Order: 2016-5-20
Served: May 25, 2016

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

Issued by the Department of Transportation
on the 25th day of May, 2016

Essential Air Service at

KEARNEY, NEBRASKA — **DOT-OST-1996-1715**
NORTH PLATTE, NEBRASKA — **DOT-OST-1999-5173**
SCOTTSBLUFF, NEBRASKA — **DOT-OST-2003-14535**

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

ORDER SELECTING AIRLINE

Summary
By this Order, the United States Department of Transportation (the Department) is selecting Peninsula Airways, Inc. (PenAir) to provide Essential Air Service (EAS) at Kearney, North Platte, and Scottsbluff, Nebraska, using 33-passenger Saab 340 aircraft to Denver International Airport (Denver) for the two-year contract term from November 1, 2016, through October 31, 2018. The service patterns and annual subsidies are summarized below:[1]

PenAir EAS at Kearney, North Platte, and Scottsbluff

Community	*Year 1 Annual Subsidy*	*Year 2 Annual Subsidy*	*Weekly Frequencies*
Kearney	$3,513,473	$3,567,224	14
North Platte	$2,319,832	$2,291,955	12
Scottsbluff	$2,256,166	$2,234,900	12

Background
By Order 2015-4-17, issued on April 20, 2015, the Department re-selected Great Lakes Aviation, Ltd. (Great Lakes) to provide EAS at Kearney, North Platte, and Scottsbluff from April 1, 2015, through October 31, 2016. All three communities receive 12 nonstop round trips per week to

[1] Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

Denver using 30-passenger Embraer Brasilia EMB-120 (EMB-120) aircraft at annual subsidy rates of $1,998,178 for Kearney, $1,995,396 at North Platte, and $1,764,806 at Scottsbluff.

As the end of the current contracts approached, the Department issued a series of orders requesting proposals from airlines interested in providing EAS at the three communities for new contract terms.[2] In response to those Orders, the following airlines submitted proposals: Aerodynamics, Inc. (ADI), Boutique Air, Elite Airways, Great Lakes, Key Lime Air, PenAir, and Via Air, LLC (Via Air). All the airlines submitted proposals to serve all three communities, with the exception of Elite Airways, which did not submit a proposal to serve Scottsbluff.

Each airline's complete proposal and the community comments may be accessed online at www.regulations.gov by entering the corresponding community's respective docket number in the search block.

Proposal of ADI

ADI submitted proposals to serve all three communities with 12 nonstop round trips per week to Denver using 50-passenger Embraer ERJ-145 for two-year contract terms. The proposals are contingent on ADI's being selected for at least two of the pool of five EAS communities consisting of Kearney, North Platte, and Scottsbluff, Nebraska, along with Dodge City and Liberal, Kansas.[3] ADI requests an annual subsidy of $4,394,553 at Kearney, $4,578,107 at North Platte, and $3,661,164 at Scottsbluff.

Proposal of Boutique Air

Boutique Air submitted proposals to serve Kearney, North Platte, and Scottsbluff with single-engine 8-passenger Pilatus PC-12 aircraft for two-year contract terms.

At Kearney, the airline proposed five nonstop round trips six days per week to Denver and one daily nonstop round trip to Minneapolis-St. Paul International Airport (for a total of 37 round trips per week), for an annual subsidy of $5,280,897.

At North Platte, the airline proposed two options, both serving Denver. Option 1 would provide 24 nonstop round trips per week for an annual subsidy of $3,680,371, and Option 2 would provide 30 nonstop round trips per week for an annual subsidy of $4,386,624.

At Scottsbluff, the airline proposed 24 nonstop round trips per week for an annual subsidy of $2,924,663.

Proposal of Elite Airways

Elite Airways submitted proposals to serve Kearney and North Platte with 12 nonstop round trips to Denver with 50-passenger Canadair Regional Jet CRJ200 aircraft for an annual subsidy of $4,192,663 at Kearney, and $4,663,782 at North Platte.

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[2] See Orders 2015-11-4, 2015-11-18, and 2016-1-6.

[3] See Order 2016-1-10 requesting proposals for EAS at Dodge City and Liberal.

Proposal of Great Lakes
Great Lakes submitted proposals to serve Kearney, North Platte, and Scottsbluff, each with two options, and with service to Denver.

