

Seattle-Tacoma International Airport

Competition Plan

June 13, 2014

OVERVIEW

Since 2004, Sea-Tac Airport (the “Airport” or “Sea-Tac” or “Port of Seattle” or “Port”) has had a series of airline agreements (3) with hybrid compensatory rate structures. Key features of these agreements have been that rates are set to recover costs (without cross subsidies) and exclusive leases have not been allowed for gates, ticket counters and baggage makeup and baggage claim space. In this environment, Sea-Tac has accommodated a number of new airline customers both domestic and international. In the past ten years, Virgin America, Lufthansa, Icelandair, Emirates, Hainan and All Nippon Airways have initiated service to Sea-Tac. During this period, Sea-Tac has also experienced growth by the dominant local carrier, Alaska Airlines.

1. Availability of gates and related facilities (identify or describe)

A. Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common use.

Sea-Tac Airport has a total of 79 gate positions. Of these, 69 are equipped with passenger loading bridges (PLBs) and 10 are for regional operations with a total of 19 regional parking positions. This distribution by concourse is as follows:

Concourse	Gate Positions	PLBs	Regional Gates	Regional Parking Positions
A	14	14		
B	12	12		
C	14	6	8	14
D	10	10		
SSAT	14	14		
NSAT	14	12	2	5
Total 2014 gate allocation	78	68	10	19
New gate on B	1	1		
Total	79	69	10	19

Gates are largely domestic, except for 12 of those on the South Satellite that have direct access into our federal inspection services area. See Attachment I for a diagram of airport concourses.

Of these 79 gates, 65 are preferentially leased by airlines and 14 are Port controlled common use gates. See Attachment II for current assignment of preferential gates.

The number of gates at Sea-Tac has changed with the advent of winglets and changes in fleet mix. Demand is increasing, and capacity is fairly fixed. Sea-Tac has seen steady growth in international flights over the last several years, but has recently received notification that Delta has increased its 2014 schedule from 43 departures (in 2013) to 80 departures in 2014; in addition, Delta has announced plans to increase its departures at Sea-Tac to approximately 150 by 2017. With this domestic growth, as well as the growth of the home-town carrier Alaska, the Airport is in the early stages of a project to expand the North Satellite from 12 gates and five regional parking positions. The scope of the North Satellite project will be either a complete remodel of the existing space to create 15 contact gates, or an expansion of up to approximately 42,000 SF and 5 additional gates with passenger loading bridges, for a total of 20 contact gates (subject to approval of the Port of Seattle Commission).

B. Whether any air carriers that have been serving the airport for more than three years are relying exclusively on common-use gates.

Sea-Tac has as part of the Signatory Lease and Operating Agreement (“SLOA III” see Attachment III) an annual preferential gate allocation process that distributes available preferential gates based on passenger seats in the Seattle market. From that process All Nippon Airways (ANA), Asiana Airlines, British Airways, Condor Airlines, Emirates Airline, EVA Airways, Frontier Airlines, Hainan Airlines, Hawaiian Airlines, Icelandair, Korean Air Lines, Lufthansa German Airlines, and Sun Country Airlines all utilize common-use gates for all of their operations.

Apart from Hawaiian Airlines and Frontier Airlines, which have rejected their allocated preferential use gates, each of the remaining carriers has minimal daily flights so they do not qualify for preferential use gates based on their number of seats in the Seattle market. As part of the annual gate allocation process, however, there are historically a number of gates rejected by carriers, and a window of opportunity for any airline to request to lease a rejected preferential gate. Typically, however, a carrier with limited daily operations has no interest in a preferential use gate because of the associated financial savings that accompanies paying on a per-use basis on a common use gate.

