

**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**



Issued by the Department of Transportation  
on the 21<sup>st</sup> of October, 2013

Essential Air Service (EAS) at

**PADUCAH, KENTUCKY  
HANCOCK/HOUGHTON, MICHIGAN  
MUSKEGON, MICHIGAN  
PELLSTON, MICHIGAN  
SAULT STE. MARIE, MICHIGAN  
WATERTOWN, NEW YORK  
EAU CLAIRE, WISCONSIN**

**DOCKET DOT-OST-2009-0299  
DOCKET DOT-OST-2009-0302  
DOCKET DOT-OST-2009-0301  
DOCKET DOT-OST-2011-0133  
DOCKET DOT-OST-2009-0303  
DOCKET DOT-OST-1997-2842  
DOCKET DOT-OST-2009-0306**

Under 49 U.S.C. 41731 *et seq.*

**ORDER SELECTING CARRIERS AT SIX COMMUNITIES AND TENTATIVELY  
SELECTING CARRIER AT WATERTOWN, NEW YORK**

**Summary**

By this Order, the Department is reselecting Delta Air Lines, Inc. (Delta), to provide Essential Air Service (EAS) at Pellston and Sault Ste. Marie, Michigan; and SkyWest Airlines (SkyWest), at Paducah, Kentucky; Hancock/Houghton, and Muskegon, Michigan; and Eau Claire, Wisconsin. The Order also tentatively reselects American Airlines (American), at Watertown, New York.<sup>1</sup>

**Background and Proposals**

By a series of Orders, the Department selected carriers to provide EAS at the above communities at various subsidy rate levels shown below. All of the service at these communities is currently provided with regional jets on a nonstop basis, and critical current and proposed rate and service elements are shown in the table below. As the contracts were about to expire, by Order

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<sup>1</sup> Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

2013-5-13, May 21, 2013, the Department requested proposals for EAS at the seven above captioned communities, with proposals due no later than June 26, 2013. After two separate requests from American, by two separate notices we granted extensions to that deadline. The first notice extended the deadline through July 10, and the second through July 15, 2013. On that date, we received one proposal and one option for each community from the incumbent carrier currently serving that community. All of the proposals contemplated nonstop service with regional jet aircraft and the same frequency of service as that which is currently subsidized and that we requested in the RFP, except for Watertown. At Watertown, American has proposed to increase its level of service from 12 round trips per week to 13. American also requested that Watertown and the Department agree to waive their hold-in authority under 49 U.S.C. §41734 and instead agree to allow American to terminate service upon 120 days' notice. The table outlines the current status of these communities and also summarizes the proposals most recently submitted. We received final community comments on September 11, 2013.

Community	Carrier	Hub	Miles to Hub	Selection Order	Rate Expires	Subsidy Rates		Forecast Passengers	
						Current	Proposed	Prior	Proposed
Muskegon, MI	SkyWest	ORD	118	2012-2-11	12/31/2013	\$1,576,067	\$1,389,952	25,000	33,700
Eau Claire, WI	SkyWest	ORD	268	2012-2-2	12/31/2013	\$1,733,576	\$1,546,536	35,000	40,000
Pellston, MI <sup>2</sup>	Delta	DTW	293	2012-4-10	10/31/2013	\$1,055,322	\$1,077,413	39,602	42,230
Sault Ste. Marie, MI <sup>2</sup>	Delta	DTW	341	2012-4-10	1/31/2014	\$1,676,136	\$1,765,393	40,732	40,732
Paducah, KY	SkyWest	ORD	342	2012-2-2	12/31/2013	\$1,710,775	\$2,034,160	35,000	42,230
Hancock/Houghton, MI	SkyWest	ORD	359	2012-2-2	12/31/2013	\$934,156	\$690,976	44,000	50,000
Watertown, NY <sup>2</sup>	American	ORD	617	2011-3-34	11/30/2013	\$3,047,972	\$3,636,045	28,737	40,228

### Community Comments

There were strong endorsements for Delta from each community where it proposed service. Sault Ste. Marie indicates that commercial “passenger air service is essential to the economy of Sault Ste. Marie and the Eastern Upper Peninsula [of Michigan.] [The community] would encourage you to accept the proposal from Delta Air Lines to continue with Essential Air Service to Sault Ste. Marie.” Pellston indicates that “with any community the more service the better. Having said this, the Village of Pellston is thankful for the service Delta currently provides to Pellston and appreciates Delta’s latest proposal.”

