Postal Regulatory Commission
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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2009 Docket No. ACR2009

PUBLIC REPRESENTATIVE MOTION REQUESTING COMMISSION TO DIRECT UNITED STATES POSTAL SERVICE TO PROVIDE ESTIMATES OF RATE ADJUSTMENTS NECESSARY TO MAINTAIN FINANCIAL STABILITY
(December 17, 2009)

I. Summary of Motion

Pursuant to Commission Rule 21, 39 CFR § 3001.21, the Public Representative moves the Commission to direct the Postal Service to file with its FY2009Annual Compliance Report (2009ACR) specific estimates, together with documentation, of rate level adjustments for every rate in its market dominant product categories designed to equate overall Postal Service revenue with overall estimated costs that would be sufficient to insure financial stability of the Postal Service by the end of FY2011.[1] This information is needed In order for the Commission to better evaluate and consider its appropriate response following its determination of the compliance or noncompliance of the Postal Service's rates and fees for FY2009, as required by 39 U.S.C. § 3653.

In the alternative, this Motion requests the Commission to issue an information request in this or a newly initiated proceeding for the same information to that purpose.[2]

In the absence of Postal Service action to file for an exigent rate increase pursuant to section 3622(d)(1)(E) of the Postal Accountability and Enhancement Act of

[1] The Public Representative is designated to represent the interests of the general public in this proceeding. Notice of Appointment of Public Representative, October 28, 2009.

[2] The Postal Service's compliance report is required to address "such matters as non-compensatory rates…A more detailed analysis is required when the Commission observed and commented upon the same matter in its Annual Compliance Determination for the previous fiscal year." 39 CFR. § 3050.20. The 2008ACD commented upon this matter. 2008ACD at 9-27.

2006 (PAEA), Pub. L. 109-435, 120 Stat. 3198 (2006), and section 3010.60 of the Commission's Rules (rate adjustments in exigent circumstances) to ameliorate its continuing financial emergency and extenuating circumstances, these estimates are needed for the Commission's information to consider ordering adjustments to noncompliant and unlawful rates to foster financial stability of the Postal Service as authorized by the PAEA.

To be clear, the Public Representative is not now recommending that the Commission order any rate adjustments. This Motion is solely to request that the Commission gather information not available elsewhere for the Commission's consideration in carrying out its duties under the PAEA. In recent months, there has been extensive discussion in Congress, by the Postal Service, the GAO, the Commission, and the public about the financial plight of the Postal Service and the paucity of satisfactory solutions to reduce future losses. To date, the Postal Service has not offered its estimates of rate level adjustments which would balance revenues and costs, with or without required retiree health benefit payments, while remaining within current U.S. Treasury borrowing limits established by law. To provide proper comparisons of alternatives facing taxpayers and mailers, for purposes of public debate, and Commission review, the Postal Service must provide estimates of rate adjustments that would alleviate the shortfall.

II. The Postal Service Faces an Increasing Net Income Gap

For the third consecutive year since passage of the PAEA, the Postal Service's forthcoming Annual Compliance Report 2009 will indicate total revenues again failed to cover overall costs. Net losses for FY2009 were $3.8 billion.[3] Moreover, the Postal Service's integrated financial plan estimates that operating losses for FY2010 will be another $7.8 billion. If its projections are accurate, the Postal Service will have only $200 million of cash at the end of the FY2010 after maximizing its $3 billion annual

[3] United States Postal Service 2009 Report on Form 10-K at 71; *See also* United States Postal Service 2009 Annual Report at 2.

borrowing limit at the U.S. Treasury.[4] Even if projections are approximately accurate, "the Postal Service would have insufficient cash to meet its obligations in October 2010."[5] Thus, by the slimmest of margins, it may meet its financial obligations at the end of FY2010, but under current law, it certainly will be unable to meet them in FY2011.[6]

The Postal Service has incurred a loss in each year since the PAEA became law in December, 2006. The PAEA was passed in the early part of FY2007 and revenue that year was not impacted significantly by the PAEA. Nevertheless, the large net increase in retiree health benefit obligations of $6.4 billion resulted in a $5.14 billion net loss for FY2007. Yet, the Postal Service did not utilize its option of one last opportunity granted by the PAEA to file for a rate increase under the provisions of the superseded Postal Reorganization Act prior until December 19, 2007. Thereafter annual rate increases were subject to more stringent annual cost of living limitations under the PAEA. 39 U.S.C. § 3622(f).

