

Decision No. 88477 FEB 7 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	Application No. 57678
of SIERRA PACIFIC AIRLINES; for)	(Filed Novemer 8, 1977
An Ex Parte Order to Increase)	Amended January 3, 1978
Intrastate Passenger Fares.)	and January 6, 1978)

O P I N I O N

Sierra Pacific Airlines (Sierra Pacific) is a passenger air carrier with intrastate operations between Mammoth Lakes, Bishop, Fresno, and Los Angeles. It is a California corporation wholly owned by Mammoth Mountain Ski Area, a corporation.

In this application, as amended, Sierra Pacific seeks an ex parte order for expedited authority to increase its intrastate passenger air fares, as set forth in Appendix "A" of this decision, to offset its operating losses.

In justification of the sought increases, Sierra Pacific's application alleges as follows:

Since September, 1973, Applicant has sustained losses which by August 31, 1977, have amounted to \$6,905,380.00. The lack of snow due to the severe drought in the 1976-1977 winter season and the lack of snow during the 1975-1976 winter season have added to Applicant's problems and losses. In spite of cost saving measures, including the relocation of Applicant's headquarters from Burbank to Bishop, Applicant has continued to experience losses. Inflation, including but not limited to increased landing fees at all stations, an approximate thirty (30%) percent increase in cost of aircraft parts and ten cents per gallon fuel increase have all contributed to Applicant's depressed condition. Applicant's parent corporation, Mammoth Mountain Ski Area, has been assisting it financially by financing its cash deficits. Mammoth Mountain Ski Area can no longer, without the abatement of Applicant's cash losses, continue this unlimited financing. The general fare increases proposed in this Application will not completely compensate for the past,

present or future operating losses; however, it will aid Applicant in reducing its losses and achieving financial viability.

Exhibit "A" of the application shows the airline's results of operation from January of 1977 to August of 1977. This exhibit shows an operating revenue of \$862,037.93, and an operating expense of \$1,893,453.87, which resulted in an operating loss of \$1,031,415.94.

Exhibit "D" of the application, as amended, shows the applicant's operating revenues and expenses of \$1,831,556.06 and \$3,393,578.38, respectively, for the twelve months' operation ended December 31, 1976 using fares in effect, which resulted in an operating loss of \$1,562,002.32.

In June of 1976, by Decision No. 85112, the applicant was authorized to increase fares from Los Angeles to Mammoth and Bishop and from Fresno to Mammoth and Bishop. The passenger revenues shown in Exhibit "D" reflect the application of the present fares from June 2, 1976 to December 31, 1976 and the existing fares prior to June 2, 1976 which were lower fares than the present fares.

Exhibit "D-1" of the amended application shows an estimated passenger revenue of \$1,231,084.25 for the 12-month period ended December 31, 1976, assuming the present fares were in effect during the entire 12 months of 1976. This exhibit also shows the passenger revenue of \$1,497,111.25 for the same 12-month period had the proposed increased fares been in existence.

Based on the above estimates the proposed fare increases will result in an additional annual revenue of approximately \$266,000 (approximately 22 percent of the annual passenger revenues) or 13 percent of the annual gross operating revenues.

The airline requests that the Commission issue an ex parte order finding the proposed fare increases to be reasonable and justified, and authorize the fare increases to become effective on five days' written notice to the public and become effective on or before December 15, 1977.

The application was served in accordance with Commission rules.

F I N D I N G S

1. Sierra Pacific seeks authority in Application 57678 to increase its intrastate passenger fares as set forth in Appendix "A" of this decision to offset its operating losses.

2. Applicant alleges that it has sustained losses which by August 31, 1977, have amounted to \$6,905,380.

3. Data attached to the application shows a net operating loss of approximately \$1,562,000 for the year ended December 31, 1976.

4. The airline's operation for a period from January to August of 1977 shows an operating revenue of \$862,037.93, and an operating expense of \$1,893,453.87, which resulted in an operating loss of \$1,031,415.94.

5. The proposed fare increases will produce additional annual revenue of approximately \$266,000 or 13 percent of the annual gross operating revenue.

6. The increased revenue from fare increases sought herein would not cause Sierra Pacific Airlines' operations to be profitable.

7. The application was served in accordance with Commission rules. Notice of the filing of the application appeared on the Commission's Daily Calendar. No protest to the granting of the application or request for public hearing has been received.

8. The increases in fares as set forth in Appendix "A" of this decision are justified. A public hearing is not necessary.

C O N C L U S I O N

The Commission concludes that Sierra Pacific Airlines should be granted authority to increase its fares as set forth in the Appendix "A" of this decision.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Airlines is authorized to establish the proposed increased passenger air fares set forth in Appendix A attached hereto and made a part hereof.

2. Tariff publications authorized to be made as a result of this order may be made effective on not less than ten days' notice to the Commission and to the public.

3. The authority granted herein shall expire unless exercised within ninety days after the date hereof.

Since the applicant will still operate at a loss with the increased fares, the effective date of this order is the date hereof.

Dated at San Francisco, California, this 7th day of FEBRUARY, 1978.

Robert Batimich

President

William Lyons Jr

Vernon L. Sturgeon

Richard D. Howard

Clair J. Deibel

Commissioners

Appendix "A"

SIERRA PACIFIC AIRLINES
 CALIFORNIA INTRASTATE FARES
 COMPARISON OF PRESENT AND AUTHORIZED FARES

	<u>Present Fares</u>		<u>Authorized Fares</u>	
	<u>Base</u>	<u>With Tax</u>	<u>Base</u>	<u>With Tax</u>
Bishop-Fresno	\$18.52	\$20.00	\$23.15	\$25.00
Bishop-Los Angeles	31.94	34.50	40.27	43.50
Bishop-Mammoth	4.63	5.00	No Change	25.00
Mammoth-Fresno	18.52	20.00	40.27	43.50
Mammoth-Los Angeles	31.94	34.50		

CORRECTION

15827
10/21/71

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Appendix "A"

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