At Kearney, the airline's Option 1 proposed 12 nonstop round trips per week using EMB-120 aircraft for an annual subsidy of $2,498,400. Option 2 proposed 18 nonstop round trips per week with either 9- or 19-passenger Beechcraft 1900D aircraft for an annual subsidy of $2,997,775.

At North Platte, Option 1 proposed 12 nonstop round trips per week using EMB-120 aircraft for an annual subsidy of $2,234,957. Option 2 proposed 18 nonstop round trips per week using Beech1900D aircraft for an annual subsidy of $2,396,365.

At Scottsbluff, Option 1 proposed 12 nonstop round trips per week using EMB-120 aircraft for an annual subsidy of $2,149,659. Option 2 proposed 18 nonstop round trips per week using Beech 1900D aircraft for an annual subsidy of $2,134,728.

Proposal of Key Lime Air
Key Lime Air submitted proposals to serve all three communities with 12 nonstop round trips to Denver using either a Dornier 328 or Metroliner 23 aircraft for an annual subsidy of $2,457,815 at Kearney, $2,418,938 at North Platte, and $1,736,719 at Scottsbluff.[4]

Proposal of PenAir
PenAir submitted proposals to serve Kearney, North Platte, and Scottsbluff to Denver for a two-year term using Saab 340 aircraft. The proposals are an inseparable, all-or-nothing package.

At Kearney, PenAir proposed 14 nonstop round trips per week for a first-year annual subsidy of $3,513,473, and a second-year annual subsidy of $3,567,224.

At North Platte, PenAir proposed 12 nonstop round trips per week for a first-year annual subsidy of $2,319,832, and a second-year annual subsidy of $2,291,955.

At Scottsbluff, PenAir proposed 12 nonstop round trips per week for a first-year annual subsidy, of $2,256,166, and a second-year annual subsidy of $2,234,900.

Proposal of Via Air
Via Air submitted proposals to serve all three communities with 12 nonstop round trips per week to Denver using EMB-120 aircraft for annual subsidies of $4,741,998 at Kearney, $2,972,862 at North Platte, and $3,881,238 at Scottsbluff.

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[4] The Department notes, however, that Key Lime Air does not possess the requisite authority from the FAA to provide scheduled air service with the type of aircraft it proposed to use for EAS.

Community Comments
On March 1, 2016, the Department requested comments from the communities of Kearney, North Platte, and Scottsbluff regarding this EAS airline-selection case. All three communities overwhelmingly supported the proposal put forth by PenAir.

The Honorable Stanley A. Clouse, Mayor of Kearney, stated “the City of Kearney stands ready to assist and partner with PenAir to promote and grow regional air service for our community.” The Honorable Dwight Livingston, Mayor of North Platte, points out that PenAir’s global reservation platform, code-share and interline ticketing and baggage agreements will provide North Platte air travelers a reliable, convenient, and easy-to-use product, which is key to supporting existing businesses, as well as attracting new business to the community. More importantly, the mayor adds, PenAir’s business model is an excellent fit for the community and region and believes it is the best choice for regaining the trust of the traveling public. Mr. Darwin Skelton, Airport Director at Western Nebraska Regional Airport in Scottsbluff, stated three key reasons why the community supports PenAir’s proposal: 1) use of the Saab 340 aircraft, 2) having a plane overnight in Scottsbluff, thereby giving the community a key early morning flight, and 3) PenAir’s history at other communities and their longevity in business.

Decision
After carefully reviewing each airline’s proposal and taking into account each community’s feedback, the Department has decided to select PenAir to provide EAS at Kearney, North Platte, and Scottsbluff for two-year contract terms. When selecting an airline to provide EAS outside of Alaska, the Department bases its decision on the five factors 49 U.S.C. § 41733(c)(1) directs it to consider: 1) service reliability; 2) contractual and marketing arrangements with a larger airline at the hub; 3) interline agreements with a larger airline at the hub; 4) community views, giving substantial weight to the views of the elected officials representing the users; 5) whether the airline has included a plan in its proposal to market its service to the community.[5] PenAir was the only airline that met all five EAS selection criteria, and the Department finds its service and subsidy levels to be reasonable.