There were strong endorsements for SkyWest from each community where it proposed service. Eau Claire supported SkyWest, noting that in “response to the increase in passenger traffic, the Airport Commission [and community] is pleased that SkyWest has been able to reduce their subsidy request by almost \$200,000 over the prior two-year period. The Airport will work with SkyWest to continue reducing that subsidy over the next two years with continued growth in passenger traffic.” Paducah indicates that it has “reviewed the essential air service proposal of SkyWest Airlines and [is] looking forward to a continued profitable partnership for another two years.” Houghton states that reliable air service is very important to the economic welfare of the area, and that Michigan Technological University and hundreds of small high-tech firms could not survive without air service. “The City of Houghton strongly endorses SkyWest’s proposal for essential air service.” Hancock says that it “has been pleased with the performance and

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<sup>2</sup> As requested, we will afford Delta and American the flexibility to pick any of their several code-share partners to actually operate the service, while the subsidy payments for that service will flow through the parent.

pricing of SkyWest/United via O'Hare during the last four years, and believes SkyWest is suited to undertake the next two years as well." Muskegon endorsed SkyWest's proposal. However, the community continues to want SkyWest to inaugurate "an everyday morning originating flight and evening return flight [otherwise] business travelers have far less occasion to use our airport."

Watertown strongly endorses American's proposal. "Added to American's continuing commitment to [Watertown] and the surrounding area is the now documented ease of purchasing a very reasonably priced ticket, the convenience of reaching almost any destination within the country in short order and the airline's plan to add another much needed flight on Sunday. [American] has more than met all of our expectations in the initial two-year period that we have worked with one another."<sup>3</sup> The community also accepted American's request that it be allowed to terminate its service on 120 days' notice.

### **Decisions at Eau Claire, Hancock/Houghton, Muskegon, Paducah, Pellston, and Sault Ste. Marie**

All seven communities are among the strongest traffic generators in the EAS program. Compared to each carrier's proposals two years ago, traffic is constant at Sault Ste. Marie; slightly increased at Pellston; and substantially increased at the remaining five, i.e., Eau Claire, Hancock/Houghton, Muskegon, Paducah, and Watertown.

At the six communities captioned above, the carrier-selection decision is straightforward. As shown in the above table, less subsidy is required at three communities, and slightly more at three others. Overall the level of subsidy has decreased by two percent from that in the prior carrier-selection cycle. The carriers propose to maintain the same level of service that they are currently providing and all six communities strongly endorse the incumbent carriers. We will therefore re-select Delta and SkyWest at the service and subsidy levels that they have proposed.

### **Tentative Decision at Watertown**

At the seventh community, Watertown, American characterizes its service as a success and proposes to increase its service to 13 round trips per week, one more than the 12 round trips per week it provides under the current contract. Two years ago American projected that it would transport 28,737 passengers, a four-fold increase over that transported by the prior EAS carrier.<sup>4</sup> American has, in fact, beaten that target, transporting 37,546 passengers in the year ended July 31, 2013, the most recent year reported by the carrier.

However, the clear success American achieved in generating passengers causes us to be concerned, because it has not been matched by an ability to reduce its need for subsidy. The carrier requests \$3,636,045 annual subsidy – an increase of almost 20 percent from the current rate of \$3,047,972. It indicates that the "proposed EAS subsidy is higher than our previous

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<sup>3</sup> A commenter, a single individual, was concerned with the high level of subsidy requested by American. He noted that while traffic has responded to American's service, "they are asking for even more taxpayer dollars than what is in their current contract. ....I would like to see Watertown's airport succeed, but not at the expense of an inflated subsidy that could jeopardize the entire Essential Air Service program."

