Postal Regulatory Commission
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UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO 39 U.S.C. §3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C. (State or other jurisdiction of incorporation or organization)	41-0760000 (I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C. (Address of principal executive offices)	20260 (ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

The following are definitions of some of the terms or acronyms that may be used throughout this report:

Term or Acronym	Definition
Annual Report	Annual report on Form 10-K
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
APWU	American Postal Workers Union, AFL-CIO
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board	Board of Governors of the United States Postal Service
CARES Act	*Coronavirus Aid, Relief, and Economic Security Act*, enacted as Public Law 116-136
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COLA(s)	Cost-of-living adjustment(s)
COVID-19	Coronavirus
CSRS	Civil Service Retirement System
CPI-U	Consumer Price Index for All Urban Consumers
DOL	U.S. Department of Labor
DPMG	Deputy Postmaster General
Exchange Act	*Securities and Exchange Act of 1934*, enacted as Public Law 73-291
FASB	Financial Accounting Standards Board
FECA	Federal Employees' Compensation Act
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
GAAP	Generally accepted accounting principles in the U.S.
HHS	U.S. Department of Health and Human Services
House	U.S. House of Representatives
IRA	*Inflation Reduction Act of 2022*, enacted as Public Law 117-169
NALC	National Association of Letter Carriers, AFL-CIO
NPMHU	National Postal Mail Handlers Union, AFL-CIO
NRLCA	National Rural Letter Carriers Association
OPM	U.S. Office of Personnel Management
OWCP	Office of Workers' Compensation Programs
PAEA	*Postal Accountability and Enhancement Act*, enacted as Public Law 109-435
PMG	Postmaster General
PRA	*Postal Reorganization Act*, enacted as Public Law 91-375
PRC	Postal Regulatory Commission
President	U.S. President
PSHB	Postal Service Health Benefits
PSRA	*Postal Service Reform Act of 2022*, enacted as Public Law 117-108
PSRHBF	Postal Service Retiree Health Benefits Fund

Term or Acronym	Definition
RFA	*Revenue Forgone Reform Act*, enacted as Public Law 103-123
SEC	U.S. Securities and Exchange Commission
Senate	U.S. Senate
TSP	Thrift Savings Plan
U.S.	United States
U.S.C.	U.S. Code
USPS	U.S. Postal Service
VP	Vice President

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Revenue:				
Operating revenue	$ 19,302	$ 19,786	$ 40,801	$ 41,079
Other revenue	51	16	108	27
Total revenue	**19,353**	**19,802**	**40,909**	**41,106**
Operating expenses:				
Compensation and benefits	12,937	12,675	26,979	26,075
Retirement benefits	2,471	1,905	4,927	3,821
Retiree health benefits	—	1,325	—	2,650
Workers’ compensation	1,075	(783)	1,426	(125)
Transportation	2,430	2,361	5,442	5,201
Other operating expenses	3,057	2,930	5,890	5,614
Total operating expenses	**21,970**	**20,413**	**44,664**	**43,236**
Loss from operations	**(2,617)**	**(611)**	**(3,755)**	**(2,130)**
Interest and investment income	227	10	433	20
Interest expense	(90)	(38)	(186)	(76)
Net loss	**$ (2,480)**	**$ (639)**	**$ (3,508)**	**$ (2,186)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)		March 31, 2023		September 30, 2022
		(unaudited)		
Current Assets:				
Cash and cash equivalents	$	16,400	$	19,607
Restricted cash		1,064		1,011
Receivables, net (less allowances of $136 and $140)		1,348		1,326
Supplies, advances, and prepayments		283		252
Total current assets		**19,095**		**22,196**
Restricted cash, noncurrent		3,773		3,000
Property and equipment, net		15,362		15,147
Operating lease right-of-use assets		4,910		5,094
Other assets		629		678
Total assets	**$**	**43,769**	**$**	**46,115**
Current Liabilities:				
Compensation and benefits	$	2,111	$	3,146
Retirement benefits		20,666		18,162
Workers' compensation		1,396		1,311
Payables and accrued expenses		2,393		2,762
Deferred revenue-prepaid postage		2,428		2,519
Operating lease liabilities		1,216		1,290
Customer deposit accounts		1,208		1,244
Other current liabilities		1,783		1,713
Total current liabilities		**33,201**		**32,147**
Workers' compensation, noncurrent		13,448		13,418
Operating lease liabilities, noncurrent		3,818		3,924
Employees' accumulated leave, noncurrent		2,202		2,429
Other noncurrent liabilities		826		831
Long-term debt		10,416		10,000
Total liabilities		**63,911**		**62,749**
Net Deficiency:				
Capital contributions of the U.S. government		16,132		16,132
Deficit since 1971 reorganization		(36,274)		(32,766)
Total net deficiency		**(20,142)**		**(16,634)**
Total liabilities and net deficiency	**$**	**43,769**	**$**	**46,115**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2022

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2021	**$ 13,132**	**$ (88,812)**	**$ (75,680)**
Net loss	—	(1,547)	(1,547)
Balance, December 31, 2021	**$ 13,132**	**$ (90,359)**	**$ (77,227)**
Net loss	—	(639)	(639)
Balance, March 31, 2022	**$ 13,132**	**$ (90,998)**	**$ (77,866)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2023

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2022	**$ 16,132**	**$ (32,766)**	**$ (16,634)**
Net loss	—	(1,028)	(1,028)
Balance, December 31, 2022	**$ 16,132**	**$ (33,794)**	**$ (17,662)**
Net loss	—	(2,480)	(2,480)
Balance, March 31, 2023	**$ 16,132**	**$ (36,274)**	**$ (20,142)**

See accompanying notes to the unaudited financial statements.

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
(in millions)	**2023**	**2022**
Cash flows from operating activities:		
Net loss	$ (3,508)	$ (2,186)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	868	827
Other, net	(130)	(23)
Decrease (increase) in operating lease right-of-use assets	184	(294)
Increase (decrease) in noncurrent workers' compensation	30	(1,425)
(Decrease) increase in noncurrent operating lease liabilities	(106)	238
Decrease in other noncurrent liabilities	(222)	(1,014)
Changes in current assets and liabilities:		
Receivables, net	(22)	(26)
Other current assets	(31)	(67)
Retirement benefits	2,504	1,642
Retiree health benefits	—	2,650
Payables, accrued expenses, and other	(1,156)	703
Operating lease liabilities	(74)	55
Deferred revenue-prepaid postage and other deferred revenue	(39)	(135)
Net cash (used in) provided by operating activities	**(1,702)**	**945**
Cash flows from investing activities:		
Purchases of property and equipment	(1,266)	(787)
Proceeds from sales of property and equipment	185	62
Purchases of investments	(5,000)	—
Redemption of investments	5,000	—
Net cash used in investing activities	**(1,081)**	**(725)**
Cash flows from financing activities:		
Proceeds from borrowings	416	—
Payments on finance lease obligations	(14)	(14)
Net cash provided by (used in) financing activities	**402**	**(14)**
Net (decrease) increase in cash, cash equivalents & restricted cash	(2,381)	206
Cash, cash equivalents & restricted cash - beginning of period	23,618	24,307
Cash, cash equivalents & restricted cash - end of period	**$ 21,237**	**$ 24,513**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 175	$ 74

See accompanying notes to the unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service," "USPS," "we," "our," and "us") have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the SEC Regulation S-X. These financial statements should be read in conjunction with our financial statements for the year ended September 30, 2022 included in our Annual Report filed with the PRC on November 10, 2022 and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2023 and 2022.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2023, the results of operations for the three and six months ended March 31, 2023 and 2022, the changes in net deficiency for the three and six months ended March 31, 2023 and 2022, and the cash flows for the six months ended March 31, 2023 and 2022. Operating results for the three and six months ended March 31, 2023 are not necessarily indicative of the results that may be expected for all of 2023. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

In November 2021, the FASB issued ASU 2021-10 *Disclosures by Business Entities about Government Assistance*, which has since been codified in ASC 832, *Government Assistance*. It establishes disclosure requirements to increase the transparency and comparability of government assistance received by an entity. The requirements include: 1) the types of assistance; 2) an entity's accounting for the assistance; and 3) the effect of the assistance on an entity's financial statements.