In the second year after passage of the PAEA, the Postal Service lost another $2.8 billion in FY2008. Thereafter, the Postal Service did not seek an exigent rate increase that could have become effective in early 2009, despite predicting FY2009 would also result in a significant loss. In the third year after enactment of the PAEA, FY2009, in order to maintain Postal Service solvency, Congress needed to grant relief from retiree health benefit payments and reduced that expense by a net of $4 billion.[7] Despite that relief, the Postal Service lost another $3.8 billion in FY2009.

Recently, the Postal Service has estimated another huge loss of $7.8 billion for FY2010. Despite this projection, the Postal Service announced that it plans to forego

[4] 39 U.S.C. § 2005. *See also*, United States Postal Service, Integrated Financial Plan, Fiscal Year 2010 at 1.

[5] *Id*. at 2.

[6] *Id*. at 2 and 7.

[7] United States Postal Service, 2009 Report on Form 10-K at 71 note.

an exigent rate increase. Thus, if Congress does not waive, again, the retiree health benefits payment, and if the budget projections turn out to be only slightly optimistic, by the end of FY2010, the Postal Service will be insolvent; *i.e*. the Postal Service will reach its borrowing limit and run out of cash for operations.

The projected revenue shortfall for FY2010 is further exacerbated because the annual limitation on rate changes based on the 12-month average change in the CPI-U is currently a negative 0.634 percent. Except in extraordinary or unusual circumstances, a rate increase is precluded at this time. 39 U.S.C. § 3622. At the same time, the Postal Service is nearing its statutory annual borrowing limit of $3 billion and its overall limit of $15 billion, limits that have been in place since for many years.[8] Without significant cost cutting measures leading to the reduction of postal services currently required by law, or radical new steps to generate revenues, the Congress will be required again to bail out the Postal Service to avert insolvency by increasing the amount of taxpayer support through increased borrowing or subsidies.

Postal Service management is taking some steps to meet the challenge. The Postal Service claims cost savings of over $6 billion during FY2009.[9] The Postal Service is also continuing other cost reduction programs including the possible closing of stations and branches. Unfortunately, these and other plans such as reducing retail window hours and removing more collection boxes reduce consumer access to postal services. However, the projected cost savings and productivity improvements together with current programs will not eliminate the anticipated deficit. To ameliorate the impact of this eventuality, the Postal Service has asked Congress to change the law to permit a reduction of delivery days from 6 days to 5 days*, i.e.* to reduce delivery days by 17 percent in order to save only 5.3 percent of total Postal Service expenses. (Savings of $3.8 billion annually out of a total FY2009 expenses of $71.9 billion.)[10] The savings

[8] 39 U.S.C. § 2005. *See also*, United States Postal Service, 2009 Annual Report at 29.

[9] *Id*. at 22.

[10] Statement of Postmaster General/CEO, John E. Potter, before the Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security of the

may be as low as 2.7 percent of total expenses if the Commission's estimate of $1.93 billion of savings from the same service reduction is correct.[11]

Although market dominant rate increases are normally capped at the cost of living, the PAEA, with foresight, also provides that the Postal Service may adjust rates due to either "extraordinary or exceptional circumstances" if "necessary" to, among other things, maintain postal service of the "kind and quality adapted to the needs of the United States." 39 U.S.C. § 3622((d)(1)(E). The Commission's rules characterize such circumstances as exigent and provide for the Postal Service to file for a rate adjustment for market dominant products, apart from the normal annual rate adjustment. 39 CFR §§3010.60-3010.66.

Despite the certainty of large losses, the Postal Service announced on October 15, 2009 that it will not request an exigent rate increase for market dominant mailing services in FY2010.[12] Thus, any relief through rate adjustments could not be forthcoming sooner than early in FY2011, a period that would include all of FY2010 during which the Postal Service estimates it will lose an additional $7.8 billion, or $2.3 billion without considering the $5.5 billion FY2010 year-end retiree health benefit payment.[13]

Not surprisingly, some mailers have hailed the Postal Service's decision not to increase rates. However, the potential impact on the service currently offered and on the Postal Service by foregoing the opportunity to incrementally adjust rates in a year when, otherwise, they would not be raised, should be considered by the Commission.