First, PenAir has a proven record of providing reliable EAS at Crescent City, California, Bar Harbor and Presque Isle, Maine, and Plattsburgh, New York. In addition, PenAir’s service to Denver, a large hub airport, coupled with its established interline ticketing and baggage agreements with United Airlines and Delta Air Lines, in addition to its code-share agreement with Alaska Airlines, will provide passengers numerous and convenient connecting opportunities beyond Denver to the national air transportation system. Furthermore, PenAir has unanimous support from all three communities, a key airline-selection criterion. Lastly, while PenAir did not specify in great detail its marketing activities at the communities, it did break out an amount devoted to its marketing efforts at each community.

The Department shall make these selections contingent upon its receiving properly executed certifications from PenAir that it is in compliance with the Department’s regulations regarding

[5] In addition, the Consolidated Appropriations Act, 2016, Public Law No. 114-113, provides that when selecting a carrier to provide EAS, the Department may consider the relative subsidy requirements, thus codifying a factor that has been considered since the inception of the program.

drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities.[6]

Reminder About EAS Eligibility

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. 49 U.S.C. § 41731(a)(1)(C) states that to be eligible for EAS, a community must have an average subsidy per passenger of less than $1,000 during the most recent fiscal year, as determined by the Secretary of Transportation, or face termination of subsidy eligibility, regardless of distance to hub airport. The $1,000 subsidy per passenger limit applies to all EAS communities outside of Alaska and Hawaii. Kearney, North Platte, and Scottsbluff are all in compliance with this EAS eligibility requirement.

In addition, the Department of Transportation and Related Agencies Appropriations Act, 2000, prohibits the Department from subsidizing EAS to communities located within the 48 contiguous States with a subsidy per passenger subsidy amount exceeding $200, unless the community is located more than 210 miles from the nearest large- or medium-hub airport. The FAA Modernization and Reform Act of 2012, Pub L. 112-95, provides that the Secretary of Transportation may waive the $200 subsidy cap, subject to the availability of funds, on a case-by-case basis, for a limited period of time. Kearney is 181 miles to Eppley Airfield, a medium-hub airport in Omaha, and Scottsbluff is 192 miles to Denver, a large-hub airport. Therefore both communities are subject the $200 subsidy cap. North Platte is exempt due to its proximity from a large- or medium-hub airport – 255 miles from Denver.

With this selection of PenAir at Kearney and Scottsbluff, the Department fully expects the airline and the communities to work together to increase passenger usage at their respective airports to ensure the subsidy per passenger complies with the $200 subsidy cap so that both communities will remain eligible for EAS.

Carrier Fitness

49 U.S.C. §§ 41737(b) and 41738 require that the Department find an airline fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. PenAir is subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would cause the Department to question the airline's fitness at this time. The Department has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect our fitness findings. The Department therefore concludes that PenAir is reliable and fit to conduct the operations proposed at Kearney, North Platte, and Scottsbluff.

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

[6] The certifications are available online under "Reports and Publications" at http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports.

ACCORDINGLY,

1. The Department selects Peninsula Airways, Inc. to provide Essential Air Service at Kearney, North Platte, and Kearney, Nebraska, and establishes the annual subsidy rates as described in Appendix C;

2. The Department directs Peninsula Airways, Inc., 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 this 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 airline may forfeit its compensation for any claim that is not supported under the terms of this Order;

3. The Department finds that Peninsula Airways, Inc. is fit willing and able to operate as a certificated airline, and capable of providing reliable Essential Air Service at Kearney, North Platte, and Scottsbluff, Nebraska;

4. These dockets will remain open pending further Department action; and

5. The Department will serve a copy of this Order on the Mayor of Kearney, Nebraska, the Airport Manager at Kearney Regional Airport, the Mayor of North Platte, Nebraska, the Airport Manager of North Platte Regional Airport, the Mayor of Scottsbluff, Nebraska, the Airport Director at Western Nebraska Regional Airport (Scottsbluff), Aerodynamics, Inc., Boutique Air, Elite Airways, Great Lakes Aviation, LLC, Key Lime Air, Peninsula Airways, Inc., and Via Airlines, Inc.