We adopted this standard on October 1, 2022. Given our status as an independent establishment of the executive branch, in instances where material government assistance has been received, such transactions already require disclosure under ASC 850, *Related Parties*. As such, the adoption does not have a significant impact on our disclosures.

NOTE 3 - LIQUIDITY

The following table presents our cash, cash equivalents, and restricted cash included in our accompanying unaudited *Statements of Cash Flows* as of March 31, 2023 and September 30, 2022:

(in millions)	March 31, 2023	September 30, 2022
Cash and cash equivalents	$ 16,400	$ 19,607
Restricted cash, current	1,064	1,011
Restricted cash, noncurrent	3,773	3,000
Total cash, cash equivalents, and restricted cash	**$ 21,237**	**$ 23,618**

Restricted Cash

Restricted cash is not considered part of our liquidity but may be incorporated into our liquidity management strategy, when allowable. Restricted cash represents our cash that is not available for general use, including, but not limited to, the following:

- Funds designated for specific use due to congressional appropriation under the IRA or congressional appropriation to the United States Postal Service Office of Inspector General. See *Note 5 - Related Parties* for additional information on the funding received under the IRA;

- Funds received for revenue under our retirement-based pricing authority, generated by a price increase authorized by the PRC, under which any incremental funds received must be remitted to OPM for amortization payments;
- Funds held in escrow at the U.S. Treasury under the terms of our note purchase agreement with the FFB;
- Funds originated from forfeitures or seizures due to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition; or
- Cash designated for specific use due to annual obligations to the PRC.

Liquidity Management

The following table presents the components of our liquidity as of March 31, 2023 and September 30, 2022:

(in millions)	**March 31, 2023**	**September 30, 2022**
Cash and cash equivalents	$ 16,400	$ 19,607
Borrowing capacity*	4,584	3,000
Total liquidity	**$ 20,984**	**$ 22,607**

*Borrowing capacity represents our statutory limit on total debt of $15.0 billion less the $10.4 billion and $10.0 billion of all debt outstanding as of March 31, 2023 and September 30, 2022, respectively. However, we are additionally limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year.

Cash and Cash Equivalents

We generate our cash almost entirely from the sale of postal products and services. We hold our *Cash and cash equivalents* with the Federal Reserve Bank of New York and invest our excess cash, when available, in highly liquid, short-term investments issued by the U.S. Treasury. See *Note 6 - Investments* for additional information on our investments.

Debt and Borrowing Capacity

We are authorized by the PRA to raise cash through the issuance of debt obligations. The PRA requires us to notify the Secretary of the Treasury of our intent to issue debt and to allow the U.S. Treasury the first option to purchase such obligations. We coordinate with the FFB, a government-owned corporation under the general supervision of the Secretary of the Treasury, on these notifications.

In February 2023, we finalized a note purchase agreement with the FFB. This agreement expires on September 30, 2025. Under this agreement, we can issue a series of notes with established terms and conditions and receive funds within two business days after providing notice.

The agreement provides the flexibility to borrow using short-, medium-, and long-term instruments, including fixed- and floating-rate notes, some of which can be repurchased prior to maturity. We are limited to an aggregate of $3.0 billion in borrowing in short-term (one day to 91 days) cash management instruments. All of our debt is unsecured and not subject to sinking fund requirements.

If the Secretary of the Treasury elects not to purchase our obligations, the PRA authorizes us to issue and sell such obligations to a party or parties other than the U.S. Treasury, which may include a transaction in the public or private debt markets.

As part of the note purchase agreement with the FFB, we are required to maintain an escrow account at the U.S. Treasury with nine months of projected scheduled interest payments. These funds are included in restricted cash, which is not one of our liquidity components.

Under the terms of the new note purchase agreement, we issued the following debt obligations:

(in millions)

Issuance Date	Maturity Date	Balance	Rate
March 15, 2023[1]	March 13, 2043	$ 416	4.038 %
April 5, 2023[2]	April 4, 2033	584	3.472 %
April 5, 2023[2]	April 3, 2037	447	3.682 %

[1] Included in *Long-term debt* in the accompanying unaudited *Balance Sheets* as of March 31, 2023.

[2] Not included in *Long-term debt* in the accompanying unaudited *Balance Sheets* as of March 31, 2023 since debt issuance took place subsequent to March 31, 2023.

<u>Liquidity Concerns</u>

We continue to face systemic imbalances that make our current operating model unsustainable. As communicated in the *Delivering for America* plan, we are implementing strategic operational reforms to meet the changing needs of our business and residential customers. While significant progress has been made, the success of the plan still requires management initiatives and administrative change to retiree pension benefit funding rules determining how OPM apportions the costs for the CSRS benefits for employees and retirees that worked for both the Postal Service and the Post Office Department, the cabinet-level department that preceded the Postal Service prior to the PRA.

Shortfalls or delays in implementation of the plan will place additional pressure on our liquidity and financial results. As a result of these concerns, we may not have sufficient liquidity to meet all of our existing legal obligations when due while also repaying our maturing debt and making the critical infrastructure investments that have been deferred in recent years, and that are necessary to fulfill our primary mission.

Business Model Challenges and Constraints

We are constrained by laws and regulations which restrict revenue sources, mandate certain expenses, and have significantly affected our ability to cover all legally imposed costs. Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative and/or administrative change, and some of these costs have historically increased at a higher rate than inflation. Such expenses include amortization payments to provide full funding of retirement benefits that are unlike those imposed on most other federal entities. As a result, we have experienced many years of net losses, and our liabilities greatly exceed our assets.

Mail volumes, representing *First-Class Mail* and *Marketing Mail*, have declined 42% between 2007 and 2022. Despite these declines, mail services still accounted for more than half of our operating revenue in 2022. While we have received some additional pricing flexibility from the PRC in recent years, mail services are subject to an inflation-based price cap system that limits our ability to offset declining volumes or generate increased revenue.

However, our costs are not similarly constrained or capped and we continue to be constrained by law, or by contract, from reducing many of our costs or from pursuing many alternate sources of revenue. A large portion of our cost structure cannot be altered expeditiously due to our universal service mission. Many employee costs, such as compensation and employee health benefit premiums, are subject to contractual arrangements. Other employee costs, such as workers' compensation costs and retiree pension benefit amortization costs, are mandated by law and cannot be altered without administrative change. See *Note 9 - Retirement Plans*, *Note 10 - Health Benefits Plans,* and *Note 11 - Workers' Compensation* for further information on statutorily mandated costs.

Further, the number of delivery points continues to grow by more than one million per year, which drives up delivery costs. When combined with lower mail volume, this has resulted in a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 2.9 pieces in 2022, a decline of 47%.

Past Due Obligations
In order to preserve liquidity and ensure that our ability to fulfill our primary mission is not placed at undue risk, we have not made certain amortization payments to CSRS and FERS. The following table presents the total retirement pension benefit expense accrued but unpaid by us as of September 30, 2022 and the fiscal years in which the accruals were recorded:

(in millions)	2022	2021	2020	2012 to 2019	Total
CSRS unfunded retirement benefits amortization	$ 2,284	$ 1,858	$ 1,817	$ 4,798	$ 10,757
FERS unfunded retirement benefits amortization	1,126	1,401	1,343	3,430	7,300
Total expense accrued but unpaid	**$ 3,410**	**$ 3,259**	**$ 3,160**	**$ 8,228**	**$ 18,057**

As of the date of this report, we have not incurred any penalties or negative financial consequences as a result of not making these payments.

Mitigating Circumstances
We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending what we believed was essential to maintain our existing facilities and service levels, to ensure employee health and safety, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles, and processing equipment in order to remain operationally viable. Aggressive management of the business operations that will enable us to increase revenue and reduce costs and administrative reform related to how OPM apportions the cost of the CSRS benefits will all be necessary to restore the Postal Service to financial health.