Committee on Homeland Security and Governmental Affairs United States Senate, August 6, 2009 at 6. However, even this reduction in service will not yield sufficient funds to prevent large losses unless the retiree benefits payments are also permanently waived.

[11] Report on Universal Postal Service and the Postal Monopoly, Postal Regulatory Commission, December 18, 2008 at120, Table 1.

[12] United States Postal Service, 2009 Annual Report at 27.

[13] United States Postal Service, Integrated Financial Plan, Fiscal Year 2010 at 7.

In failing to install plans to ensure that revenues will equate to costs as soon as possible, the Postal Service is essentially leaving Congress no option but to permit increased Postal Service borrowing from the U.S. Treasury or to subsidize the Postal Service directly; otherwise, in the event Congress fails to act, postal services must be curtailed significantly. The Postal Service has not indicated its plan for curtailing services in the event funds are not available to continue at the current level of service.

III. Congress Intends the Postal Service to Operate Without Significant Additional Taxpayer Assistance

A fundamental policy of the Postal Reorganization Act (PRA) required the Postal Service to breakeven in its operations without taxpayer funding.[14] Over a period of thirty five years after passage of the PRA, the Postal Service operated successfully so that by the end of FY2005 it owed no debt to the U.S. Treasury.[15] The PAEA preserves the policy that the Postal Service would not be funded by taxpayers even though the specific language requiring the postal service to breakeven was eliminated.[16] The PAEA implicitly mandates that Postal Service revenues cover total costs so that the Postal Service is self-sustaining and does not provide for taxpayer assistance through additional borrowing authority from the U. S. Treasury or from new subsidies to avoid insolvency.[17]

The PAEA neither authorizes nor contemplates that the Postal Service shall operate continually at a loss such that its financial stability and ability to provide current

[14] The Postal Reorganization Act provided, "Postal rates and fees shall provide sufficient revenues so that the total estimated income and appropriations to the Postal Service will equal as nearly as practicable total estimated costs of the Postal Service." *See* former section 3621 of title 39.

[15] Docket No. R2006-1, Direct Testimony of Richard G. Loutsch on Behalf of United States Postal Service, USPS-T-6, filed May 3, 2006, Table 1 at 12. Table 1 covers the period FY1996-FY2005 and indicates total debt was in excess of $11 billion as recently as FY2001 and FY2002.

[16] In place of the section with that provision, Congress inserted provisions requiring the Commission to establish Modern rate regulation for market dominant products. 39 U.S.C. § 3621, *et seq*.

[17] The Postal Service recognizes this policy: "The Postal Service is self-funded and does not receive an appropriation from Congress for its operations. However, the Postal Service has received limited appropriations as reimbursement for unfunded services that are statutorily mandated." United States Postal Service, 2009 Annual Report at 50.

services is jeopardized. No provision in the PAEA authorizes management to exceed its $3 billion annual and $15 billion total borrowing limits. Nor does the PAEA provide any other avenue of relief for management to obtain specific taxpayer subsidies or assistance in the event of looming insolvency.

Nevertheless, the PAEA requires the Postal Service to operate in compliance with the requirements of the provisions of chapter 36 of title 39 and certain other sections that title. 39 U.S.C. § 3662(a). The Postal Service has failed, over a period of several years, to maintain adequate rates to recover total costs. At a minimum, this places the following policy objectives of section 3622 at risk: predictability and stability in rates, (b)(2); the maintenance of high quality service standards, (b)(3); an increase in the transparency of the ratemaking process, (b)(6); and, maintenance of a just and reasonable rate schedule, (b)(8). In the instant case, the most important objective of modern rate regulation is, "To assure adequate revenues, including retained earnings, to maintain *financial stability*." 39 U.S.C. § 3622(b)(5). Of overarching importance must be the continued financial viability and stability of the Postal Service. Simply said, the Postal Service must ensure revenues cover the cost of operations to avoid insolvency. Thus, the Postal Service is to insure that over time, if not annually, its total rates recover its total costs of operations to avoid insolvency.