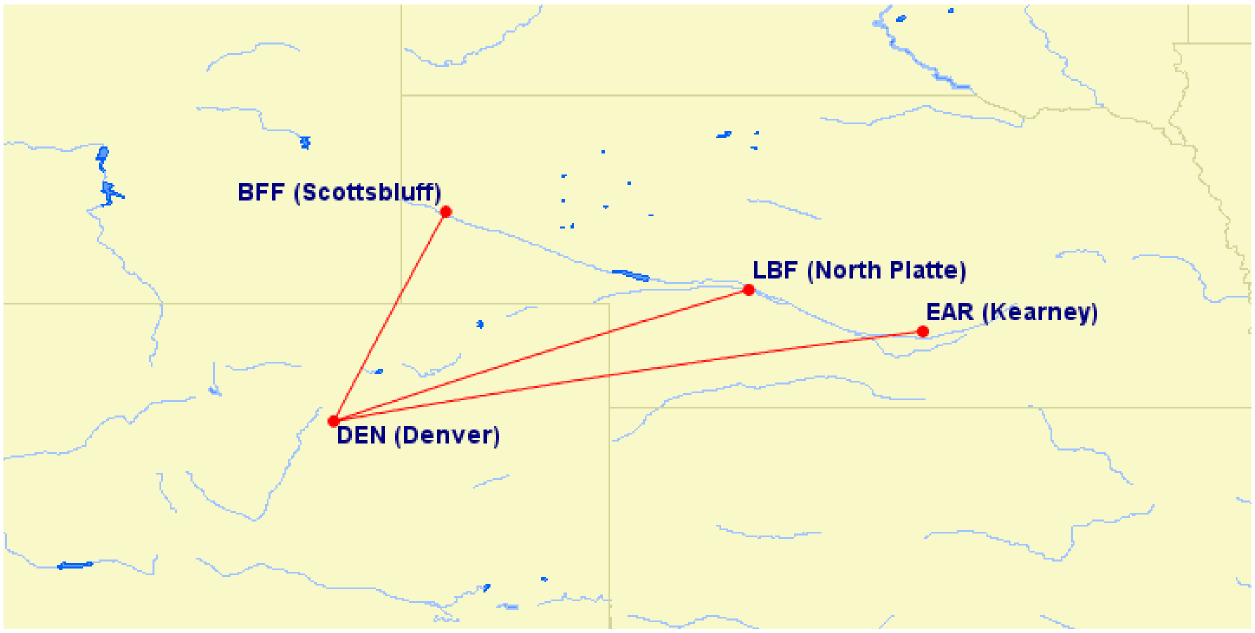
By:

JENNY T. ROSENBERG
Acting Assistant Secretary for
Aviation and International Affairs

(SEAL)

An electronic version of this document is available at
www.regulations.gov

AREA MAP



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PenAir Proposed EAS at Kearney, Nebraska

KEARNEY,NE - DENVER,CO

	YEAR 1 EAR			YEAR 2 EAR	
Annual Flights	1,413	*Note 1*	Annual Flights	1,413	*Note 1*
Fare	$99	*Note 2*	Fare	$99	*Note 2*
Block Time	1.4		Block Time	1.4	
Annual Block Hours	1,978		Annual Block Hours	1,978	
Passengers	17,600		Passengers	17,900	
REVENUE	$1,742,400.00		**REVENUE**	**$1,772,100.00**	
Flt Ops Crew	$668,294.71	*Note 3*	Flt Ops Crew	$688,343.55	*Note 3*
Fuel	$419,734.48	*Note 3*	Fuel	$449,115.89	*Note 3*
Maintenance	$1,365,278.07	*Note 3*	Maintenance	$1,406,236.41	*Note 3*
Insurance	$113,469.55	*Note 3*	Insurance	$113,469.55	*Note 3*
A/C Depr/Rental	$427,489.02	*Note 3*	A/C Depr/Rental	$427,489.02	*Note 3*
TOTAL Direct Expenses	$2,994,265.83		**TOTAL Direct Expenses**	**$3,084,654.43**	
Flt Attendant	$112,282.63	*Note 3*	Flt Attendant	$112,282.63	*Note 3*
Traffic Related	$862,711.52	*Note 5*	Traffic Related	$888,592.87	*Note 5*
Departure Related	$668,766.26	*Note 4*	Departure Related	$688,829.25	*Note 4*
Capacity Related	$239,567.37	*Note 4*	Capacity Related	$270,711.13	*Note 4*
Start Up Expense	$68,000.00	*Note 6*	Marketing	$40,000.00	
Marketing	$60,000.00				
TOTAL Indirect Expenses	$2,011,327.78	*Notes 3,4,5,6*	**TOTAL Indirect Expenses**	**$2,000,415.87**	*Notes 3,4,5*
TOTAL Indirect Expenses without Marketing	$1,944,953.96				
TOTAL Operating Expenses	$5,005,593.61		**TOTAL Operating Expenses**	**$5,085,070.30**	
Profit @ 5% [(Total Direct+Indirect)*.05]	$250,279.68		Profit @ 5% [(Total Direct+Indirect)*.05]	$254,253.51	
ECONOMIC COST	**$5,255,873.29**		ECONOMIC COST	**$5,339,323.81**	
ANNUAL SUBSIDY	$3,513,473.29		**ANNUAL SUBSIDY**	**$3,567,223.81**	