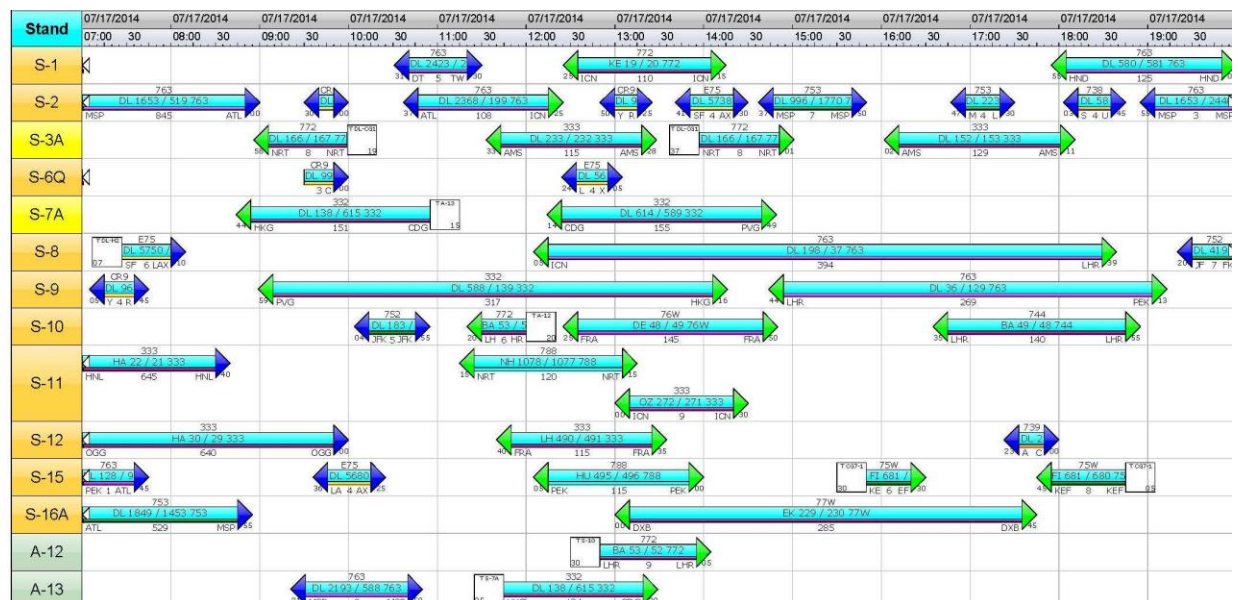
C. Diagram of the airport's concourses

- See Attachment I

D. Description of gate use monitoring policies, including any differences in policy at gates subject to PFC assurance # 7 and samples of gate use monitoring charts, along with a description of how the charts are derived and how they are used by the airport.

As part of SLOA III, the Airport maintains secondary user rights on all preferential use gates. This is in addition to the annual gate allocation process that allows the Port to change and control the number of common use gates needed to accommodate new entrants and common use carrier activity. See Article 4 in Attachment III.

Gate use is monitored seasonally and day-to-day by a manager ("Scheduling Manager") within the Operations Department who is devoted full-time to overseeing scheduling. On an hour-to-hour basis, gate use is monitored 24/7 by Airport staff in the Airport Communications Center ("ACC") and by Airport Duty Managers ("ADM"). Immediate and short-term gate needs are addressed by the ACC. Longer term requirements are addressed by the Scheduling Manager. The Port and airlines also maintain a Common Use Facilities Advisory Committee which, as specified in SLOA III, considers and issues recommendations on use of gates, among other facilities. Gate use is monitored on a computer screen but as an example, a reproduction is shown here of a typical screen showing assignments on the South Satellite Terminal/Concourse:



- See Attachment IV- Gate Use Charts

E. Description of the process for accommodating new service and for service by a new entrant:

- Airport staff initiates initial meetings with the potential new entrant to understand proposed flight schedule and timing of operational start.
- Airport determines facility availability and proposes potential gate, ticket counter, baggage system, and office space to accommodate their proposed operation.
- Airport staff consults with Common Use Facility Allocation Committee (CUFAC) which is made up of four airline representatives and three Port representatives, if necessary.
- Discussions ensue and decisions are made based on new entrant requirements and availability of resources.
- The appropriate lease document is provided and the Port then develops a pro-forma based on the developed operational and facility profile.
- Discussions continue on issues like tenant improvements, airport signage, and employee needs (badges/keys/parking) while the new entrant airline follows up on details like availability of third party contractor support and hotel crew facilities.
- New entrant signs the lease.
- Service begins.

F. Description of any instances in which the PFC competitive assurance #7 operated to convert previously exclusive-use gates to preferential-use gates or it caused such gates to become available to other users.

Sea-Tac has no exclusive use gates.

G. Gate utilization (departures/gate) per week and month reported for each gate.

See Attachment IV – Gate Use Charts

H. The circumstances of accommodating a new entrant or expansion during the 12 months preceding filing, including the length of time between initial carrier contact of airport and start of service, the identity of the carriers and how they were accommodated.

- Delta has been adding international routes in Seattle over the last several years, largely relying on the domestic feed of Alaska Airlines. Recently, Delta has informed the Airport that it intends to build up its own domestic feed (in direct competition with Alaska) and will need additional gates to accommodate these increases.
- In addition to previously announced international flights to ICN and HKG in June of 2014, Delta notified the Airport in November of 2013 that it will be adding a significant number of domestic flights to SEA in 2014, including SFO, LAS, LAX, SJC, Juneau, ANC, Fairbanks, YVR, SAN, and PDX.
- Although accommodations and schedules are still being developed, the Airport initially responded as part of the finalization of the 2014 gate allocation process in December of 2013 to a Delta request for additional gates. The Airport assigned one additional preferential gate from the rejected pool to Delta, and has provided significant scheduling support and planning regarding their utilization of up to four additional common use gates above and beyond their currently allocated 2014 preferential gates.
- Additionally, the Airport worked with Delta to re-create a new regional gate in an underutilized area on the ramp that had been compromised by fleet mix and winglet impacts (this is the new gate referenced in the table on page 1 in 1.A). Although this gate is a common-use gate because of its mid-year inauguration, it is anticipated that this gate will likely be offered to Delta as an additional preferential use gate in the next annual gate allocation.