When annual rate increases permitted by section 3622(d)(1)(A) and (C) to be based on a consumer price index are insufficient, and in the absence of other alternatives to avoid insolvency, the rates may not be in compliance with the applicable policies of title 39. In that case, the Postal Service should file for an adjustment to rates due to extraordinary or exceptional circumstances. There can be no doubt that the severity of the current recession and the projected insolvency of the Postal Service constitute extraordinary or exceptional circumstances pursuant to section 3622(d)(1)(E). The current circumstances would warrant an exigent rate increase request pursuant to Commission rules to avoid financial embarrassment of the Postal Service and severe service reductions. If this is not an extraordinary or exceptional circumstance, then what is? The pricing flexibility accorded the Postal Service by the PAEA does not contemplate rate level stasis. The projected fiscal implosion has been foreseen for many months. Nevertheless, the Postal Service does not plan to seek a rates change to meet the extraordinary circumstances of the current economic situation in order to satisfy, as best it can, its obligations under the PAEA.

The Postal Service has not offered any detailed estimates of the actual amount of rate increases that would be needed for its products if any exigent rate increase were implemented. The Postal Service has dismissed out of hand discussion of exigent rate increases, usually citing the recession and business conditions and the potential loss of volume to the internet.[18]

The argument that rates should not be increased during a recession, when business is slow, lacks credibility when, at the same time, the Postal Service will raise rates in January, 2010 on many of its competitive products: At that time, Express Mail prices will increase by 4.5 percent; Priority Mail prices increase by 3.3 percent overall, with average retail prices increasing by about 3.9 percent; and Parcel Select prices increase, on average, 4.7 percent, with increases for parcels entered at destination plants and destination Bulk Mail Center (BMC) of 6.9 percent.[19] Rates for most of these

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[18] For instance, the Postal Service's Integrated Financial Plan, Fiscal Year 2010, does not discuss the alternative of exigent rate increases although market dominant and competitive price changes during 2008 and 2009 (and changes in product mix) increased revenue 4 percent per piece. Integrated Financial Plan at 4. Likewise, the Annual Report not only fails to mention the exigent rate increase alternative, it leaves the impression that rate increases are strictly limited to the rate of inflation when, in bold lettering, it states, "While the Postal Act of 2006 limited 90% of our price increases to the rate of inflation, our costs are not similarly limited." United States Postal Service, 2009 Annual Report at 30. The other 10 percent relates to competitive products, not exigent rate increases.

Finally, Congressional testimony of the Postal Service summarily noted that the Postal Service plan not to increase mail service prices in 2010, and they "expect that this will stimulate some level of growth for those products." Statement of Robert F. Bernstock before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia of the Committee on Oversight and Government Reform House of Representatives, November 5, 2009 at 2. Also, the Postal Service's four-pronged effort to improve Postal Service finances does not include the potential for mail service rate increases or even any analysis of potential price increases.*Id*.at 2-9.

[19] Docket No. CP2010-8, *Competitive Products Price Changes Rates of General Applicability*, Order Concerning Changes in Rates of General Applicability for Competitive Products, Order No. 353, December 4, 2009 at 1-3. UPS announced November 20, 2009 that its 2010 shipping rates will increase by an average of 4.9 percent.

services were also raised by even higher percentages in January 2009.[20] Oddly, the Postal Service has no difficulty increasing its competitive rates. Yet, where the Postal Service presumably enjoys monopoly pricing power over market dominant rates, needed exigent rate changes are not being sought or even seriously suggested by the Postal Service for Commission consideration.

IV. The Commission's Authority to Adjust Unlawful Rates

If the Postal Service's rates and fees do not yield sufficient revenues to recover total costs to maintain financial stability and protect the Postal Service from imminent insolvency, it is fair to conclude that the collective rates and fees are not in compliance with the applicable provisions of chapter 36 of title 39. *See* 39 U.S.C. § 3653(b)(1).