Note 1: Annual flights= 14 weekly RT flights x 0.97= 1413
Note 2: Incentive Fare
Note 3: The per hour rates (except for fuel) were calculated as follows:
(Sum of total Costs Reported for each category to UDDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Block Hours Operated (5,234)
Flt Ops Crew, Maintenance increased by 3% in Year 1 and another 3% in Year 2.
Fuel cost is an average of current fuel prices at EAR and Denver, with a 3% increase for Year 1 and 7% over Year 1 in Year 2.
Note 4: The per departure rates were calculated as follows:
(Sum of total Costs Reported for each category to USDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Departures (3,870)
Departure-related increased 3% from Year 1 to Year 2. Capacity-related increased by 13% from Year 1 to Year 2.
Note 5: The per passenger rates were calculated as follows (with a 3% increase from Year 1 to Year 2):
(Sum of total Costs Reported for each category to USDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Passengers (52,618)
Note 6: $8,000 for relocating one aircraft (allocation of $10,000 per aircraft for 4 aircraft) and $60,000 for ground equipment= $ 68,000 / Total hours 1695 = $40.11 per hour;
To be recovered in Six months: $40.11 x 2 = $80.22

PenAir Proposed EAS at North Platte, Nebraska

NORTH PLATTE,NE - DENVER,CO

		YEAR 1 LBF	
Annual Flights		1,211	*Note 1*
Fare		$118	*Note 2*
Block Time		1	
Annual Block Hours		1,211	
Passengers		10,083	*Note 4*
REVENUE		**$1,189,794.00**	
Flt Ops Crew		$409,111.77	*Note 5*
Fuel		$256,732.00	*Note 5*
Maintenance		$836,035.41	*Note 5*
Insurance	F	$69,462.96	*Note 5*
A/C Depr/Rental	f	$261,697.10	*Note 5*
TOTAL Direct Expenses		**$1,833,039.23**	
Flt Attendant		$68,736.36	*Note 5*
Traffic Related		$494,245.47	*Note 7*
Departure Related		$573,160.61	*Note 6*
Capacity Related		$205,319.24	*Note 6*
Start Up Expense		$68,000.00	*Note 8*
Marketing		$100,000.00	
TOTAL Indirect Expenses		**$1,509,461.67**	*Notes 5,6,7,8*
TOTAL Operating Expenses		**$3,342,500.91**	
Profit @ 5% [(Total Direct+Indirect)*.05]		$167,125.05	
ECONOMIC COST		**$3,509,625.95**	
ANNUAL SUBSIDY		**$2,319,831.95**	

	YEAR 2 LBF	
Annual Flights	1,211	*Note 1*
Fare	$118	*Note 2*
Block Time	1	
Annual Block Hours	1,211	
Passengers	10,284	*Note 4*
REVENUE	**$1,213,512.00**	
Flt Ops Crew	$421,385.12	*Note 5*
Fuel	$274,703.24	*Note 5*
Maintenance	$861,116.47	*Note 5*
Insurance	$69,462.96	*Note 5*
A/C Depr/Rental	$261,697.10	*Note 5*
TOTAL Direct Expenses	**$1,888,364.89**	
Flt Attendant	$68,736.36	*Note 5*
Traffic Related	$509,072.83	*Note 7*
Departure Related	$590,355.43	*Note 6*
Capacity Related	$232,010.74	*Note 6*
Marketing	$50,000.00	
TOTAL Indirect Expenses	**$1,450,175.36**	*Notes 5,6,7*
TOTAL Operating Expenses	**$3,338,540.25**	
Profit @ 5% [(Total Direct+Indirect)*.05]	$166,927.01	
ECONOMIC COST	**$3,505,467.26**	
ANNUAL SUBSIDY	**$2,291,955.26**	