I. Resolution of any access complaints by a new entrant or an air carrier seeking to expand service during the 12 months preceding the filing, including a description of the process used to resolve the complaint.

The Airport has received no complaints by any new entrant carriers at Sea-Tac.

J. Use/lose, or use/share policies and recapture policies for gates and other facilities. If no such policies exist, explain the role, if any under-utilized gates play in accommodating carrier requests for gates.

The Airport's ability to recapture gates centers on our annual gate allocation process. In this process, the Airport first determines the number of common use gates required to accommodate common use activity, and then the remainder of the gates are offered to airlines in the preferential lease gate allocation process. So, in any given year, the Airport has full control to increase or decrease the number of common use gates and the number of gates available for airlines to lease on a preferential basis.

The Airport has the ability to utilize any preferentially leased gate if (1) there is a need and (2) the leasing airline does not have a scheduled operation during the period of need. So if there is a need by a requesting airline that the Airport cannot accommodate on existing common use gates, and there is underutilization or capacity during the period of need from the leasing airline, the Airport has the ability to schedule the requesting airline's operation as a secondary user on that leasing airline's preferential-use gate.

K. Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport and methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates).

See responses to Section 1.H., above

L. Availability of an airport competitive access liaison to assist requesting carriers, including new entrants.

The Airport does not currently have an airport competitive access liaison

M. Number of aircraft remain overnight (RON) positions available at the airport by lease arrangement, i.e. exclusive, preferential, common-use or unassigned, and distribution by carrier. Describe procedures for monitoring and assigning RON positions and for communicating availability of RON positions to users.

There are a total of 127 available RON parking positions at Sea-Tac. All preferentially leased gates are inclusive of a RON on the gate, so airlines control 65 RONs as part of preferential gates. Airlines exclusively control 27 RONs as part of hangar and exclusive hardstand leases. The Port directly controls 35 RONs as part of the common use gates and non-gate parking positions, and they are assigned by our Operations staff based on operational demand and historical use.

Below is a current inventory of Port and airline controlled RON positions and at Sea-Tac.

Airline	Common RON	Preferential RON	Exclusive RON	Total
Port of Seattle	35			35
Alaska		24	10	34
Delta		11	5	16
Horizon		9	2	11
United		8	3	11
FedEx			7	7
Southwest		5		5
American		3		3

US Airways		2		2
JetBlue		1		1
Virgin America		1		1
Air Canada		1		1
Total	35	65	27	127

2. Leasing and subleasing arrangements (identify or describe)

A. Whether a subleasing or handling arrangement with an incumbent carrier is necessary to obtain access.

Historically, the Airport has been able to successfully accommodate requesting airlines without having to rely on their handling by an incumbent carrier. Some have chosen to do so because of alliance relationships or handling agreements, but none has been required. In recent months, however, our mid-day bank of international flights has exceeded our supply for wide-body gates, so it is conceivable that it may indeed happen in the future.

B. How the airport assists requesting airlines to obtain a sublease or handling arrangement.

If an airline was to need a sublease or handling arrangement, the Airport would endeavor to facilitate a conversation between that airline and either or both of the local or corporate representatives of an incumbent carrier to determine if capacity exists and at least connect the parties.

C. Airport polices for sublease fees levels (e.g. maximum 15 percent above lease rates), and for oversight of fees, ground/handling arrangements and incumbent schedule adjustments that could affect access to subtenants.

A signatory carrier who subleases space or has a handling arrangement with another carrier, is allowed to charge a maximum 15% administration fee on top of what the Airport's rates and charges are for that facility or use.

D. Process by which availability of facilities for sublease or sharing is communicated to other interested carriers and procedures by which sublease or sharing arrangements are processed.

All signatory carriers are notified, as part of our annual gate allocation process, of gates made available after airline preferential gates are rejected.

If a signatory carrier has interest or need to sublease any of their facilities, they must request and receive the Airport's written consent. This consent would be requested via a

letter through the carrier's Airport Property Manager, who would consult with the Airport's Legal Department and other Airport stakeholders prior to providing written consent.

E. Procedures for resolving disputes or complaints among carriers regarding use of airport facilities, including complaints by subtenants about excessive sublease fees or unnecessary bundling of services.

Any complaint from a signatory carrier or their subtenant would be processed by the assigned airport property manager once the complaint is provided in writing.

Any complaint would be forwarded to the Airport's Legal Department for direction, and any actions or recommendations would be communicated and enforced by the assigned airport property manager.

F. Resolution of any disputes over subleasing arrangements in the 12 months preceding filing.

The Airport has not received any disputes over subleasing arrangements in the 12 months preceding the filing of this Competition Plan.

G. Accommodation of independent ground service support contractors, including ground handling, maintenance, fueling, catering or other support services.