If, on review of the 2009ACR, the Commission finds the overall rates and fees do not recover total costs and are not in compliance with the policies of the PAEA, as it should, then, "it shall order that the Postal Service take such action as the Commission considers appropriate in order to achieve compliance with the applicable requirements and to remedy the effects of noncompliance." 39 U.S.C. § 3662(c), *See also* 39 U.S.C. § 3653(c). The PAEA offers specific examples of remedies available to the Commission for unlawful rates such as ordering unlawful rates to be adjusted to lawful levels or requiring the Postal Service to make up for revenue shortfall in competitive products. *Id.*

Given the financial circumstances, foremost among the Commission's objectives under the PAEA is the need to insure adequate revenues to maintain financial stability of the Postal Service. 39 U.S.C. § 3622(b)(5). Unlawful rates are to be adjusted by the Commission as appropriate rather than risk Postal Service insolvency and disruption to postal services. The continuing pattern of Postal Service decisions not to increase revenues as necessary to avoid insolvency, or the threat of imminent insolvency, is a basis for a Commission determination that the rates are unlawful. If the market

[20] Docket No. CP2009-8,*Competitive Products Price Changes Rates of General Applicability,* Review of Notice Concerning Changes in Rates of General Applicability for Competitive Products, Order No. 146, December 11, 2008 at 3-4.

dominant rates are so low as to adversely affect the public interest they may be unlawful and adjustments to the rates and fees are appropriate.

V. The Commission’s Need for Estimates of Necessary Rate Adjustments

Conspicuously lacking in the debate heretofore have been specific and serious estimates, fully documented, about precisely the size of exigent rate increases that would save services that the Postal Service would curtail and avoid insolvency. Postal Service estimates of workable rate adjustments that may be necessary for the Commission to meet the responsibility to adjust unlawful rates as appropriate are not available to the Commission. The Commission should have before it the details about potential rate and fee increases for all categories of market dominant products that could increase overall revenue significantly and potentially avoid the growing outcry from the public that is facing, in the alternative, significant loss of access to their postal services.

The first step is to make transparent the size of the increases that would be needed to avoid insolvency and stabilize finances. From this, the alternatives may better be weighed. Once the magnitude of specific exigent rate level adjustments for each product category are transparent and understood with reasonable accuracy, the Commission and other policy makers may find that incrementally adjusting unlawful rates would be the better alternative to meet current financial difficulties.[21] With knowledge of the cost of rate alternatives, mailers and the Commission may make better, more knowledgeable choices and decisions for the future.

It is possible that two annual incremental rate adjustments, starting in FY2010 (when no other market dominant rate increase is scheduled) would put the Postal Service back on the financial path of stability that Congress intended. Knowing and understanding the size and impact of all necessary rate adjustments would also permit

[21] Of course, the PAEA does not confine Commission ordered rate adjustments pursuant to section 3662 to rates the Postal Service would propose in an exigent rate increase filing.

policy makers to evaluate better other factors that may mitigate or offset some of the estimated rate adjustments such as improving business conditions, limited service reductions, or other significant new business alternatives.[22] Taken together with rate adjustments, these factors could temper, or even eliminate, the need for Congressional action to scrap its current 6 day delivery policy and the policy that the Postal Service operate without additional loans or significant taxpayer subsidy.

The rate adjustment estimates would offer a basis for comparison of the public choices available. The estimates will likely include annual increases of several pennies for singe-piece First-Class rates amounting to five or ten percent, or more, to "save the service" currently enjoyed and demanded by many mailers and the public. Moreover, rate adjustments that better reflect the full cost of services would more closely adhere to accepted economic principle. Also, potential price increases of this order of magnitude to maintain the benefits offered by the Postal Service are minor when compared to the likely impact on rates if the alternative path to privatization being discussed in some quarters, including the Postal Service, is followed.

The Postal Service describes the current First-Class Mail letter rate as a "Global Bargain" in comparison to the rates in six industrialized countries. In 2009, a First-Class Mail letter rate equivalent (U.S. dollars) in Great Britain is 64 cents, in Germany it is 77 cents, in France it is 78 cents, and in Japan it is 83 cents. Norway is $1.25. Canada, with a 47 cent rate, is almost 7 percent higher.[23] The First-Class Mail letter rate would remain a bargain even if significant rate level adjustments were applied to the Postal

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[22] The Postal Service has estimated that it would take the profit generated by approximately $45 billion in new revenues to fill the earnings gap. Statement of Robert F. Bernstock before the Subcommittee on Federal Workforce, Postal Service, and the District of Columbia of the Committee on Oversight and Government Reform House of Representatives, November 5, 2009 at 9. These amounts are staggering, but one type of new activity could offer the potential for substantial profits for the Postal Service and utilize its current retail infrastructure with its 36,000 retail outlets, claimed to be the largest retail network in the world. *Id*. at 6. The Postal Service could initiate and operate a lottery, effectively a national lottery. Sales could be encouraged if winners were tied, for instance, to sales slip identification numbers or other postal purchases or mail tracking numbers. The national scope of the Postal Service could exceed that of current multi-state lotteries in scale which generate hundreds of millions of dollars, annually, if not billions, for their sponsoring states.