<sup>4</sup> Cape Air transported 5,115 and 6,434 in the years ended October 31, 2010 and 2011, the last two full years before it was replaced by American. Cape Air's level of traffic exceeded what its predecessors had carried.

agreement primarily due to the proposed additional departure” each week.<sup>5</sup> The EAS staff met with officials from American to attempt to resolve this paradox of both substantially increased traffic and subsidy, but there was no resolution.<sup>6</sup>

Order 2013-5-13 requested 12 round trips per week. As shown in Appendix B-2, American projects a 69 percent load factor at Watertown, indicating that unused seats remain available with the current service level of 12 round trips per week, and making the need to require additional service even more problematic.<sup>7</sup> In addition, the EAS program is not in an expansion mode. Congress has tightened eligibility standards, and several communities have recently lost service altogether. A number of additional communities may soon lose all EAS subsidy as Congress has further tightened eligibility standards based on Fiscal Year 2013 data. For the reasons cited above, we have tentatively decided *not* to increase the required level of service at Watertown, and direct American to show cause as to why we should not select it to continue the current level of service, i.e., 12 nonstop round trips per week with regional jets to Chicago O’Hare, with the annual subsidy level set at \$3,356,349.<sup>8</sup>

We expect that with another two years of American’s service, the carrier and the community will develop ways to not only maintain Watertown’s current high traffic levels, but also work toward reducing the subsidy requirements for that service.

### **Carrier Fitness**

49 U.S.C. §§ 41737(b) and 41738 require that the Department find an air carrier fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. American, Delta, and SkyWest are subject to the Department’s continuing fitness requirements, and no information has come to our attention that would cause us to question the carriers’ fitness at this time. DOT has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect our fitness findings. We therefore conclude that the three carriers remain fit to conduct the operations proposed here.

This Order is issued under authority delegated in 49 CFR Part 1.25a(b).

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<sup>5</sup> In fact, 43 percent of the subsidy increase is due to the increased service:  $\$3,046,972 \times 13/12 = \$3,301,970$ ;  $\$3,301,970 - \$3,046,972 = \$253,998$ . The overall increase in subsidy was \$588,073; and \$253,998 is 43 percent of that amount.

<sup>6</sup> SkyWest’s proposal at Paducah, the most expensive of the proposals at the other six communities, also projected increased traffic and increased subsidy. However, unlike American’s proposals at Watertown, SkyWest’s is for status-quo service.

<sup>7</sup> We note that carriers can always, and they occasionally do, operate more service than they contract to provide but without subsidy.

<sup>8</sup>  $\$3,636,045 \times 12/13 = \$3,356,349$ . Even with that reduced level of service Watertown’s subsidy is still very high. Compared to Paducah, the most expensive of the other communities at issue here, Watertown requires two-thirds more annual subsidy:  $\$3,356,349 \div \$2,034,160$ .

**ACCORDINGLY,**

1. We direct American to show cause within ten (10) business days of the service date of this Order why we should not select it to provide EAS at Watertown, New York, as described in this Order and in Appendix C-1. If we receive no objection, we delegate to the Director, Office of Aviation Analysis, authority to make this decision final;
2. We select Delta to provide EAS at Pellston and Sault Ste. Marie, Michigan, as described in Appendices C-2 and C-3, respectively;
3. We select SkyWest to provide EAS at Eau Claire, Wisconsin, Hancock/Houghton and Muskegon, Michigan, and Paducah, Kentucky, as described in Appendices C-4, C-5, C-6, and C-7, respectively;
4. We direct American, Delta, and SkyWest to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years from the service date of the Order or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;
5. We find that American, Delta, and SkyWest, continue to be fit, willing and able to operate as certificated air carriers and capable of providing reliable EAS at Eau Claire, Wisconsin; Hancock/Houghton, Muskegon, Pellston, Sault Ste. Marie, Michigan; Paducah, Kentucky; and Watertown, New York;
6. Under our authority in 49 U.S.C. § 40109, we will allow American to cease operations at Watertown on 120 days' notice;
7. These dockets will remain open until further Order of the Department; and