With annual total revenue of nearly $79 billion in 2022, a financially sound Postal Service continues to be vital to the U.S. economy and commerce. The U.S. economy benefits greatly from the Postal Service and the broader business industry that we support like printers, publishers, packaging delivery companies, and paper manufacturers. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, as well as the delivery of vital mail and packages like medicine, essential consumer staples, benefit checks, and important information.

In the event that circumstances leave us with insufficient liquidity, we would likely be required to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, employees, and suppliers ahead of some payments to fund retirement benefits, as has been done in the past.

Our status as an independent establishment of the executive branch that does not generally receive tax dollars for our operations presents unique requirements and restrictions but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. In the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC, and other stakeholders of the immediate and long-term financial challenges we face and the administrative changes that are required to restore our financial stability.

NOTE 4 - REVENUE RECOGNITION

We generate the majority of our revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes our disaggregated operating revenue for the three and six months ended March 31, 2023 and 2022, by service category:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022[1]	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022[1]
Operating Revenue:				
First-Class Mail[2]	$ 6,295	$ 6,262	$ 12,821	$ 12,694
Marketing Mail[3]	3,578	3,739	7,938	8,205
Shipping and Packages[4]	7,622	7,784	16,462	16,421
International	402	422	865	953
Periodicals	224	223	463	481
Other[5]	1,181	1,356	2,252	2,325
Total operating revenue	**$ 19,302**	**$ 19,786**	**$ 40,801**	**$ 41,079**

[1] Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by our regulatory requirements and are included in this document for consistency amongst publicly available information.

[2] Excludes *First-Class Package Service - Commercial* and *First-Class Package Service - Retail*.

[3] Excludes *Marketing Mail Parcels*.

[4] Includes *Priority Mail*, *Parcel Select Mail*, *First-Class Package Service - Commercial, Package Service Mail*, *Priority Mail Express, USPS Retail Ground, First-Class Package Service - Retail*, *Parcel Return Service Mail*, and *Marketing Mail Parcels*.

[5] Includes *PO Box* and Caller Services, *Certified Mail*, Passport Services, Return Receipts, Other Ancillary Services, Money Orders, Shipping and Mailing Supplies, Insurance, *Registered Mail*, Stamped Envelopes and Cards, Collect on Delivery, and other services. Also includes revenue other than postage associated with COVID-19 test distribution.

Contract Liabilities

The following table presents the balances of our contract liabilities as of March 31, 2023 and September 30, 2022:

(in millions)	March 31, 2023	September 30, 2022
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,441	$ 1,466
Mail-in-transit	582	608
Metered postage	310	343
Other prepaid postage	95	102
Total deferred revenue-prepaid postage	**2,428**	**2,519**
Prepaid PO Box and Caller Service fees*	620	610
Total deferred revenue	**$ 3,048**	**$ 3,129**

* Included within *Other current liabilities* in the accompanying unaudited *Balance Sheets.*

The following table provides details of revenue recognized during the six months ended March 31, 2023 that was reported in our contract liabilities for deferred revenue as of September 30, 2022:

(in millions)	Six Months Ended March 31, 2023
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 824
Mail-in-transit	608
Metered postage	343
Other prepaid postage	60
Prepaid PO Box and Caller Service fees	495

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, we have significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

In September 2022, we received a capital contribution from the U.S. government of $3.0 billion under the IRA. Of this amount, $1.29 billion is available for the procurement of zero-emission vehicles. Additionally, $1.71 billion is available for the purchase, design, and installation of the requisite infrastructure to support zero-emission delivery vehicles at facilities that we own or lease from non-federal entities. These amounts remain available for use through September 30, 2031 and may earn interest restricted for the same purpose. As of March 31, 2023, we held $69 million in *Restricted cash* and $3.0 billion in *Restricted cash, noncurrent* associated with this funding.

In January 2022, we signed an inter-agency agreement with HHS to distribute COVID-19 tests to American households upon their requests. The agreement provides that we will receive payment for postage and be fully reimbursed for our costs. We have received advanced payments pursuant to this agreement. Any unused funding will be returned to HHS following the completion of the contract. If the postage and reimbursable costs should exceed the amount already received, HHS will provide additional funding.

The following table presents related-party assets and liabilities as of March 31, 2023 and September 30, 2022:

(in millions)	March 31, 2023	September 30, 2022
Related-party assets:		
Carrying amount of revenue forgone installment receivable[1]	$ 530	$ 522
Related-party liabilities:		
Other current liabilities[2]	$ 22,429	$ 19,776
Long-term debt	10,416	10,000
Other noncurrent liabilities[3]	13,485	13,430

[1] Included within *Other assets* in the accompanying unaudited *Balance Sheets*. See further discussion of the fair value measurement of this receivable in *Note 13 - Fair Value Measurement.*

[2] Includes the CSRS, FERS, and current workers' compensation obligations, as well as payables to other agencies and the remaining funding associated with the COVID-19 test distribution. See further discussion in *Note 9 - Retirement Plans* and *Note 11 - Workers' Compensation*.

[3] Includes noncurrent workers' compensation obligations. See further discussion in *Note 11 - Workers' Compensation*.

The revenue forgone installment receivable represents the receivable associated with the RFA. The RFA authorized $1.2 billion to be paid to us in 42 annual installment payments of $29 million each from 1994 through 2035 as reimbursement for below-cost postage offered to certain categories of mailers between 1991 and 1998. Although the RFA authorized the reimbursement, Congress must appropriate the $29 million to us within the annual federal budget for us to receive funding. The 2023 congressional appropriations bill did not include an appropriation for the annual revenue forgone installment, bringing the past due installments unpaid by Congress to $308 million.

We continue to include the total past due installments in each annual appropriations request to Congress. Although we have not consistently received the installment payments, the amounts are established by the RFA and, in any year, Congress could appropriate the full amount, including past-due installments. We believe that the amount remains fully collectible and no reserve is necessary for the uncollected amounts due to the full faith and credit of the U.S. government. For additional information on the revenue forgone installment receivable, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 15 - Revenue Forgone* in the 2022 Annual Report.

We also hold our *Cash and cash equivalents* and restricted cash with the Federal Reserve Bank of New York. See *Note 3 - Liquidity and Note 6 - Investments* for additional information.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2023	2022	2023	2022
Related-party operating revenue[1]	$ 368	$ 1,071	$ 789	$ 1,415
Related-party operating expenses[2]	$ 4,013	$ 4,669	$ 8,023	$ 9,411
Related-party interest income[3]	$ 227	$ 10	$ 433	$ 18
Related-party interest expense[4]	$ 91	$ 37	$ 170	$ 73

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*. Amounts reported for the three and six months ended March 31, 2023 and 2022 include revenue from HHS associated with the COVID-19 test distribution.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*. Amounts reported for the three and six months ended March 31, 2022 include retiree health benefits expense that is not included in the three and six months ended March 31, 2023 as a result of the PSRA.

[3] Represents interest imputed on the revenue forgone installment receivable, as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - INVESTMENTS

The Secretary of the U.S. Treasury has authorized us to invest in U.S. government securities with maturity dates of two years or less. As of March 31, 2023 and September 30, 2022, all of our investments were highly-liquid U.S. government securities with maturities of three months or less. These investments are included in *Cash and cash equivalents* in the accompanying unaudited *Balance Sheets*.

On March 30, 2023, the previously reported six-month Treasury bill investment matured and was redeemed for $5.1 billion.

