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Proposal Clarification

March 8, 2006

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Docket 4299-59

Mr. Dennis DeVany
Chief, EAS and Domestic Analysis Division
Department of Transportation
Office of Aviation Analysis
Room 6401
400 7th Street, SW
Washington, DC 20590

Re: Alaska Airlines, Inc. Southeast Alaska EAS Proposal, Docket OST 1998-4899

Dear Dennis:

I am submitting this letter on behalf of Alaska Airlines, Inc. ("Alaska") to clarify two matters arising under Alaska's proposal.

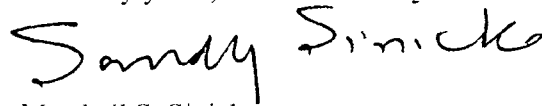
First, there is a \$45,218 difference in Alaska's General and Administrative ("G&A") expense between the amounts reflected under Alaska's (a) subdivided proposals for Cordova, Yakutat and Gustavus, on the one hand, and for Petersburg and Wrangell, on the other, for which the total G&A expense is \$1,336,059 and (b) Alaska's initially submitted aggregated proposal in which the total G&A expense appears on the summary P&L page as \$1,290,843. The G&A understatement Alaska made in its initial proposal was entirely the result of an incorrect transposition of the correct G&A expense number shown in Exh. AS-5, p. 9, to the summary P&L appearing on AS-2, p. 1. The transposition was discovered when the subdivided proposals were prepared and the G&A expense for the proposals totaled the same \$1,336,059 amount reflected in Alaska's original AS-5, but which was incorrectly carried forward to the summary P&L for Alaska's original aggregated proposal. The correct G&A figure is \$1,336,059.

Second, Alaska's initial proposal requesting \$5.207 million (as corrected for the G&A transposition error discussed above) was based on Alaska's actual 97% schedule completion factor and actual costs for the 12 months ended September 30, 2005. In submitting that proposal, Alaska assumed that the Department would, as it has consistently done for decades including most recently in 2004, adjust the final EAS compensation number to reflect Alaska's most recently experienced completion factor of 97 percent. To do otherwise would not only represent a sharp departure from years of precedent, but it

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would unfairly penalize Alaska by treating its implicit 97% completion factor¹ proposal as the equivalent of an operationally unattainable 100% completion. That would force Alaska to unjustifiably accept a more than \$150,000 reduction in its new EAS rate proposal – which already reflects a \$520,000 reduction from Alaska's current EAS rate. Parenthetically, it is also worth noting that Alaska's current rate was predicated on an even lower completion factor of just 96%.

Sincerely yours,

A handwritten signature in black ink that reads "Sandy Sinick". The signature is written in a cursive, slightly slanted style.

Marshall S. Sinick

cc: Mr. Kevin Adams
All Persons served with the
Department's Order 2006-1-16

¹ Alaska's 97% completion factor can be calculated by dividing Alaska's current annual EAS ceiling rate by the amount actually paid for the 12 months ended September 30, 2005.