There are a multitude of independent ground service contractors operating at Sea-Tac Airport. Each Ground Service Provider (GSP) is required to sign a License to Operate Agreement. The License requires a letter from an existing tenant, confirming they have a contract with the GSP. Then they are required to provide insurance, surety, and other basic provisions as part of the License Agreement. Once they provide the required documentation, they can then acquire employee badging, parking, and access to other necessary Airport resources.

If a GSP provider wants to park equipment on the airfield, and the tenant they contract with either doesn't want to or can't provide parking, the Airport offers an Equipment Storage Area Use Agreement (ESAUA) which provides a mechanism for these GSPs to store and stage equipment required for the servicing of carrier operations.

H. Copies of lease and use agreements in effect at the airport.

- Attachment III – Signatory Lease and Operating Agreement
- Attachment V – Operating Permit
- Attachment VI – License to Operate
- Attachment VII – ESAUA Agreement

3. Patterns of Air Service

Not Required

4. Gate assignment policy (identify or describe):

A. Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements

Preferential gates are only assigned to signatory carriers; therefore, the Airport's gate assignment policy is outlined in Article 4 of SLOA III (Attachment III). As previously mentioned, gates are allocated annually in accordance with a defined formula based on the number of seats in the market from the previous year's August schedule. Carriers allocated a gate are then able to accept or reject the allocated gates, and ultimately carriers have an opportunity to request additional gates (at the Airport's sole discretion) above and beyond their allocation. These gates are then memorialized as part of their lease premises for the year.

For a new entrant, the Airport typically provides a pro-forma of all Airport rates and charges for a potential new entrant. In developing this pro-forma, Airport staff would work with the requesting carrier in determining the availability of facility resources (gate, ticket counters, etc.) as well as discussing the appropriate agreement for their operation. As part of this new entrant pro-forma process, a requesting carrier would receive copies of the appropriate agreement, including pertinent information on gate assignment methodology and other related requirements for entrants choosing signatory status. Most new entrants have historically been handled on Airport common-use gates (at least initially), but based on the proposed schedule, a new signatory entrant can request a preferential gate as part of their start-up process. The Airport would then consider their request based on the availability of gates and their anticipated utilization.

B. Methods for announcing to tenant carriers when gates become available. The description should discuss whether all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time.

All carriers are informed at the same time by the annual Gate Allocation Process (the milestones are outlined in SLOA III).

C. Methods for announcing to non-tenant carriers, including both those operating at the airport and those that have expressed an interest in initiating service, when gates become available; and policies on assigning RON positions and how RON position availability announcements are made.

The Airport does not have a list of carriers that have expressed an interest in initiating service, so has not developed a mechanism to communicate to this theoretical non-tenant carrier group.

RON positions are included in a signatory carrier's lease of preferential gates. RON parking on common-use resources is assigned based on geographic location, adjacency of operation and type of use. Assignment to a common-use resource will typically only be done once all leased or preferred positions are at capacity by the requesting carrier. Priority is given to carriers with the least amount of leased resources available and positions closest to their existing operation will be offered.

5. Gate use requirements (identify or describe):

A. Gate use monitoring policy, including schedules for monitoring, basis for monitoring activity (i.e., airline schedules, flight information display systems, etc.), and the process for distributing the product to interested carriers.

Allocation and distribution of gates is provided for in SLOA III (Attachment III). After the allocation, which is done annually, gate use is monitored continuously by airport staff in the Airport Communications Center ("ACC") and by Airport Duty Managers ("ADMs"). Airlines either park aircraft at their leased gates or request allocation of a common use gate from the Airport. In this way gate needs are immediately known to Airport staff. Gate use Assignment and Scheduling Procedures are outlined in Exhibit D of SLOA III.

B. Requirements for signatory status and identity of signatory carriers:

Any carrier operating or planning to operate scheduled flights to Sea-Tac may sign the Signatory Lease and Operating Agreement (see Attachment III).

Current signatory carriers:

1. Airpac
2. Air Canada
3. Alaska Airlines
4. All Nippon Airways (ANA)
5. American Airlines
6. Asiana Airlines
7. Atlas Air
8. British Airways
9. Cargolux Airlines
10. China Airlines
11. Condor Flugdienst (Condor Airlines)
12. Delta Air Lines
13. Deutsche Lufthansa (Lufthansa German Airlines)
14. Emirates Airline
15. EVA Airways
16. Federal Express
17. Frontier Airlines
18. Hainan Airlines
19. Hawaiian Airlines
20. Horizon Air
21. Icelandair
22. Jet Blue Airways
23. Korean Air Lines
24. MN Airlines (Sun Country Airlines)
25. Southwest Airlines
26. United Airlines
27. United Parcel Service
28. US Airways
29. Virgin America

C. Where applicable, minimum use requirements for leases (i.e., frequency of operations, number of seats, etc.);

Any carrier operating or planning to operate scheduled flights to Sea-Tac may be a signatory to SLOA III.