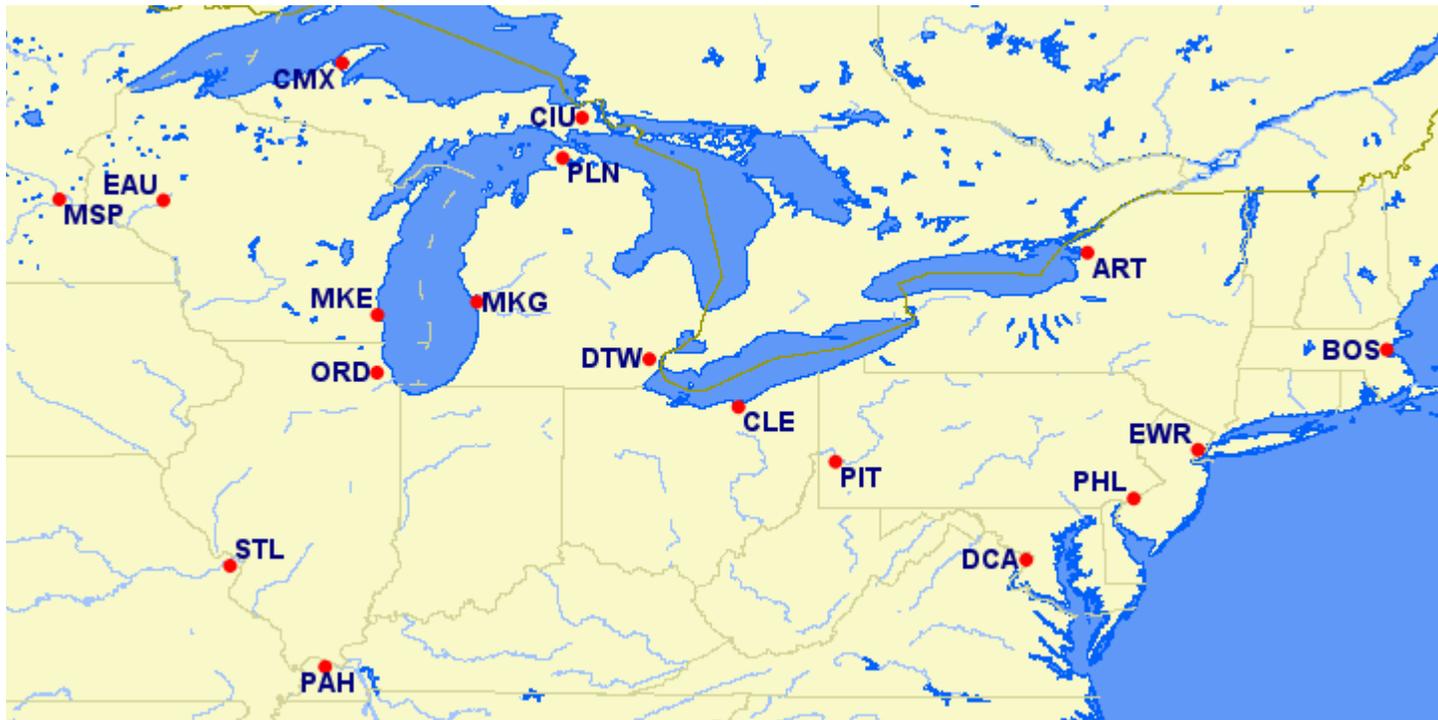
8. We will serve copies of this Order on the civic officials of Eau Claire, Wisconsin; Hancock/Houghton, Muskegon, Pellston, Sault Ste. Marie, Michigan; Paducah, Kentucky; and Watertown, New York, and on American, Delta, and on SkyWest.

By:

**Susan L. Kurland**  
Assistant Secretary for  
Aviation and International Affairs

(SEAL)

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Nonstop Great Circle Miles to Chicago (ORD)

Muskegon, MKG 118  
 Eau Claire, EAU, 268  
 Pellston, PLN, 293  
 Hancock/Houghton, CMX 359  
 Sault Ste. Marie, CIU, 341  
 Paducah, PAH 343  
 Watertown, ART, 617

Nonstop Miles to Watertown (ART)

New York, EWR	247
Boston, BOS	277
Philadelphia, PHL	287
Pittsburgh, PIT	324
Cleveland, CLE	346
Washington, DCA	359
Detroit, DTW	391
Chicago, ORD	617

Nonstop Great Circle Miles to Detroit (DTW)