On April 25, 2023, we invested excess cash of $4.5 billion and $1.6 billion in six-month and one-year Treasury bills, respectively. We also invested restricted cash of $1.6 billion in one-year Treasury bills. As we have both the intent and ability to hold these securities to maturity, we will classify each of these investments as held-to-maturity.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying unaudited *Balance Sheets* are recorded at cost, which is calculated by including the interest on borrowings used to finance construction of major capital additions less allowances for depreciation and amortization. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

For the three months ended March 31, 2023 and 2022, depreciation and amortization expense was $443 million and $414 million, respectively. For the six months ended March 31, 2023 and 2022, depreciation and amortization expense was $868 million and $827 million, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements
As of March 31, 2023, we had active contracts with each of our major collective bargaining units. The agreement expiration dates for those collective bargaining units are as follows:

Collective Bargaining Unit	Agreement Expiration Date
NALC	May 20, 2023
NRLCA	May 20, 2024
APWU	September 20, 2024
NPMHU*	September 20, 2025

* Agreement ratified by NPMHU membership on March 13, 2023.

Contingent Liabilities
Our contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on our properties; and issues arising from our contracts, personal claims and traffic accidents. Each quarter, we evaluate each claim to determine our potential liability. If we determine that an unfavorable outcome from a new claim is both probable and reasonably estimable, we record a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

From time to time, we are involved in other litigation incidental to the conduct of our business, none of which is expected to be material to our financial condition or operations. For additional information see *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 10 - Commitments and Contingencies* in the 2022 Annual Report.

Provision for Losses
We have made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions as of March 31, 2023 and September 30, 2022:

(in millions)	March 31, 2023	September 30, 2022
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 304	$ 329
Noncurrent portion[2]	149	145
Total contingent liabilities	**$ 453**	**$ 474**

[1] Included within *Payables and accrued expenses* in the accompanying unaudited *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheets*.

Reasonably Possible Contingencies
We do not accrue for contingencies which we deem reasonably possible of an unfavorable outcome. These ranged in amount from $300 million to $1.2 billion at both March 31, 2023 and September 30, 2022.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which are administered by OPM. Associated costs include the FERS normal costs, which are contributions based on a percentage of active employees' basic pay, and the CSRS and FERS amortization costs to fund the remaining unfunded liabilities. These costs are recorded in *Retirement benefits* in the accompanying unaudited *Statement of Operations*.

Employees who participate in FERS are eligible to receive matching retirement contributions to the TSP, a defined contribution plan. Employees who participate in FERS and certain employees who participate in CSRS are also eligible to receive Social Security benefits upon retirement. We contribute at standard Social Security tax rates for these employees. These TSP and Social Security costs are recorded in *Compensation and benefits* in the accompanying unaudited *Statement of Operations*.

Based on preliminary information provided by OPM, we estimate our annual payments due September 30, 2023 will be $3.1 billion and $1.9 billion for the CSRS amortization and FERS amortization, respectively. We expect to receive the invoice from OPM for the actual amounts due September 30, 2023 during the fourth quarter of 2023, and this invoice may differ from the estimated projections and calculations due to further changes in experience and/or actuarial assumptions as of the calculation date.

The following table presents the retirement benefits expense for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
FERS normal costs	$ 1,221	$ 1,090	$ 2,427	$ 2,192
CSRS unfunded retirement benefits amortization[1]	775	465	1,550	929
FERS unfunded retirement benefits amortization[2]	475	350	950	700
Total retirement benefits	**$ 2,471**	**$ 1,905**	**$ 4,927**	**$ 3,821**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on the OPM invoices.

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Retirement Plans* in the 2022 Annual Report.

NOTE 10 - HEALTH BENEFITS PLANS

The FEHB Program covers nearly all career employees and also covers pre-career employees and retirees who meet certain eligibility requirements. OPM administers the FEHB Program and allocates the cost of funding the program to participating U.S. government employers. Separate from the FEHB Program, we offer our own healthcare plan to certain pre-career employees who are ineligible for the FEHB Program.

The PSRA establishes the PSHB Program within the FEHB Program. Beginning in January 2025, our employees and annuitants eligible under the FEHB Program will be covered under the PSHB Program. Coverage and cost-sharing under the PSHB Program will be equivalent to that under the FEHB Program to the greatest extent practicable.

Active Employees

Our employee health benefits expense, which includes the employer portion of Medicare taxes, is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our employee health benefits expense was $1.4 billion and $1.3 billion for the three months ended March 31, 2023 and 2022, respectively. Our employee health benefits expense was $2.6 billion for both the six months ended March 31, 2023 and 2022. This expense is included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Despite us being a significant contributor of Medicare taxes, not all of our annuitants enroll in Medicare upon retirement. Beginning in January 2025, the PSRA requires the enrollment of annuitants covered by the PSHB Program in Medicare, with certain limited exceptions.

The PSRHBF will continue to pay annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to contribute to the PSRHBF based on a pay-as-you-go method, similar to most other federal agencies.

Not later than 2026, we will also be required to make annual top-up payments to the PSRHBF, based on the difference between annuitant premiums and net claims costs, should premium payments exceed the claims costs.

We will not incur retiree health benefit costs until either OPM's annual calculation results in a top-up payment, expected to occur in 2026, or the PSRHBF is exhausted and we are required to make contributions to OPM for annuitant premiums.

The enactment of the PSRA repealed the requirement that we annually prepay future retiree health benefits and eliminated all past due prefunding obligations for retiree health benefits. However, since the PSRA was enacted in the third quarter of 2022, our expense associated with retiree health benefits was $1.3 billion and $2.7 billion for the three and six months ended March 31, 2022, respectively.

NOTE 11 - WORKERS' COMPENSATION

Our employees who are injured on the job are covered by the FECA, administered by the DOL's OWCP, which makes most decisions regarding injured workers' eligibility for benefits. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees. We also pay the DOL an administrative fee for its services.

Workers' Compensation Liability

We record a liability for workers' compensation obligations for employees who have been injured on the job and are eligible for benefits or for their qualified survivors. We use an estimation model that utilizes generally accepted actuarial valuation techniques based on past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in interest (discount) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the liability each quarter, we first estimate the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries, and the expected trend in future costs. We then calculate the amount that would need to be invested at current interest (discount) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

In setting the discount rates, we use the current yield, as of the measurement date, on U.S. Treasury securities that are matched to the expected duration of both the medical and compensation payments. Expected inflation in compensation claim obligations are estimated using the consensus inflation forecast from the Federal Reserve Bank of Philadelphia Survey of Professional Forecasters. Expected inflation for future medical claim obligations are estimated using the average rate of medical cost increases experienced by our workers' compensation claimants over the past five years.

This liability calculation is highly sensitive to changes in interest (discount) rates. For example, a 1% increase in the discount rate would decrease the March 31, 2023 liability and related expense by $1.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2023 liability and related expense by $1.7 billion.

The following table details the applicable interest (discount) and inflation rates for compensation and medical claims, which are used to estimate the workers' compensation liability as of March 31, 2023 and September 30, 2022:

	March 31, 2023	September 30, 2022
Compensation claims liability:		
Interest (discount) rate	3.68%	3.94%
Long-term wage inflation rate	2.80%	2.70%
Medical claims liability:		
Interest (discount) rate	3.67%	3.93%
Medical inflation rate	3.10%	3.10%

As of March 31, 2023 and September 30, 2022, our total liability for workers' compensation was $14.8 billion and $14.7 billion, respectively. As of March 31, 2023 and September 30, 2022, the current portion of the liability was $1.4 billion and $1.3 billion, respectively, and the noncurrent portion of the liability was $13.4 billion and $13.4 billion, respectively, as reflected in the accompanying unaudited *Balance Sheets*.

Workers' Compensation Expense (Benefit)

The impacts of changes in discount rates and inflation rates, actuarial valuation of new cases, and revaluation of existing cases are components of total workers' compensation expense (benefit) recorded in the accompanying unaudited *Statements of Operations*. In addition, we pay an administrative fee to the DOL, which is considered a component of workers' compensation expense (benefit).

The following table presents the components of workers' compensation expense (benefit) for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2023	2022	2023	2022
Impact of discount rate changes	$ 529	$ (1,493)	$ 407	$ (1,391)
Actuarial revaluation of existing cases	241	375	443	598
Cost of new cases	282	313	530	623
Administrative fee	23	22	46	45
Total workers' compensation expense (benefit)	**$ 1,075**	**$ (783)**	**$ 1,426**	**$ (125)**

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 13 - Workers' Compensation* in the 2022 Annual Report.

