

Decision No. ~~87536~~

June 28, 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AIRPORT SERVICE,
INCORPORATED, a corporation,
for authority to adjust its
rates.

Application No. 56565
(Filed June 16, 1976;
amended December 21, 1976)

James H. Lyon, Attorney at Law, for applicant.
R. W. Russell, by K. D. Walpert, for City of
Los Angeles, interested party.
Jasper Williams, Attorney at Law, R. O. Collins,
and I. B. Nazao, for the Commission staff.

INTERIM OPINION

This is an application by Airport Service, Incorporated (Airport Service), seeking an increase in fares over its passenger stage routes between various airports in Los Angeles County and Orange County on the one hand, and various points in Los Angeles County and Orange County on the other hand, as well as between certain of the airports.

In its original application filed June 16, 1976 Airport Service proposed rates which would produce, according to its estimates for rate year 1976/77, passenger stage revenues of \$3,522,483, representing an increase of \$578,841 over revenues produced under present fares. An amendment to the application was filed December 21, 1976 in which Airport Service revised upward its proposed fares to produce \$3,625,137 in passenger revenues, or \$92,654 more for that rate year.

Public hearings were held before Administrative Law Judge Main at Los Angeles on February 22 and 23, 1977 and on April 25, 26, and 27, 1977. The case was submitted subject to a late-filed

comparison exhibit to be jointly sponsored by Airport Service, our Transportation Division staff, and our Finance Division staff due May 27, 1977 and thereafter to receipt of concurrent initial and reply briefs. The purpose of the comparison exhibit was to set out clearly the effect of each of the disputed issues on the differences in the three respective showings on operating results.

As of June 14, 1977 the jointly sponsored comparison exhibit had not been filed. The disputed issues include allocations of operating property and expenses between Airport Service and its affiliate, Orange Coast Sightseeing Company, and between the passenger stage and charter operations of Airport Service, service fees levied on Airport Service by its parent, American Transit Corporation, salvage value of revenue equipment, and income taxes.

Thus, even before this delay on the comparison exhibit, it appeared unlikely that a final decision in this matter would be ready for consideration by the Commission until well into the height of Airport Service's busy season. The summertime between June 15 and September 15 is its busy season and, accordingly, the time when a fare adjustment is most needed.

Airport Service filed on February 28, 1977 a petition for an interim fare adjustment, on May 2, 1977 an amendment to that petition, and on June 1, 1977 a motion to authorize an interim fare adjustment. The motion is for a 13.3 percent interim fare increase based on Exhibit 5 sponsored by our Finance Division.

The record is quite clear that at present rates, Airport Service will not earn an adequate rate of return during the rate year July 1, 1977 through June 30, 1978. The proposed rates yield an increase of about \$680,000 based on that rate year. Obviously, delays beyond July 1, 1977 in effecting the increase ultimately determined as reasonable will reduce Airport Service's opportunities to earn the authorized increase during the rate year. For this

reason and to prevent further attrition in Airport Service's earnings while providing time for full and deliberate consideration of the record after appropriate briefing, a partial rate increase is justified at this time.

The record developed to date sets forth an adequate basis for such a partial general increase in rates and thus satisfies the requirements of Public Utilities Code Section 454 that rate increases can be made effective on a showing before and a finding by the Commission that such an increase is justified. The amount of the partial general rate relief will be that portion of Airport Service's total rate increase request shown by the record not to be reasonably subject to dispute.

Consistent with that criterion, the operating results estimated by the staff of the Transportation Division for rate year 1977/78 shown in Exhibit 6 can be suitably modified to reflect an estimate of income taxes on an as-paid basis and a more proper determination of rate base. So modified they can then serve to quantify the partial general rate increase upon application of the ten percent rate of return on rate base supported by the Finance Division of the Commission staff. A comparison of the operating results under present rates and upon rates designed to so yield a ten percent rate of return on rate base is shown below.

AIRPORT SERVICE, INC.
ESTIMATED RESULTS OF OPERATION FOR
RATE YEAR JULY 1, 1977 - JUNE 30, 1978

	<u>Present Fares</u>	<u>Authorized Interim Fares</u>
Certificated Revenue	\$2,863,403	\$3,049,524
Other Revenue	<u>9,007</u>	<u>9,007</u>
Total Revenue	2,872,410	3,058,535
Expenses Other Than Income Taxes	2,802,740	2,818,890
Operating Income	69,670	239,641
Income Tax	6,495	10,170
Net Income	63,175	229,471
Rate Base	2,284,448	2,284,448
Rate of Return	2.8%	10.0%

Findings

1. Airport Service proposes fare increases which produce an annual increase in revenues of \$676,000 as indicated by the staff's estimates in Exhibit 6. These revenues are based on the proposed fares set forth in amended Exhibit A attached to the amendment to Application No. 56565.

2. The portion of Airport Service's total rate increase request shown by the record not to be reasonably subject to dispute is \$186,000, equivalent to a 6.5 percent average increase in fares, consistent with the comparison presented in the table on page 4 of this decision.