Muskegon, MKG 161  
 Pellston, PLN, 243  
 Sault Ste. Marie, CIU, 284  
 Watertown, ART, 391  
 Hancock/Houghton, CMX 425  
 Eau Claire, EAU, 447  
 Paducah, PAH 458

Essential Air Service to be Provided to Eau Claire, WI; Hancock/Houghton, Muskegon, Pellston, Sault Ste. Marie, MI;  
and Paducah, KY; and Watertown, NY

Carrier	American	1/	Delta	SkyWest			
	Watertown	Pellston	Sault Ste. Marie	Eau Claire	Houghton	Muskegon	Paducah
Docket	1997-2842	2011-0133	2009-0303	2009-0306	2009-0302	2009-0301	2009-0299
Weekly Round Trips	12	13	13	14	14	14	14
Hub	ORD	DTW	DTW	ORD	ORD	ORD	ORD
Aircraft Type	RJs						
Seats	44	50	50	50	50	50	50
Departures	1,227	1,330	1,330	1,427	1,427	1,427	1,427
Stage Length	617	293	341	268	359	118	342
Available Seat Miles	33,301,324	19,484,500	22,676,500	19,121,800	25,614,650	8,419,300	24,401,700
Revenue Passenger Miles	22,911,678	12,373,390	13,889,612	10,720,000	17,950,000	3,976,600	13,680,000
Block Time	2.12	1.17	1.25	1.13	1.20	0.77	1.30
Block Hours	2,606	1,553	1,662	1,617	1,712	1,094	1,855
Passengers	37,134	42,230	40,732	40,000	50,000	33,700	40,000
Passenger Fare	\$132.00	\$112.96	\$108.73	\$93.00	\$98.00	\$73.00	\$97.00
Passenger Revenue	\$4,918,901	\$4,770,498	\$4,428,872	\$3,719,999	\$4,900,000	\$2,460,100	\$3,880,001
<u>Other Revenue</u>	<u>\$0</u>	<u>\$653,559</u>	<u>\$606,756</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$4,918,901	\$5,424,057	\$5,035,628	\$3,719,999	\$4,900,000	\$2,460,100	\$3,880,001
Direct Expenses	\$6,654,388	\$3,767,625	\$4,031,811	\$3,784,086	\$4,006,679	\$2,559,823	\$4,340,569
<u>Indirect Expenses</u>	<u>\$1,226,802</u>	<u>\$2,308,515</u>	<u>\$2,324,283</u>	<u>\$1,231,662</u>	<u>\$1,318,060</u>	<u>\$1,106,893</u>	<u>\$1,291,965</u>
Operating Expenses	\$7,881,190	\$6,076,140	\$6,356,094	\$5,015,748	\$5,324,739	\$3,666,716	\$5,632,534
<u>Profit</u>	<u>\$394,060</u>	<u>\$425,330</u>	<u>\$444,927</u>	<u>\$250,787</u>	<u>\$266,237</u>	<u>\$183,336</u>	<u>\$281,627</u>
Economic Cost	\$8,275,250	\$6,501,470	\$6,801,021	\$5,266,535	\$5,590,976	\$3,850,052	\$5,914,161
Annual Subsidy	\$3,356,349	\$1,077,413	\$1,765,393	\$1,546,536	\$690,976	\$1,389,952	\$2,034,160

1/ Reflects an application of the factor of 12/13 to American's proposal.

