42	\$.45
-Orange County	26.62	28.75	27.04	29.20	.42	.45
-Palm Springs	32.41	35.00	32.82	35.45	.41	.45
-San Diego	29.17	31.50	29.58	31.95	.41	.45
Ontario-Palm Springs	13.43	14.50	13.84	14.95	.41	.45
-Sacramento	25.93	28.00	26.34	28.45	.41	.45
-San Diego	12.78	13.80	13.19	14.25	.41	.45
-San Jose	25.69	27.75	26.11	28.20	.42	.45
Orange County-Palm Springs	13.43	14.50	13.84	14.95	.41	.45
-Sacramento	27.08	29.25	27.50	29.70	.42	.45
-San Diego	12.78	13.80	13.19	14.25	.41	.45
-San Francisco	26.62	28.75	27.04	29.20	.42	.45
-San Jose	26.62	28.75	27.04	29.20	.42	.45
Palm Springs-Sacramento	32.87	35.50	33.29	35.95	.42	.45
-San Francisco	32.41	35.00	32.82	35.45	.41	.45
-San Jose	32.41	35.00	32.82	35.45	.41	.45
Sacramento-San Diego	29.40	31.75	29.81	32.20	.41	.45
-San Jose	12.78	13.80	13.19	14.25	.41	.45
San Jose-Oakland	9.03	9.75	9.44	10.20	.41	.45
-San Diego	29.17	31.50	29.58	31.95	.41	.45
-San Francisco	8.98	9.70	9.40	10.15	.42	.45
Lake Tahoe-Oakland	17.59	19.00	18.01	19.45	.42	.45
-Ontario	29.63	32.00	30.05	32.45	.42	.45
-Orange County	29.63	32.00	30.05	32.45	.42	.45
-Palm Springs	35.19	38.00	35.60	38.45	.41	.45
-San Diego	32.40	35.00	32.82	35.45	.42	.45
-San Francisco	17.59	19.00	18.01	19.45	.42	.45
-San Jose	17.59	19.00	18.01	19.45	.42	.45

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COMMISSIONER RICHARD D. GRAVELLE, Concurring

As a matter of future policy, I believe that increased fuel expense is not a proper subject for offset rate relief for airlines and that the added expense should be handled in general rate proceedings which can be heard on an expedited basis.

I sign this order only because applicant was in no way advised of such a policy at any time in the processing of this application. To the contrary, the recent past policy of this Commission has been to consider fuel as an offset expense item. The industry should be on notice from this date forward that such applications are in eminent danger of dismissal.

San Francisco, California
March 22, 1977


Richard D. Gravelle
Commissioner