D. The priorities, if any, employed to determine carriers that will be accommodated through forced sharing or sub-leasing arrangements. Describe how these priorities are communicated to interested carriers;

Broad categories of priority for use of common-use gates are included in SLOA III. For example, flights operated by signatory carriers have preference over flights by non-signatories; international flights have preference over domestic flights; larger aircraft have preference over smaller aircraft; flights on advanced schedules have preference over those not on advance schedules. The annual gate allocation which results in airlines being offered certain gates for lease (according to a prorated system based on outbound seat capacity) is based on a recommendation from the Common Use Facilities Advisory Committee (“CUFAC”). The membership of CUFAC is four airline and three Airport representatives. The committee is chaired by an Airport manager.

E. Justifications for any differences in gate use requirements among tenants;

Before the Airport allocates (offers) any gates to airlines for use, a determination is made of how many gates need to be withheld for anticipated common use activity. After that determination is made, the remaining gates are offered for lease in proportion to the size of carrier activity (outbound seats). Differences in gate use requirements will determine which gates are offered to which carriers. For example, a carrier leasing gates for international flights needs to have gates directly connected to the Federal Inspection Services where all international flights are required to arrive. Carriers operating wide bodied aircraft will not be able to be accommodated on gates incapable of holding such equipment. Some gates are suitable for commuter/ground loading operations so carriers with this type of service would be offered these gates. Other considerations are proximity to existing air carrier operations. Efforts are made to keep a single carrier’s operation together as much as possible. Proximity to operations and maintenance offices and hangars is another consideration. All these justifications apply to both annual allocation of gates and the day-to-day and hour-to-hour assignment.

F. Usage policies for common-use gates, including, where applicable, a description of priorities for use of common-use gates. Explain how these priorities are communicated to interested carriers;

Usage policy for common-use gates is agreed in the Gate Use, Assignment and Scheduling Procedures, Exhibit D to SLOA III (Attachment III). The following is extracted from Article 6 of the Procedures:

*6.2 Common Use Gate Priority Scheduling System. The Port will be guided by the following scheduling priorities:
The following flights are listed in descending order of priority. The first four priorities below apply to International Gates:*

6.2.1. Signatory FIS Flight on the Advance Schedule

6.2.2. Non-Signatory FIS Flights on the Advance Schedule

6.2.3. Scheduled Signatory FIS Flight not on the Advance Schedule

6.2.4. Non Signatory FIS Flight not on the Advance Schedule

6.2.5. Signatory Domestic Flight by Air Carrier not leasing any Preferential Gates on the Advance Schedule.

6.2.6. Signatory Domestic Flight by Air Carrier leasing Preferential Gates adjacently or nearby on the Advance Schedule.

6.2.7. Signatory Domestic Flight by Air Carrier leasing Preferential Gates adjacently or nearby not on the Advance Schedule

6.2.8. Signatory Domestic Flight by Air Carrier not leasing any Preferential Gates not on the Advance Schedule

6.2.10. Non Signatory Domestic Flights on the Advance Schedule

6.2.11. Non Signatory Domestic Flight not on the Advance Schedule.

6.2.12. All other flights based on the SLOA agreement accommodation provisions.

6.2.13. In all instances, within each level of priority, flights will be prioritized in the following order:

Turnaround Flight

Arrival Only Flight

Departure Only Flight

6.2.14. When two or more flights meet the description of any of the individual categories in paragraphs 6.2.1 through 6.2.12, a flight operated by an aircraft with a higher capacity has priority over a flight operated by an aircraft with a lower capacity where capacity is defined by the number of seats and an on-schedule flight has priority over an off-schedule flight. Where two flights are off-schedule, the flight whose estimated time is closest to its scheduled time has priority over the other flight.

G. Methods for calculating rental rates or fees for leased and common-use space. Where applicable, provide an explanation of the basis for disparities in rental fees for common-use versus leased gates.

Article 8 of SLOA III (Attachment III) explains the methodology for calculating all rental rates for leased and common use space. Section 8.3.2 of SLOA III lists each space category and applicable rate. Terminal rates are based on assigning costs to square feet of rentable space (commercial compensatory methodology). The capital and operating costs allocable to the Terminal are multiplied by the ratio of airline rentable space to total rentable space. Next, space is weighted in accordance with the table below:

Space Category	Weighting
Group A: Gates	2.0
Group B: Ticket Counters Bag Make-up, Bag Claim Publicly Accessible Offices Lounge space	1.0
Group C: Non-Publicly Accessible Offices	0.5
Group D: Closed Storage space	0.25

For rate setting purposes, the cost per square foot of space in each of these four groups will be normalized so that the aggregate costs assigned to all four groups will equal the Terminal Building revenue requirement.