	American's Current and Prior Proposals at Watertown			SkyWest's Current and Prior Proposals at Paducah		
	<u>2011</u>	<u>2013</u>	<u>Percent Change</u>	<u>2011</u>	<u>2013</u>	<u>Percent Change</u>
Miles	617	617		343	343	
Departures	1,223	1,329	8.67%	1,427	1,427	0.00%
Blk Time	1.94	2.12	9.28%	1.30	1.30	0.00%
Completion	98.00%	98.00%		98.00%	98.00%	
Seats	44	44		50	50	
ASMs	33,203,090	36,076,434	8.65%	24,473,050	24,879,600	1.66%
RPMs	17,730,450	24,820,857	39.99%	12,005,000	13,680,000	13.95%
Load Factor	53.00%	68.80%		49.05%	54.98%	
Passengers	28,737	40,228	39.99%	35,000	40,000	14.29%
Average Fare	\$142	\$132	-7.04%	115	97	-15.65%
Revenue	\$4,094,786	\$5,328,809	30.14%	\$4,025,000	\$3,880,000	-3.60%
Total Expenses	\$6,802,627	\$8,537,956	25.51%	\$5,462,643	\$5,632,534	3.11%
Economic Cost	\$7,142,758	\$8,964,854	25.51%	\$5,735,775	\$5,914,161	3.11%
Subsidy	\$3,047,972	\$3,636,045	19.29%	\$1,710,775	\$2,034,161	18.90%
Revenue ÷ RPMs	\$0.2309	\$0.2147	-7.04%	\$0.3353	\$0.2836	-15.41%
Expense ÷ ASM	\$0.2151	\$0.2485	15.51%	\$0.2344	\$0.2377	1.43%
BELF 1/	93.15%	115.75%	24.26%	69.90%	83.81%	19.90%

1/ Breakeven Load Factor: Revenue per RPM ÷ Expense per ASM. For example, \$0.2151 Expense per ASM ÷ \$0.2309 Revenue per RPM = 93.15 percent. If Expense per ASM exceeds Revenue per RPM, then regardless of the number of passengers carried (recognizing that load factor can never exceed 100 percent), the community will continue to require subsidy support.

American, Essential Air Service to be Provided to  
Watertown, New York Docket 1997-2842

Effective Period: December 1, 2013, through January 31, 2016;  
Service: Twelve (12) nonstop round trips per week to Chicago O'Hare (ORD);  
Aircraft Type: Embraer-140 Regional Jet<sup>1</sup>  
Annual Subsidy: \$3,356,349  
Annual Flights: 1,227<sup>2</sup>  
Subsidy per Flight: \$2,735<sup>3</sup>  
Weekly Subsidy Ceiling: \$65,640<sup>4</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond January 15, 2014. The Government's obligation for performance under this Order beyond January 15, 2014, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this Order beyond January 15, 2014, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond January 15, 2014, the Department will provide notice in writing to the carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims filed for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

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<sup>1</sup> Flights may be operated by American Eagle or Chautauqua, as American deems appropriate

<sup>2</sup> 12 trips per week x two directions x 52 weeks x 313/312 days x .98 completion = 1,227 flights.

<sup>3</sup> \$3,356,349 ÷ 1,227 flights.

<sup>4</sup> \$2,735 per flight x 24 flights per week.

Delta, Essential Air Service to be Provided to  
Pellston, Michigan Docket 2011-0133

Effective Period: November 1, 2013, through January 31, 2016;

Service: Off peak: Twelve (12) nonstop round trips per week to Detroit (DTW); Peak: Fourteen (14) nonstop round trips per week to Detroit (DTW) with CRJ-200 Aircraft;

Annual Subsidy: \$1,077,413

Annual Flights: 1,329<sup>1</sup>

Subsidy per Flight: \$811<sup>2</sup>

<u>Seasonality</u> <sup>3</sup>	<u>Off-Peak Period</u>	<u>Peak Period</u>
<u>Weekly Subsidy Ceiling</u> :	\$19,464 <sup>4</sup>	\$22,708 <sup>5</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond January 15, 2014. The Government's obligation for performance under this Order beyond January 15, 2014, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this Order beyond January 15, 2014, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond January 15, 2014, the Department will provide notice in writing to the carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims filed for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

<sup>1</sup> Off-Peak, 26 weeks: 12 trips per week x two directions x 26 weeks x 0.98 = 612 flights;

Peak, 26 weeks: 14 trips per week x two directions x 26 weeks x 0.98 x 183/182 days = 717 flights.

<sup>2</sup> \$1,077,413 ÷ 1,329 flights.

<sup>3</sup> Off-Peak, 11/1/13--5/3/14; Peak, 5/4/14—11/1/14; Off-Peak, 11/2/14—5/2/15; Peak, 5/3/15-10/31/15; Off-peak, 11/1/15 – 1/31/16

<sup>4</sup> \$811 per flight x 24 flights per week.

<sup>5</sup> \$811 per flight x 28 flights per week.