NOTE 12 - LEASES

We hold lessee positions in real property leases as well as in leases embedded in service contracts involving rights to use transportation equipment and facilities.

Lease costs for operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2023	2022	2023	2022
Operating lease cost	$ 340	$ 393	$ 679	$ 782
Variable lease cost	151	231	292	415
Short-term lease cost	54	62	112	118
Total lease cost	**$ 545**	**$ 686**	**$ 1,083**	**$ 1,315**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for operating leases, for the six months ended March 31, 2023 and 2022:

	Six Months Ended March 31,	
($ in millions)	**2023**	**2022**
Operating cash flows from operating leases	$ 670	$ 781
Right-of-use assets obtained in exchange for operating lease liabilities	$ 112	$ 378
Weighted-average remaining lease term - operating leases	5.51 years	5.29 years
Weighted-average discount rate - operating leases	1.84 %	1.26 %

For additional information, see *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 14 - Leases* in the 2022 Annual Report.

NOTE 13 - FAIR VALUE MEASUREMENT

The carrying amounts of certain current assets and liabilities, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are disclosed at fair value using inputs of the fair value hierarchy model. This model prioritizes observable and unobservable inputs, which are used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

		March 31, 2023		September 30, 2022	
(in millions)	**Fair value level**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Revenue forgone installment receivable[1]	Level 2	$ 530	$ 472	$ 522	$ 454
Long-term debt[2]	Level 3	$ 10,416	$ 10,155	$ 10,000	$ 9,615

[1] The carrying amount is included within *Other assets* in the accompanying unaudited *Balance Sheets*. See *Note 5 - Related Parties* for additional information.

[2] The fair value amount reflects the premium or discount associated with prepayment of all debt based on prevailing interest rates plus any prepayment penalties, as applicable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources, and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our," and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report for the year ended September 30, 2022 filed with the PRC on November 10, 2022. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2023 are presented in accordance with accounting principles generally accepted in the U.S. These results are not necessarily indicative of the results to be expected for the year ended September 30, 2023 and should be read in conjunction with our 2022 Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2023 and 2022.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project,” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. See *Part I, Item 1A. Risk Factors* in our 2022 Annual Report for additional discussion on the risks and uncertainties that the Postal Service may face. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OVERVIEW

As an independent establishment of the U.S. government, we have a unique mission to:

- Serve the American people and, through the universal service mission, bind our nation together by maintaining and operating our unique, vital, and resilient infrastructure;
- Provide trusted, safe, and secure communications and services between the U.S. government and the American people, businesses and their customers, and the American people with each other; and
- Serve all areas of our nation, making full use of evolving technologies.

We will carry out this mission by remaining an integral part of the U.S. government and providing all Americans with universal and open access to our unrivaled delivery and retail network; using technology, innovation and, where appropriate, private-sector partnerships to meet our customers’ changing needs; operating in a modern, precise, efficient, and effective manner; and remaining an employer of choice, including attracting and retaining high-quality employees.

We serve consumer and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation, and delivery network, and we operate throughout the U.S., including its possessions and territories. We do not operate in segments; we report our performance as a single business.

The PAEA, classifies our products into two broad categories: Market-Dominant and Competitive “products.” However, we use the term “services” in this document for consistency with other descriptions of services offered. Legal restrictions on Market-Dominant pricing, service diversification, and operations currently restrict our ability to cover the costs we incur to provide prompt, reliable, and efficient postal services to the nation. Additionally, the statutes under which we operate establish certain cost requirements that affect our financial results, including obligations for retirement benefits within CSRS and FERS. We must coordinate with OPM to address these obligations.

We continue to implement initiatives that are expected to drive revenue by capitalizing on innovation, technology, customer and consumer insights, and data management. This includes strengthening the value of mail through the continued enhancement of *Informed Delivery,* which enables customers to digitally preview mail and manage package delivery and adds digital marketing capabilities to the printed mail piece. In February 2022, we introduced *USPS Connect* that aims to drive package growth by broadening network access to next-day delivery capability for businesses of all sizes. In February 2023, we announced our plans to launch an improved ground product, *USPS Ground Advantage*, with an anticipated start in the summer of 2023 that will feature two-to-five day service standards for packages up to 70 pounds, replacing our *First-Class Package Services* subcategory.

DELIVERING FOR AMERICA

In March 2021, we published our vision and ten-year plan to achieve financial stability and service excellence entitled *Delivering for America* (https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf). Our comprehensive plan delivers:

- A modernized Postal Service capable of providing world class service reliability at affordable prices;
- Maintenance of universal six-day mail delivery and expanded seven-day package delivery;
- Workforce stability and investment strategies that empower, equip, and engage each employee and put them in the best possible position to succeed;
- Innovation that grows revenue and meets changing marketplace needs; and
- Financial sustainability to fund our universal service mission.

We can accomplish these goals with legislative and administrative changes, with effective use of newly acquired and existing pricing authorities, by operating more precisely and efficiently across our enterprise, and by driving revenue growth through innovative customer solutions.

Our strategies for revenue growth, cost savings, and investment, combined with legislative and administrative actions, will enable us to operate in a financially self-sustaining manner while fulfilling our universal service mission.

We continue to implement core elements of our plan and were provided with the legislative reform that was needed through the enactment of the PSRA in April 2022. Our progress reports detailing our accomplishments and the status of plan execution can be found on our website (https://about.usps.com/what/strategic-plans/delivering-for-america/). However, the remainder of the plan, including the management initiatives and administrative change to how OPM apportions the cost of the CSRS benefits for our employees and retirees who worked for both the Post Office Department, the cabinet-level department that preceded the Postal Service prior to the PRA, and the Postal Service, must be implemented timely and in full to meet our financial targets.

RESULTS OF OPERATIONS

SUMMARY

The U.S. and global economies continue to experience significant volatility due to the pandemic and geopolitical conditions. While inflation has begun to moderate in recent months, inflationary impacts still remain high and unpredictable and continue to have a significant impact on our results of operations for the three and six months ended March 31, 2023.

Regulatory constraints cause delays in our ability to generate revenue to keep pace with inflation. Our Market-Dominant services are subject to a price cap system that is generally limited by the CPI-U, with some additional pricing flexibility and authority granted by the PRC. While we continue to judiciously implement our pricing authority, our price cap system restricts our ability to timely adjust prices in line with inflation.

Meanwhile, our costs are highly sensitive to inflationary pressures. We have experienced higher compensation costs, higher retirement benefits costs, higher transportation costs, and higher fuel costs as a result of the inflationary environment.

Other major factors that impacted our operating results include overall customer demand, the mix of postal services and the pricing and contribution associated with those services, the volume of mail and packages processed through our network, our ability to manage our cost structure in line with secularly declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business, and an increasing number of delivery points.

Three Months Ended March 31, 2023

Our operating revenue for the three months ended March 31, 2023 decreased $484 million, or 2.4%, compared to the same period last year. As more fully described below in *Operating Revenue and Volume*, this decrease was due to declining volumes during the quarter, primarily in our *Marketing Mail* and Shipping and Packages categories.

Our operating expenses for the three months ended March 31, 2023 increased $1.6 billion, or 7.6%, compared to the same period last year. As more fully described below in *Operating Expenses*, this increase was primarily due to inflationary impacts on workers' compensation fair-value adjustments, retirement costs, compensation costs, and transportation costs. This increase was partially offset by a decrease in retiree health benefits as we did not incur retiree health benefits expense for the three months ended March 31, 2023 due to the enactment of the PSRA.

Overall, we reported a net loss of $2.5 billion for the three months ended March 31, 2023, compared to a net loss of $639 million for the same period last year.