1. Gates: The total cost for gates is divided by the number of gates to determine an average cost for each gate, regardless of actual square footage of the gate hold room.
 - Preferential rate: Annual cost of average gate is charged.
 - Common use rate: rates are set by dividing costs allocated to common use gates (number of common gates multiplied by the average gate cost) by an assumed four turns per day at each common use gate. Since the average number of turns per day at common gates is currently less than four, this moderates the cost per turn at common use gates. The unrecovered costs, if any, are assigned to the preferential gate cost pool. The actual common turn rate depends on the size of the aircraft as follows. The weightings roughly correspond to the relative number of seats.
 - i. Wide body 2.0
 - ii. Narrow body 1.0
 - iii. Regional 0.5

2. Ticket Counters: The total cost for ticket counters is allocated to individual ticket counters (including its appropriate portion of queuing) based on square feet of rented space.
 - Preferential rate: rate per square foot of rented space
 - Common use rate: the rate is set by dividing the total costs allocated to the common use ticket counters by the anticipated hours of use. The rate is stated as an hourly rate.
3. Bag Make-up device space: The total cost for bag make-up device space is allocated based on square feet of rentable space. The airport has both preferentially leased bag make-up devices and common-use bag make-up devices.
 - Preferential rate: rate per square foot of rented space
 - Common use rate: the rate is set by dividing the total costs allocated to the common use bag make-up devices by the anticipated number of outbound bags. The rate is stated as a cost per outbound bag.
4. Bag Make-up equipment: the capital and operating costs associated with the baggage system equipment are allocated between bag make-up, bag claim and FIS cost centers based on amount of equipment assigned to each cost center. The costs allocated to bag make-up are spread to the users based on a formula where 10% of the costs are charged equally to each user and 90% of the costs are charged based on the number of outbound bags.
5. Bag Claim: All bag claim devices are common-use. The costs recovered in the bag claim rate include both the space associated with baggage claim and the allocated share of the baggage equipment costs. The costs are recovered from the users based on a formula where 10% of the costs are charged equally to each user and 90% of the costs are charged based on the number of deplaned domestic passengers.
6. Publicly Accessible Offices and Lounges: The revenue requirement is divided by the estimated square footage of rentable square feet of publicly accessible office and lounge space.
7. Non-Publicly Accessible Office Space: The revenue requirement is divided by the estimated square footage of rented non-publicly accessible office space.
8. Closed Storage Space: The revenue requirement is divided by the estimated square footage of rented closed storage space.
9. Federal Inspection Services (FIS): The capital and operating costs allocable to the FIS cost center (including its share of baggage system equipment costs) are recovered based on deplaning international passengers that use the FIS facility. As such, the FIS fee is a purely a common-use fee.

6. Financial Constraints

A. Major sources of revenues at the airport for terminal projects

Terminal projects are funded through a combination of cash (generated from net income), revenue bonds and Passenger Facility Charges (PFCs). The airport has also utilized TSA grants for certain baggage system costs. All AIP entitlement grants for Sea-Tac for 1998 – 2015 have been and continue to be incorporated into the Letter of Intent for the Third Runway. Beginning in 2016, AIP entitlement grants for Sea-Tac will be available to fund other airport projects, including terminal projects.

The 2014 – 2018 capital budget totals \$1.5 billion. Of this, over \$800 million is for terminal projects. The two largest projects are 1) North Satellite renovation and expansion (adding 3-8 jet bridge-equipped gates, depending on final decision to expand footprint), and 2) New International Arrivals Facility (add capacity to accommodate growth in international passengers). Revenue bonds will be the major funding source for the terminal projects, although we anticipate using significant amounts of PFCs for the International Arrivals Facility. Some PFCs will also be used for the North Satellite renovation and expansion. Cash will be used for small projects, projects with relatively short lives, and to fund early stage planning/design for a number of terminal projects. AIP entitlement grants will be used on a contingent basis for terminal projects such as the International Arrivals Facility beginning in 2016 if other higher scoring projects (e.g., airfield safety) don't need this funding.

B. Rates and charges methodology

The rates and charges methodology is based on SLOA III that is effective through 12/31/2017. The agreement is a hybrid compensatory agreement that includes revenue sharing with signatory airlines. Rates for each cost center are based on cost recovery formulas that include the capital and operating costs for the cost center. Non-signatory carriers pay a 25% premium.

Our experience is that new passenger carriers choose to become signatory airlines. Sea-Tac offers either preferential-use or common-use facilities for: gates, ticket counters, baggage make-up and baggage claim. The only space that is leased on an exclusive-use basis is office space, storage space and lounge space (if applicable, the Airport also has common use lounges).

The table on the following page shows the 2014 rates that are defined in SLOA III.