Delta, Essential Air Service to be Provided to  
Sault Ste. Marie, Michigan Docket 2009-0303

Effective Period: February 1, 2014, through January 31, 2016;

Service: Thirteen nonstop round trips per week to Detroit (DTW);

Aircraft Type: CRJ-200

Annual Subsidy: \$1,765,393

Annual Flights: 1,329<sup>1</sup>

Subsidy per Flight: \$1,328<sup>2</sup>

Weekly Subsidy Ceiling: \$34,528<sup>3</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond January 15, 2014. The Government's obligation for performance under this Order beyond January 15, 2014, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this Order beyond January 15, 2014, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond January 15, 2014, the Department will provide notice in writing to the carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims filed for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

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<sup>1</sup> 13 trips per week x two directions x 52 weeks x 313/312 days x .98 completion = 1,329 flights.

<sup>2</sup> \$1,765,393 ÷ 1,329 flights.

<sup>3</sup> \$1,328 per flight x 26 flights per week.

SkyWest, Essential Air Service to be Provided to  
Eau Claire, Wisconsin Docket 2009-0306

Effective Period: January 1, 2014, through January 31, 2016;  
Service: Fourteen (14) nonstop round trips per week to Chicago O'Hare (ORD);  
Aircraft Type: CRJ-200  
Annual Subsidy: \$1,546,536  
Annual Flights: 1,431<sup>1</sup>  
Subsidy per Flight: \$1,081<sup>2</sup>  
Weekly Subsidy Ceiling: \$30,268<sup>3</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

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<sup>1</sup> 14 trips per week x two directions x 52 weeks x 313/312 days x .98 completion = 1,431 flights.

<sup>2</sup> \$1,546,536 ÷ 1,431 flights.

<sup>3</sup> \$1,081 per flight x 28 flights per week.

SkyWest, Essential Air Service to be Provided to  
Hancock/Houghton, Michigan Docket 2009-0302

Effective Period: January 1, 2014, through January 31, 2016;  
Service: Fourteen (14) nonstop round trips per week to Chicago O'Hare (ORD);  
Aircraft Type: CRJ-200  
Annual Subsidy: \$690,976  
Annual Flights: 1,431<sup>1</sup>  
Subsidy per Flight: \$483<sup>2</sup>  
Weekly Subsidy Ceiling: \$13,524<sup>3</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

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If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

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<sup>1</sup> 14 trips per week x two directions x 52 weeks x 313/312 days x .98 completion = 1,431 flights.

<sup>2</sup> \$690,976 ÷ 1,431 flights.

<sup>3</sup> \$483 per flight x 28 flights per week.

SkyWest, Essential Air Service to be Provided to  
Muskegon, Michigan Docket 2009-0301

Effective Period: January 1, 2014, through January 31, 2016;  
Service: Fourteen (14) nonstop round trips per week to Chicago O'Hare (ORD);  
Aircraft Type: CRJ-200  
Annual Subsidy: \$1,389,952  
Annual Flights: 1,431<sup>1</sup>  
Subsidy per Flight: \$971<sup>2</sup>  
Weekly Subsidy Ceiling: \$27,188<sup>3</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

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<sup>1</sup> 14 trips per week x two directions x 52 weeks x 313/312 days x .98 completion = 1,431 flights.

<sup>2</sup> \$1,389,952 ÷ 1,431 flights.

<sup>3</sup> \$971 per flight x 28 flights per week.

SkyWest, Essential Air Service to be Provided to  
Paducah, Kentucky Docket 2009-0299

Effective Period: January 1, 2014, through January 31, 2016;  
Service: Fourteen (14) nonstop round trips per week to Chicago O'Hare (ORD);  
Aircraft Type: CRJ-200  
Annual Subsidy: \$2,034,160  
Annual Flights: 1,431<sup>1</sup>  
Subsidy per Flight: \$1,421<sup>2</sup>  
Weekly Subsidy Ceiling: \$39,788<sup>3</sup>

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy.

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<sup>1</sup> 14 trips per week x two directions x 52 weeks x 313/312 days x .98 completion = 1,431 flights.

<sup>2</sup> \$2,034,160 ÷ 1,431 flights.

<sup>3</sup> \$1,421 per flight x 28 flights per week.