Six Months Ended March 31, 2023

Our operating revenue for the six months ended March 31, 2023, decreased $278 million, or 0.7%, compared to the same period last year. As more fully described below in *Operating Revenue and Volume*, this decrease was due to declining volumes during 2023, primarily in our *Marketing Mail* and Shipping and Packages categories.

Our operating expenses for the six months ended March 31, 2023, increased $1.4 billion or 3.3% compared to the same period last year. As more fully described below in *Operating Expenses*, this increase was primarily due to interest rate impacts on workers' compensation fair value adjustments and inflationary impacts on retirement costs and compensation costs. This increase was partially offset by a decrease in retiree health benefits as we did not incur retiree health benefits expense for the six months ended March 31, 2023 due to the enactment of the PSRA.

Overall, we reported a net loss of $3.5 billion for the six months ended March 31, 2023, compared to a net loss of $2.2 billion for the same period last year.

Non-GAAP Measures

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We use various non-GAAP measures to help us better manage our business. However, these non-GAAP measures should not be considered a substitute for net loss and other GAAP reporting measures.

We calculate controllable income (loss), a non-GAAP measure, by excluding the workers' compensation non-cash expenses driven by actuarial revaluation and discount rate changes, which can fluctuate significantly and over which we have no control. We also exclude the PSRHBF amortization expense and the amortization of unfunded pension liabilities. The variance in these expenses depends primarily on factors over which we have no control, such as changes in projected discount rates and inflation.

We calculate controllable (loss) income excluding all retiree health benefits expense, a non-GAAP measure, by excluding retiree health benefits expense, workers' compensation non-cash expense caused by actuarial revaluation and discount rate changes, and the amortization of the unfunded PSRHBF and pension liabilities.

The following table reconciles our GAAP net loss to our non-GAAP financial measures for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Net loss	**$ (2,480)**	**$ (639)**	**$ (3,508)**	**$ (2,186)**
PSRHBF unfunded liability amortization expense[1]	—	250	—	500
Workers' compensation non-cash expense (benefit)[2]	732	(1,074)	697	(786)
CSRS unfunded liability amortization expense[3]	775	465	1,550	929
FERS unfunded liability amortization expense[4]	475	350	950	700
Controllable loss	**$ (498)**	**$ (648)**	**$ (311)**	**$ (843)**
Normal costs of retiree health benefits[5]	—	1,075	—	2,150
Controllable (loss) income excluding all retiree health benefits expense	**$ (498)**	**$ 427**	**$ (311)**	**$ 1,307**

[1] Expense for the accrual for the annual payment that was expected to be due to the PSRHBF by September 30, 2022, as calculated by OPM, to amortize the unfunded PSRHBF retirement health obligation. This payment was eliminated in April 2022 by the PSRA.

[2] Represents workers' compensation non-cash (benefit) expense resulting from fluctuations in discount rates, changes in assumptions, valuation of new claims, revaluation of existing claims, and the administrative fee paid to DOL, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on the OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on the OPM invoices.

[5] Expense for the accrual for the annual payment that was expected to be due to the PSRHBF by September 30, 2022 for actuarially determined normal cost of retiree health benefits for current employees. This payment was eliminated in April 2022 by the PSRA.

Our controllable loss decreased $150 million for the three months ended March 31, 2023, compared to the same period last year. This was due to the decrease in retiree health benefit normal cost expense of $1.1 billion as a result of the PSRA and the net increase in interest and investment activity of $165 million. These favorable variances were mostly offset by the $449 million decrease in total revenue, higher compensation and benefits expense of $262 million, higher FERS normal costs of $131 million, higher other operating expenses of $127 million, and higher transportation expense of $69 million.

Our controllable loss decreased $532 million for the six months ended March 31, 2023, compared to the same period last year. This was due to the decrease in retiree health benefit normal cost expense of $2.2 billion as a result of the PSRA and the net increase in interest and investment activity of $303 million. These favorable variances were partially offset by the $197 million decrease in total revenue, higher compensation and benefits expense of $904 million, higher other operating expenses of $276 million, higher transportation expense of $241 million, and higher FERS normal costs of $235 million.

We had unfavorable variances of $925 million and $1.6 billion in our controllable (loss) income excluding all retiree health benefits expense for the three and six months ended March 31, 2023, respectively, compared to the same periods last year.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

We generate the vast majority of our revenue through the sale of products and services associated with the processing and delivery of various types of mail and packages, both domestically and internationally. We continue to grow our revenue through optimization of our pricing strategies and effective use of our pricing authority, as outlined in the *Delivering for America* plan. Revenue for each mail class is highly correlated with its volume processed and delivered, although revenue per product varies by service category.

Although we operate as a single segment, we monitor and report revenue by mail classes, products, and shapes. We use the following broad service categories to describe and report on our performance: *First-Class Mail*, *Marketing Mail*, Shipping and Packages, *International Mail*, *Periodicals*, and other services. Additional information on these service categories can be found in *Part I, Item 1. Business, Services* and *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Results of Operations, Operating Revenue and Volume* in our 2022 Annual Report.

Revenue for the three and six months ended March 31, 2023 and 2022 was impacted by the following pricing changes:

- On January 24, 2021, we implemented the 2021 pricing schedule, increasing prices for certain Market-Dominant and Competitive services;
- On January 9, 2022, we increased prices on certain Competitive services (i.e., First-Class Package Services, *Priority Mail*, and *Priority Mail Express*) by an average of 3.1%;
- On July 10, 2022, we increased prices on certain Market-Dominant services by an average of 6.5%;
- From October 3, 2021 through December 26, 2021, and again from October 2, 2022 through January 22, 2023, we implemented time-limited peak season price increases on certain Shipping and Packages subcategories; and
- On January 22, 2023, we increased prices on certain Market-Dominant services by an average of 4.2% to offset rising inflation and increased prices on certain Competitive services, with the average price adjustments for these services varying by product in accordance with market conditions.

On April 10, 2023, we filed with the PRC notices of our intent to increase prices for certain mailing services to offset rising inflation. The average proposed price increase is 5.4% for certain Market-Dominant services and, subject to PRC favorable review of this plan, is scheduled to take effect on July 9, 2023. As of the date of this report, the PRC has not completed its review of this price increase plan.

Although volume is generally linked to the strength of the U.S. economy and revenue is linked to changes in how our customers use mail and packages, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our marketing investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products and services we may offer to our customers, the prices we charge them, and the speed with which we can bring new services to market.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2023 and 2022 by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022[1]**	**2023**	**2022[1]**
Operating Revenue:				
First-Class Mail[2]	$ 6,295	$ 6,262	$ 12,821	$ 12,694
Marketing Mail[3]	3,578	3,739	7,938	8,205
Shipping and Packages[4]	7,622	7,784	16,462	16,421
International	402	422	865	953
Periodicals	224	223	463	481
Other[5]	1,181	1,356	2,252	2,325
Total operating revenue	**$ 19,302**	**$ 19,786**	**$ 40,801**	**$ 41,079**
Volume:				
First-Class Mail[2]	11,938	12,989	24,543	26,179
Marketing Mail[3]	14,093	15,842	32,018	34,647
Shipping and Packages[4]	1,684	1,773	3,618	3,778
International	83	87	188	201
Periodicals	737	804	1,538	1,724
Other[6]	68	63	246	254
Total volume	**28,603**	**31,558**	**62,151**	**66,783**

[1] Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category and have no effect on total operating revenue for the period. These reclassifications are required by Postal Service regulatory requirements and are included in this document for consistency amongst publicly available information.

[2] Excludes *First-Class Package Service - Commercial* and *First-Class Package Service - Retail*.

[3] Excludes *Marketing Mail Parcels*.

[4] Includes *Priority Mail*, *Parcel Select Mail*, *First-Class Package Service - Commercial, Package Service Mail*, *Priority Mail Express, USPS Retail Ground, First-Class Package Service - Retail*, *Parcel Return Service Mail*, and *Marketing Mail Parcels*.