Rate Category	Basis	Description	Signatory Rate	Non-Sig. Rate
Landing fee	Activity	Landing fee based on 1,000 pounds of landed weight	\$3.52	\$4.40
Ramp Tower fee	Activity	Based on landings	\$7.21	\$9.01
Apron fee	Activity	Based on landed weight of aircraft using apron area	\$.41	\$0.51
Terminal Rates:				
Gates		Per square foot	\$249.94	N/A
Ticket Counters	Preferential lease	Per square foot	\$159.76	N/A
Baggage Claim		Per square foot	\$145.21	N/A
Baggage Makeup	Preferential lease	Per square foot	\$145.21	N/A
Publicly accessible offices & lounges	Exclusive lease	Per square foot	\$145.21	\$181.52
Security Checkpoint areas		Per square foot. Recovered through gate use.	\$145.21	N/A
Non-publicly accessible offices	Exclusive lease	Per square foot	\$134.99	\$168.73
Closed Storage	Exclusive lease	Per square foot	\$88.88	\$111.10
Preferential use gate rental rate	Preferential lease	Annual cost per gate	\$900,871	N/A
Per turn fee on common gates:				
Class 1 (wide-body)	Activity	Per turn	\$829.99	\$1,037.48
Class 2 (narrow-body)	Activity	Per turn	\$414.99	\$518.74
Class 3 (Regional & commuter)	Activity	Per turn	\$207.50	\$259.37
Bag Claim fee:				
Fixed cost (10%)	Annual fee	Per carrier	\$138,728.00	N/A
Activity based (90%)	Activity	Per domestic deplaned passenger	\$0.99	\$1.24
Bag Makeup Device Space				
Space lease	Preferential lease	Per square foot	\$145.21	N/A
Common use	Activity	Per outbound bag	\$4.51	\$5.63
Bag Makeup Equipment	90%/10%			
Fixed cost (10%)	Annual fee	Per carrier	\$58,478.00	N/A
Activity based (90%)	Activity	Per Outbound bag	\$0.95	\$1.19
Common Use Ticket Counter	Activity	Per hour of use	\$20.32	\$25.40
Passenger Loading Bridge fee (Port owned)				
At leased gate	Preferential lease	Per year	\$55,367.00	N/A
At common-use gate	Activity	Per turn	\$66.62	\$83.28
FIS Fee	Activity	Per deplaned int'l passenger	\$5.76	\$7.20

For some rates the non-signatory rate column lists “N/A” indicating that the rate is not applicable to non-signatory carriers. For example, it is assumed that a non-signatory carrier would use common-use facilities for ticket counters, gates, bag make-up and bag claim. Also, since the non-signatory carriers pay a 25% premium on activity based fees for bag claim and bag make-up, there is no fixed fee per carrier. However, a non-signatory carrier could lease office space or storage space on a month-to-month basis and pay a 25% premium on the leased space.

C. Past Use, if any, of PFCs for gates and related terminal projects

While much of Sea-Tac’s PFC authority has been devoted to airfield, security and noise projects, the Airport has used PFCs to fund the following terminal projects:

- Expansion of Concourse A (renovated 7 gates, added 7 gates):
 - 1998 application
 - Project completed in 2004
 - Total PFC use approval = \$390 million
 - Still using PFCs to pay debt service
- Passenger Conveyance System (Satellite Transit System renovation):
 - 1996 application
 - Project completed in 2004
 - Total PFC use approval = \$208 million
 - Still using PFCs to pay debt service
- Baggage System
 - 2011 application
 - Project completed in 2009
 - Total PFC use approval = \$156 million
 - Still using PFCs to reimburse previous cash funded costs and pay debt service

D. Availability of Discretionary Income for Airport Capital Improvement Projects

For the 2014 budget, the Airport anticipates generating \$38 million in net cash available for capital improvement projects (net cash flow after debt service). In the current five-year forecast, this figure is expected to grow each year. Thus, over the next five years, the Airport anticipates having in excess of \$200 million in discretionary income to invest in capital improvement projects.

7. Airport Controls Over Airside and Groundside Capacity (identify or describes)

A. Majority-in-interest or “no further rates and charges” clauses covering groundside and airside projects

SLOA III includes majority-in-interest provisions that permit airlines to vote on aeronautical capital projects of \$3.0 million or greater and roadway projects of \$5.4 million or greater. If 55% of the signatory carriers representing 55% of the airline payments vote “no” on a project, Sea-Tac must delay construction for 12 months. This provision would not preclude the airport from initiating design. Projects that meet the following conditions are exempt from MII review:

1. The capital project is required by a Federal or State agency of superior authority with jurisdiction over the airport
2. The capital improvement is of an emergency nature, which, if not made, would substantially impair the current operation of the airport
3. The capital improvement is required in order to make available additional terminal space or related facilities for the expansion of an air carrier or to make space or facilities available in a terminal to accommodate a new entrant or expanding air carrier; provided such air carrier enters into a binding commitment to lease the space so made available for at least the remaining term and on the same terms as provided for the lease of comparable space under SLOA III, and provided, further, that existing space or facilities are not otherwise available to accommodate the air carrier in a competitive, non-disruptive and otherwise satisfactory manner.
4. The capital improvement is to repair or replace airport property damaged or destroyed by fire or other casualty
5. The capital improvement is made to settle claims or lawsuits, satisfy judgments or comply with judicial or administrative orders against the Airport arising from or relating to its design, construction, ownership, maintenance or use of the Airport.