[23] United States Postal Service, 2009 Annual Report at 1.

Service rates. Moreover, the rates of other nations may also ratchet-up over the next two years as well. Where Postal Service rates do not adequately reflect the total cost of service it is not apparent why, other than bragging rights, the U.S. postal rates should be much lower than in most, if not all, of the industrialized world.

If another year passes, the Postal Service will lose another opportunity to incrementally increase rates without increasing the potential for one large future rate increase or for greater reliance on taxpayer subsidies or increased debt. The Postal Service should include within its Annual Compliance filing reasonable and good faith estimates of the rate and fee adjustments in absolute and, in the alternative, percentage terms that would be necessary to adjust unlawful rates to lawful levels for FY2011 and permit the Postal Service to avert insolvency by the end of FY2011. Alternatively, the Public Representative requests the Commission to issue an information request to the Postal Service in this or a newly initiated follow-on proceeding. These estimates should include cost savings from planned efficiency gains, assume both postponement and payment of the retiree health benefit payments, but should not assume service cutbacks that are prohibited by current law.

Normally, the choice of price level decisions is left to the Postal Service. Yet, where draconian reductions in service or additional taxpayer loans, or a subsidy that cannot be repaid, are the only other apparent alternatives to insolvency, the choice of pricing decisions move to other arenas. The Commission also has the responsibility to assist in the choices. Review of the ACR and its aftermath offers that opportunity. Unless the Commission orders Postal Service rate adjustment estimates requested in this Motion, stakeholders will continue to lack the information needed to weigh the alternative choices offered by the Postal Service.

Ultimately, Congress may be willing to subsidize the Postal Service or authorize the U.S. Treasury to increase loans to the Postal Service, but that is not currently the law or the tradition. The Commission should interpret the PAEA as Congressional direction that the Commission is expected to take measures required to insure total costs are covered to avoid insolvency.

Estimates must be obtained shortly so that rate adjustments, if appropriate, may be implemented as soon as feasible to alleviate and reduce the losses projected for FY2010. If action is not taken immediately, year over year losses are piling up and the losses can never be made up. Once the opportunity for a rate increase to meet total costs is ignored, given the projections for sustained volume reductions in the future, the losses cannot reasonably be expected to be recovered in a timely fashion.

VI. Rate Adjustment Estimates Requested

The following information, together with any other information the Commission believes appropriate, is needed to provide a basis for Commission consideration of the rate adjustments that would insure that the Postal Service rates comply with the policies of the PAEA.

1. Provide the documentation and supporting material regarding the level of rate adjustments Postal Service management considered in deciding not to file an exigent rate increase at the Commission in FY2010.

For the following, assume both that Congress postpones and also maintains the current requirement to pay retiree health benefit payments in September 2010 and 2011, as it did for the payment due September 2009.

2. Using best available elasticities (recognizing recession and volume trends due to the internet), current service levels, and estimated volumes, estimate the two annual price increases for FY2010 and FY2011 for every rate in its market dominant product categories that would, together with revenue for competitive products, recover total Postal Service costs during FY2011.

3. Using best available elasticities (recognizing recession and volume trends due to the internet), and current service levels, and estimated volumes, estimate the percentage of each of two annual across-the-board price increases in FY2010 and FY2011 for every rate in its market dominant product categories that would, together with revenue for competitive products, recover total Postal Service costs during FY2011.

It is further suggested that if, upon consideration, the Commission determines that the PAEA does not provide the Commission the authority to adjust overall rates to alleviate imminent insolvency, as the PAEA appears to authorize, then the Commission should issue a declaratory order to inform stakeholders of its interpretation.

VII. Conclusion

For the purposes stated above, the Public Representative requests the Commission to order the Postal Service to provide for the Commission's consideration the above described rate and fee adjustment estimates and documentation.

Respectfully submitted,

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