[5] Other revenue includes *PO Box* and Caller Services, *Certified Mail*, Passport Services, Return Receipts, Other Ancillary Services, Money Orders, Shipping and Mailing Supplies, Insurance, *Registered Mail*, Stamped Envelopes and Cards, Collect on Delivery, and other services. Also includes revenue other than postage associated with COVID-19 test distribution.

[6] Other volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

First-Class Mail

For the three months ended March 31, 2023, *First-Class Mail* revenue increased $33 million, or essentially flat, on a volume decline of 1.1 billion pieces, or 8.1%, compared to the same period last year. For the six months ended March 31, 2023, *First-Class Mail* revenue increased $127 million, or 1.0%, on a volume decline of 1.6 billion pieces, or 6.2%, compared to the same period last year. Revenue grew despite the volume declines for the three and six months ended March 31, 2023 due to the price increases, as noted above. The most significant factor contributing to the declining trend in *First-Class Mail* volume is the on-going migration from mail to electronic communication and transaction alternatives.

Marketing Mail

For the three months ended March 31, 2023, *Marketing Mail* revenue decreased $161 million, or 4.3%, and volume decreased 1.7 billion pieces, or 11.0%, compared to the same period last year. For the six months ended March 31, 2023, *Marketing Mail* revenue decreased $267 million, or 3.3%, and volume decreased 2.6 billion pieces, or 7.6%, compared to the same period last year. *Marketing Mail* has been challenged by commercial mailers' increasing use of digital and mobile advertising, which was accelerated by the pandemic and, generally, by downward pressure on advertising spending. Nevertheless, this category has generally proven to be a resilient marketing channel, and its value to U.S. businesses remains strong due to healthy customer returns on investment and better data and technology integration.

For the three months ended March 31, 2023*,* our revenue and volume from political and election mail decreased by more than $20 million and 85 million pieces, respectively, compared to the same period last year. For the six months ended March 31, 2023*,* our revenue and volume from political and election mail increased by nearly $300 million and 1.4 billion pieces, respectively, compared to the same period last year. The increase for the six-month period is due to increased mailings related to the 2022 mid-term election and associated primary elections. If not for the impact of these mailings, *Marketing Mail* revenue and volume would have decreased at a greater rate for the six months ended March 31, 2023.

Shipping and Packages

Our Shipping and Packages business is subject to intense competition. Certain of our major customers continue to increase their delivery densities across a greater geography. Additionally, in-sourcing from our major customers, major e-commerce retailers, and other competitors continues to grow. Our ability to remain competitive and maintain or grow our shipping services market share significantly impacts both revenue and volume.

The results for our Shipping and Packages category for the three and six months ended March 31, 2023 and 2022 generally reflect our successful efforts to compete in shipping services, including "last-mile" e-commerce fulfillment markets and Sunday delivery, as well as end-to-end markets, driven by consumers' continued use of online shopping. We continue to focus on responding to customers' needs by implementing marketing campaigns and maintaining strategic business partnerships that help us capitalize on the e-commerce business.

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2023 and 2022, by each service subcategory:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 3,010	$ 3,231	$ 6,627	$ 7,113
Parcel Services[2]	2,530	2,248	5,422	4,794
First-Class Package Services[3]	1,850	2,084	3,947	4,062
Package Services	232	221	466	452
Total Shipping and Packages revenue	**$ 7,622**	**$ 7,784**	**$ 16,462**	**$ 16,421**
Shipping and Packages Volume:				
Priority Mail Services[1]	274	307	591	669
Parcel Services[2]	863	821	1,876	1,822
First-Class Package Services[3]	434	520	919	1,025
Package Services	113	125	232	262
Total Shipping and Packages volume	**1,684**	**1,773**	**3,618**	**3,778**

[1] Includes *Priority Mail, Priority Mail Express* and *USPS Retail Ground.*

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels.*

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

For the three months ended March 31, 2023, Shipping and Packages revenue decreased $162 million, or 2.1%, compared to the same period last year. For the six months ended March 31, 2023, Shipping and Packages revenue increased $41 million, or essentially flat, compared to the same period last year.

Each of the services within the Shipping and Packages category has its own unique opportunities and challenges:

- Our Priority Mail Services subcategory can be more price sensitive than other services as it faces intense competition. Priority Mail Services volume declined 11.0% and 11.6% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year, due to the continued abatement of the pandemic-related surge in e-commerce;
- Our Parcel Services subcategory largely consists of last-mile deliveries, offered to large bulk shippers that perform their own sorting before conveying parcels to us for processing and/or delivery deeper into our network. This is our lowest-priced Shipping and Packages service and produces a lower-contribution per piece when compared to many of our other services. Parcel Services volume increased 5.1% and 3.0% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year;
- Our First-Class Package Services subcategory is the lowest-priced unrestricted end-to-end shipping option in the marketplace. As a result, this sub-category is more sensitive to e-commence trends. It also includes the postage associated with the COVID-19 test kit shipments. First-Class Package Services volume declined 16.5% and 10.3% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year, due to a decline in COVID-19 test kit shipments; and
- Our Package Services category is the only Market-Dominant service within Shipping and Packages. As such, this service has historically followed trends more similar to our other Market-Dominant products, with much larger volume declines than our other Shipping and Packages subcategories. Package Services volume declined 9.6% and 11.5% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year.

We believe the pandemic has had a lasting impact on our Shipping and Packages category as consumer behavior has evolved from the nation's increased reliance on the safety and convenience of e-commerce. While the e-commerce market has retracted from the pandemic level surge, consumer demand for online shopping remains strong. Consistent with this market trend, our Shipping and Packages volumes have experienced recent fluctuations but are not expected to return to the lower pre-pandemic levels.

International Mail

For the three months ended March 31, 2023, international mail and package revenue decreased 4.7%, on a volume decline of 4.6%, compared to the same period last year. For the six months ended March 31, 2023, international mail and package revenue decreased 9.2%, on a volume decline of 6.5%, compared to the same period last year. The decline in volume was due to various competitive pricing, political, and economic factors, including the impact of the pandemic on transportation logistics and the global economy in general. Revenue declined at a lesser rate than volume due to price increases and shifts in the mix of services provided.

Periodicals

For the three months ended March 31, 2023, *Periodicals* revenue was essentially flat, on a volume decline of 8.3%, compared to the same period last year. For the six months ended March 31, 2023, *Periodicals* revenue decreased 3.7%, on a volume decline of 10.8%, compared to the same period last year. The declining volume is consistent with the systemic decline related to the trend away from hard-copy reading behavior and the shift of advertising away from print. Revenue declined at a lesser rate than volume due to price increases.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenses under management's control.

We originally designed our mail processing and distribution network to provide delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not well aligned to today's mail and package mix and volume. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which drives up delivery costs. When combined with lower mail volume, this has resulted in a drop in the average number of pieces delivered per delivery point per day from 5.5 pieces in 2007 to 2.9 pieces in 2022, a decline of 47%.

Compensation and Benefits

Compensation and benefits, our largest operating expense category, is significantly impacted by the terms of our collective bargaining agreements. At March 31, 2023, 92% of our employees are covered by collective bargaining agreements. For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 8 - Commitments and Contingencies* in this document and *Part I, Item 1. Business, Employees* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 10 - Commitments and Contingencies* in our 2022 Annual Report.

Our compensation and benefits expense consists of costs related to our active career and pre-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health benefits costs, which are further discussed in *Retirement Benefits* and *Retiree Health Benefits*, respectively.

The following table presents compensation and benefits expense for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Compensation	$ 10,488	$ 10,372	$ 22,104	$ 21,410
Employee health benefits	1,362	1,311	2,648	2,626
Social Security	639	597	1,311	1,227
Thrift Savings Plan	362	319	737	655
Other	86	76	179	157
Total compensation and benefits	**$ 12,937**	**$ 12,675**	**$ 26,979**	**$ 26,075**

Overall, our compensation and benefits expense increased 2.1% and 3.5% for three and six months ended March 31, 2023, respectively, compared to the same periods last year. This increase is primarily due to contractual wage increases, which include the inflationary impacts on related COLA, partially offset by a lower number of work hours, as discussed below.