Note 1: Annual flights= 12 weekly RT flights x 0.97= 1211
Note 2: Actual YE Q3 2015 DOT Market Fare from USDOT, O&D Survey, via Diio LLC

Note 4: Traffic derived based on current load factor, with a 2% increase for Year 2.

Note 5: The per hour rates were calculated as follows:
(Sum of total Costs Reported for each category to UDDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Block Hours Operated (5,234)
Flt Ops Crew, Maintenance increased by 3% from Year 1 to Year 2. Fuel is an average of current prices, with a 3% increase for Year 1 and a 7% increase for Year 2.
Note 6: The per departure rates were calculated as follows:
(Sum of total Costs Reported for each category to USDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Departures (3,870)
Departure-related increased 3% from Year 1 to Year 2. Capacity-related increased by 13% from Year 1 to Year 2.
Note 7: The per passenger rates were calculated as follows:
(Sum of total Costs Reported for each category to USDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Passengers (52,618)
Note 8: $8,000 for relocating one aircraft (allocation of $10,000 per aircraft for 4 aircraft) and $60,000 for ground equipment= $ 68,000 / Total hours 1211 = $56.15 per hour; To be recovered in Six months: $56.15 x 2 = $112.30

PenAir Proposed EAS at Scottsbluff, Nebraska

SCOTTSBLUFF,NE - DENVER,CO

	YEAR 1 BFF			YEAR 2 BFF	
Annual Flights	1,211	*Note 1*	Annual Flights	1,211	*Note 1*
Fare	$79	*Note 2*	Fare	$79	*Note 2*
Block Time	0.8		Block Time	0.8	
Annual Block Hours	969		Annual Block Hours	969	
Passengers	12,165	*Note 4*	Passengers	12,408	*Note 4*
REVENUE	**$961,035.00**		**REVENUE**	**$980,232.00**	
Flt Ops Crew	$327,289.41	*Note 5*	Flt Ops Crew	$337,108.10	*Note 5*
Fuel	$205,385.60	*Note 5*	Fuel	$219,762.59	*Note 5*
Maintenance	$668,628.75	*Note 5*	Maintenance	$688,687.61	*Note 5*
Insurance	$55,570.37	*Note 5*	Insurance	$55,570.37	*Note 5*
A/C Depr/Rental	$209,357.68	*Note 5*	A/C Depr/Rental	$209,357.68	*Note 5*
TOTAL Direct Expenses	**$1,466,231.81**		**TOTAL Direct Expenses**	**$1,510,486.35**	
Flt Attendant	$54,989.09	*Note 5*	Flt Attendant	$54,989.09	*Note 5*
Traffic Related	$596,300.32	*Note 7*	Traffic Related	$614,189.33	*Note 7*
Departure Related	$573,160.61	*Note 6*	Departure Related	$590,355.43	*Note 6*
Capacity Related	$205,319.24	*Note 6*	Capacity Related	$232,010.74	*Note 6*
Start Up Expense	$68,000.00	*Note 8*	Marketing	$60,000.00	
Marketing	$100,000.00				
TOTAL Indirect Expenses	**$1,597,769.25**	*Notes 5,6,7,8*	**TOTAL Indirect Expenses**	**$1,551,544.58**	*Notes 5,6,7*
TOTAL Operating Expenses	**$3,064,001.07**		**TOTAL Operating Expenses**	**$3,062,030.93**	
Profit @ 5% [(Total Direct+Indirect)*.05]	$153,200.05		Profit @ 5% [(Total Direct+Indirect)*.05]	$153,101.55	
ECONOMIC COST	**$3,217,201.12**		ECONOMIC COST	**$3,215,132.48**	
ANNUAL SUBSIDY	**$2,256,166.12**		**ANNUAL SUBSIDY**	**$2,234,900.48**	

Note 1: Annual flights= 12 weekly round trip flights x 0.97 = 1211
Note 2: Actual YE Q3 2015 DOT Market Fare from USDOT, O&D Survey, via Diio LLC

Note 4: Traffic derived based on current load factor, with a 2% increase for Year 2.