3. Because Airport Service's busy season is the summertime between June 15 and September 15 and because a final decision in this matter is some months away and will not be issued in time to provide the rate year revenues found reasonable, a partial general increase in rates, to be construed as an interim phase in this

proceeding, is reasonable and justified to arrest Airport Service's continuing erosion of earnings and to materially improve its financial performance.

4. Interim increases of $6\frac{1}{2}$ percent should be authorized in all present fares with the amount rounded upward or downward to the nearest multiple of five cents. Such interim fare increases are justified.

5. The increases in fares authorized herein are reasonable as an interim phase of this proceeding and the present fares insofar as they differ from those prescribed in Appendix A to this decision are for the immediate future unjust and unreasonable.

The Commission concludes that Airport Service should be authorized to establish on an interim basis the fares contained in Appendix A and that permanent rate relief should be considered at a later date.

INTERIM ORDER

IT IS ORDERED that:

1. Airport Service, Incorporated is authorized to establish on an interim basis the increased rates and charges contained in Appendix A to this decision.

2. Amendments to Airport Service, Incorporated's tariff to be made as a result of this order may be filed on or after the effective date of this order, and may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

3. In addition to the required posting and filing of tariffs, Airport Service shall give notice to the public by posting in its buses and terminals an explanation of its fares. Such notice shall be posted not less than five 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 28th
day of JUNE, 1977.

Robert Batmeh

President

William Lyons-Jr

Vernon L. Sturgeon

Richard W. Givall

Commissioners

APPENDIX A
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Authorized Interim Rates for Airport Service, Incorporated

<u>Between</u>	<u>One Way</u>	
	<u>Adult</u>	<u>Child</u>
Los Angeles Internatinoal Airport, Los Angeles		
<u>And</u>		
Anaheim	\$3.15	\$1.60
Buena Park	3.15	1.60
Fullerton	3.15	1.60
Long Beach Airport, Long Beach	2.55	1.30
Seal Beach	2.95	1.50
Orange	3.65	1.85
Santa Ana	3.65	1.85
Orange County Airport, Santa Ana	4.25	2.15
Newport Beach	4.60	2.30
*El Toro Marine Corps Air Station, El Toro	4.25	2.15
Laguna Hills	5.35	2.70
Mission Viejo	5.60	2.80
Long Beach	2.55	1.30
*Long Beach Naval Base, Long Beach	2.80	1.40
*Long Beach Harbor, Long Beach	2.80	1.40
Huntington Beach	3.75	1.90
Pasadena	2.55	1.30
San Marino	2.55	1.30
Arcadia	2.65	1.35
Monrovia	2.65	1.35

*On-call Service - Minimum 5 adult fares.

Children Fares - Ages 5 through 11.

No charge under 5 when accompanied by an adult.

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<u>Between</u>	<u>One Way</u>	
	<u>Adult</u>	<u>Child</u>
*Ontario International Airport, Ontario		
<u>And</u>		
Anaheim	\$3.20	\$1.60
Fullerton	3.20	1.60
Long Beach Airport, Long Beach	4.25	2.15
Santa Ana	3.75	1.90
Orange County Airport, Santa Ana	4.25	2.15
Newport Beach	4.65	2.35
Laguna Hills	5.35	2.70
Mission Viejo	5.60	2.80
Long Beach	4.25	2.15
Long Beach Naval Base, Long Beach	4.55	2.30
Long Beach Harbor, Long Beach	4.55	2.30
Huntington Beach	4.25	2.15
Pasadena	3.20	1.60
Arcadia	3.20	1.60
San Marino	3.20	1.60
Seal Beach	4.25	2.15
Monrovia	3.20	1.60

*On-call Service - Minimum 5 adult fares.

Between

*Lockheed Air Terminal, Burbank

And

Long Beach	3.45	1.75
Long Beach Naval Base, Long Beach	3.75	1.90
Long Beach Harbor, Long Beach	3.75	1.90

*On-call Service - Minimum 5 adult fares.

Children Fares - Ages 5 through 11.

No charge under 5 when accompanied by an adult.

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<u>Between</u>	<u>One Way</u>	
	<u>Adult</u>	<u>Child</u>
Orange County Airport, Santa Ana		
<u>And</u>		
Anaheim	\$1.35	\$0.70
Huntington Beach	1.05	0.55
Long Beach Airport, Long Beach	2.15	1.10
Seal Beach	1.85	0.95
Orange	0.80	0.40
Santa Ana	0.55	0.30
Newport Beach	0.55	0.30
Laguna Hills	1.05	0.55
Mission Viejo	1.35	0.70
Buena Park	1.60	0.80
Long Beach	2.15	1.10

<u>Between</u>		
Long Beach Airport, Long Beach		
<u>And</u>		
Anaheim	1.60	0.80
Huntington Beach	1.60	0.80
Orange County Airport, Santa Ana	2.15	1.10
Long Angeles International Airport, Los Angeles	2.55	1.30
Seal Beach	0.55	0.30

Children Fares - Ages 5 through 11.
No charge under 5 when accompanied by an adult.