The key provision in the list above relative to this competition plan is #3 as this allows the airport to proceed with projects that are necessary to add terminal capacity to accommodate a new or expanding carrier.

B. Any capital construction projects that have been delayed or prevented because an MII was invoked

In 2012, during the final year of SLOA II (2006 – 2012), the airlines voted “no” on three projects. Under SLOA II, a “no” vote required a six month delay in construction. Two projects related to capital improvements for cargo facilities, and one project was for enhancements to the existing Port of Seattle airport rescue and fire fighting (ARFF) station on the airfield. Following is a brief description of the projects and their current status:

1. Cargo 2 West Cargo Hardstand, Budget of \$11.83 million
 - This project will provide additional concrete apron space to enlarge the hardstand to provide enough room for two simultaneous straight-in wide body freighter nose-load operations by aircraft including 747-8F. The larger ramp area will reduce congestion and allow the taxi lane to be moved to the north, providing better maneuverability and increased operations room. The project required termination

of a leased cargo building and demolition. The project will also install in-ground 400Hz power system infrastructure.

- After the required six month delay, the Port Commission authorized design in September 2012 and construction in October, 2013. Construction will take place in 2014.

2. Cargo 6 Enhancements, budget of \$6.428 million

- This project will provide additional concrete apron to accommodate simultaneous loading of two cargo freighters at a time, rather than one. The project will also extend the fuel hydrant system and install in-ground 400Hz electrical power infrastructure.
- After the required six month delay, the Port Commission authorized design in September 2012 and construction in October, 2013. Construction will take place in 2014.

3. Fire Department Upgrades, budget of \$5.2 million

- This project will provide electrical system and communications infrastructure upgrades to serve the existing Fire Department Station. The project will also remodel the dorm, men's locker room, lobby and office.
- The Airport is proceeding with the electrical and communications infrastructure upgrades. The other facility remodel elements are still under review.

C. Plans, if any, to modify existing MII agreements

The current airline lease agreement (SLOA III) runs through 2017. As described above, this agreement permits the majority-in-interest to delay the initiation of construction for 12 months. The MII provisions also include five exemptions.

8. Airport intentions to build or acquire gates that would be used as common facilities:

A. The number of common-use gates that the airport intends to build or acquire and the timeline for completing the process of acquisition or construction. Indicate the intended financing arrangements for these common-use gates, and whether the gates will be constructed in conjunction with preferential or exclusive-use gates.

Sea-Tac is in the planning stages of a project to renovate and possibly expand the footprint of the North Satellite. The airport has seen a growth in passengers and operations and needs more gates to accommodate airline demand. Currently, the most cost-effective location to expand is the North Satellite. Under the baseline renovation plan for the North Satellite, the number of contact gates would increase from 12 to 15. Under the expansion scenario, subject to Port Commission approval, the number of contact gates would further expand from 15 to 20. At this point, it is anticipated that all of these gates at the North Satellite would be leased to Alaska Airlines on a preferential-lease

basis. Since Alaska currently has preferential leases for 5 gates on Concourse D, adding gates at the North Satellite would allow the airport to free up gates on Concourse D for use as either common use gates or for lease by other airlines on a preferential-use basis. In summary, the expansion will add up to 8 gates to accommodate anticipated demand. The total number of gates that will be preferentially leased or reserved for common-use will be determined annually based on airline demand in accordance with the Airport's gate allocation process. This process ensures that the airport retains a sufficient number of common-use gates to meet the needs of all carriers. Individual gates can move between preferential lease status and common use status annually.

The North Satellite renovation and expansion is estimated to cost approximately \$400million. The project will largely be funded by revenue bonds. Sea-Tac plans to include this project in a future PFC application so that some portion of the debt service could be paid with PFCs, but a significant portion of the debt service is expected to be included in the Terminal rate base and collected from all carriers based on their share and use of terminal space and facilities.

B. Whether common-use gates will be constructed in conjunction with gates leased through exclusive or preferential-use arrangements;

See above. The net result of the addition of gates at the North Satellite will likely free up gates on Concourse D or another concourse for common-use purposes.

C. Whether gates being used for international service are available for domestic service;

Yes. All gates used for international service are also available for domestic service.

D. Whether air carriers that only serve domestic markets now operate from international gates. If so, describe and explain any disparity in their terminal rentals versus domestic terminal rentals.

Some carriers that only serve domestic markets do operate from international gates. These carriers incur the same gate use charge as international carriers. International carriers are charged a facility use fee for the Federal Inspection Service area which is not used by domestic carriers. Thus internationals pay higher charges in total but not for the gate itself.

9. Airfare levels as compared to other large airports

Not Required.

ATTACHMENTS

- I. Diagram of Airport Concourses
- II. Gate Assignments
- III. Signatory Lease and Operating Agreement
- IV. Gate Use Charts
- V. Operating Permit
- VI. License to Operate
- VII. ESUA Agreement