Note 5: The per hour rates were calculated as follows:
(Sum of total Costs Reported for each category to UDDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Block Hours Operated (5,234)
Flt Ops Crew, Maintenance increased by 3% from Year 1 to Year 2. Fuel costs are average of fuel prices, with a 3% increase for Year 1 and a 7% increase for Year 2.
Note 6: The per departure rates were calculated as follows:
(Sum of total Costs Reported for each category to USDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Departures (3,870)
Departure-related increased 3% from Year 1 to Year 2. Capacity-related increased by 13% from Year 1 to Year 2.
Note 7: The per passenger rates were calculated as follows:
(Sum of total Costs Reported for each category to USDOT for East Coast Network for QE 12/2014 + QE 03/2015 + QE 06/2015 + QE 09/2015) divided by Reported Passengers (52,618)
Note 8: $8,000 for relocating one aircraft (allocation of $10,000 per aircraft for 4 aircraft) and $60,000 for ground equipment= $ 68,000 / Total hours 969 = $70.17 per hour; To be recovered in Six months: $70.17 x 2 = $140.38

Peninsula Airways, Inc.
Essential Air Service to be provided at Kearney, Nebraska
DOT-OST-1996-1715

Contract Term:	November 1, 2016, through October 31, 2018
Hub:	Denver International Airport (DEN)
Scheduled Service:	14 nonstop roundtrips per week
Aircraft:	33-passenger Saab 340
Compensation Schedule:	

Effective Period	Annual Subsidy	Rate per Flight[1]	Weekly Ceiling[2]
November 1, 2016 – October 31, 2017	$3,513,473	$2,462	$68,936
November 1, 2017 – October 31, 2018	$3,567,224	$2,500	$70,000

Note: 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 this rate, 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 service levels, the carrier may cease to provide service to that specific location without regards 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 contract 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 September 30, 2016. The Government's obligation for performance under this Order beyond September 30, 2016, 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 September 30, 2016, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2016, 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 for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

[1] Annual compensation divided by 1,427 annual departures (28 weekly departures x 52 weeks x 98 percent completion).
[2] 28 weekly departures multiplied by rate per flight.

Peninsula Airways, Inc.
Essential Air Service to be provided at North Platte, Nebraska
DOT-OST-1999-5173

Contract Term: November 1, 2016, through October 31, 2018
Hub: Denver International Airport (DEN)
Scheduled Service: 12 nonstop round trips per week
Aircraft: 33-passenger Saab 340

Compensation Schedule:

Effective Period	Annual Subsidy	Rate per Flight[1]	Weekly Ceiling[2]
November 1, 2016 – October 31, 2017	$2,319,832	$1,897	$45,528
November 1, 2017 – October 31, 2018	$2,291,955	$1,874	$44,976

Note: 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 this rate, 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.

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Subsidy contract 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.

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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 for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

[1] Annual compensation divided by 1,223 annual departures (24 weekly departures x 52 weeks x 98 percent completion).
[2] 24 weekly departures multiplied by rate per flight.

Peninsula Airways, Inc.
Essential Air Service to be provided at Scottsbluff, Nebraska
DOT-OST-2003-14535

Contract Term:	November 1, 2016, through October 31, 2018
Hub:	Denver International Airport (DEN)
Scheduled Service:	12 nonstop round trips per week
Aircraft:	33-passenger Saab 340

Compensation Schedule:

Effective Period	Annual Subsidy	Rate per Flight[1]	Weekly Ceiling[2]
November 1, 2016 – October 31, 2017	$2,256,166	$1,845	$44,280
November 1, 2017 – October 31, 2018	$2,234,900	$1,827	$43,848

Note: 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 this rate, 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 service levels, the carrier may cease to provide service to that specific location without regards 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 contract 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 September 30, 2016. The Government's obligation for performance under this Order beyond September 30, 2016, 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 September 30, 2016, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2016, 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 for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

[1] Annual compensation divided by 1,223 annual departures (24 weekly departures x 52 weeks x 98 percent completion).
[2] 24 weekly departures multiplied by rate per flight.