Work Hours

Work hours are a significant component of compensation expense. We are committed to minimizing costs by using the appropriate mix of work hours based on the complement and the assessment of relative cost for each work hour type. In some instances, the use of overtime hours may be necessary to meet service standard commitments and obligations for mail delivery or to serve as a more cost-effective option. In most instances, the compensation for an overtime hour is less than the cost of a straight-time hour as adding employees results in additional costs for hiring, training, and benefits. Furthermore, certain benefit costs are only calculated as a percentage of basic pay and do not increase with higher overtime pay.

For the three months ended March 31, 2023, total work hours were 284 million, a decrease of 7 million hours, or 2.4%, compared to the same period last year, consisting of a decrease of 9 million overtime hours, partially offset by an increase of 2 million straight-time hours. This net decrease is reflective of the overall lower volumes experienced for the three months ended March 31, 2023, compared to the same period last year.

For the six months ended March 31, 2023, total work hours were 589 million, a decrease of 15 million hours, or 2.5%, compared to the same period last year, consisting of a decrease of 12 million overtime hours and 3 million straight-time hours. These decreases are reflective of the overall lower volumes experienced for the six months ended March 31, 2023, compared to the same period last year.

Workforce Composition
The number of career employees at March 31, 2023 was 519,000, an increase of 12,000 employees, or 2.4%, compared to the same date a year ago.

The number of pre-career employees at March 31, 2023 was 120,000, a decrease of 23,000 employees, or 16.1%, compared to the same date a year ago.

We continue to convert employees from pre-career to career status, consistent with our *Delivering for America* plan, to create a stable and empowered workforce with the opportunity for career development and growth for all employees. However, our overall workforce decreased due to continued reductions in employee augmentation previously required to accommodate the limited employee availability and surge in package volumes during the pandemic.

Retirement Benefits
We participate in CSRS and FERS, federal employee defined pension benefit programs administered by OPM. Our retirement benefits expense includes statutorily required contributions to amortize the unfunded portion of these programs and a percentage of basic pay for our active employees, as established by OPM.

For the three and six months ended March 31, 2023, our retirement benefits expense increased 29.7% and 28.9%, respectively, compared to the same periods last year, due to the inflationary impact on amortization calculations for the CSRS and FERS unfunded retirement benefits and higher FERS normal costs associated with general compensation increases and changes in workforce composition.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*, in this document and *Part II, Item 8. Financial Statements and Supplementary Data, and Supplementary Data*, *Notes to Financial Statements*, *Note 11 - Retirement Plans* in our 2022 Annual Report.

Retiree Health Benefits
We participate in federal employee benefit programs for retiree health benefits. The PSRHBF will continue to pay annuitant premiums for our annuitants until the fund is exhausted. Once exhausted, we will be required to contribute to the PSRHBF based on a pay-as-you-go method, similar to most other federal agencies.

The enactment of the PSRA repealed the requirement that we annually prepay future retiree health benefits. However, since the PSRA was enacted in the third quarter of 2022, our expense associated with retiree health benefits was $1.3 billion and $2.7 billion for the three and six months ended March 31, 2022, respectively.

We will not incur additional retiree health benefit costs until either OPM's annual calculation results in a top-up payment, expected to occur in 2026, or the PSRHBF is exhausted and we are required to make contributions to OPM for annuitant premiums.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation
Our employees injured on the job are covered by the FECA, administered by the DOL's OWCP, as described in our 2022 Annual Report.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by the DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense (benefit) in order to determine the non-cash component of workers' compensation expense (benefit), a non-GAAP financial measure.

The following table presents the components of workers' compensation expense (benefit), including the cash payments made by the DOL on behalf of our employees for workers' compensation obligations, for the three and six months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Impact of discount rate changes	$ 529	$ (1,493)	$ 407	$ (1,391)
Actuarial revaluation of existing cases	241	375	443	598
Cost of new cases	282	313	530	623
Administrative fee	23	22	46	45
Total workers' compensation expense (benefit)	**$ 1,075**	**$ (783)**	**$ 1,426**	**$ (125)**
Less cash payments made by the DOL on behalf of workers' compensation obligations	(343)	(291)	(729)	(661)
Total workers' compensation non-cash (benefit) expense	**$ 732**	**$ (1,074)**	**$ 697**	**$ (786)**

For the three and six months ended March 31, 2023, the portion of workers' compensation expense (benefit) driven by discount rate changes increased $2.0 billion and $1.8 billion, respectively, compared to the same periods last year.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases decreased $165 million and $248 million for the three and six months ended March 31, 2023, respectively, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases, and updated COLA assumptions, which are largely outside of management's control.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation* in this document and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 13 - Workers' Compensation* in our 2022 Annual Report.

Transportation

Transportation expense includes the costs we incur to transport mail and packages between facilities, comprising highway, air, and international transportation contracts, plus contract delivery services. We rely on third-parties under highway contract routes for the significant majority of long-haul transportation services between facilities. Furthermore, we do not own or operate aircraft, and we rely on third parties for the air transportation service required to deliver our mail and packages to various destinations within the U.S. and abroad.

With the exception of contract delivery services, our costs to deliver mail and other products to end delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs in the accompanying unaudited *Statements of Operations.* Furthermore, transportation expense does not include the compensation and related costs of employees responsible for transporting mail and packages between closely located facilities.

Variations in the volume and weight of mail and packages transported, the mode of transportation used, and fuel prices have significant impacts on transportation expense.

Overall, transportation expense increased 2.9% and 4.6% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year. The components of transportation expense for the three and six months ended March 31, 2023 and 2022 are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Highway	$ 1,536	$ 1,420	$ 3,415	$ 3,157
Air	773	827	1,778	1,783
International	111	106	226	240
Other	10	8	23	21
Total transportation expense	**$ 2,430**	**$ 2,361**	**$ 5,442**	**$ 5,201**

Highway transportation expense increased 8.2% and 8.2% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year, primarily due to higher average unit costs per mile, higher average diesel fuel prices, and an increase in package volume transported via highway transportation. Consistent with the tenet of our *Delivering for America* plan to optimize our transportation networks, our changes in service standards have further facilitated the shift of package volume from air to highway transportation when more economical but allowing for improved reliability and service performance.

Air transportation expense decreased 6.5% and 0.3% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year. These decreases were primarily due to the impact of overall lower package volume and the shift of certain volume to highway transportation, partially offset by higher average jet fuel prices.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2023 and 2022, are detailed in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Supplies and services	$ 870	$ 863	$ 1,696	$ 1,647
Depreciation and amortization	443	414	868	827
Rent and utilities	535	514	1,036	985
Information technology and communications	304	277	561	513
Vehicle maintenance service	213	176	408	338
Rural carrier equipment maintenance	151	154	310	314
Fuel - delivery vehicles	182	181	382	358
Miscellaneous other	359	351	629	632
Total other operating expenses	**$ 3,057**	**$ 2,930**	**$ 5,890**	**$ 5,614**

Total other operating expenses increased by 4.3% and 4.9% for the three and six months ended March 31, 2023, respectively, compared to the same periods last year. The period-over-period changes in almost all components of other operating expenses for the three and six months ended March 31, 2023 reflect ongoing inflation.

NON-OPERATING REVENUES AND EXPENSES

Interest and Investment Income

We generate income from investments in securities issued by the U.S. Treasury. Investment interest income was $227 million and $433 million for the three and six months ended March 31, 2023, respectively, compared to $10 million and $20 million, respectively, for the same periods last year. Investment interest income increased significantly in the three and six months ended March 31, 2023, due to higher average interest rates.

Interest Expense

Interest expense was $90.0 million and $186 million for the three and six months ended March 31, 2023, respectively, compared to $38 million and $76 million, respectively, for the same periods last year. Interest expense increased significantly in the three and six months ended March 31, 2023, due to higher average interest rates.

We finance a portion of our debt at longer-term fixed-rates to decrease our interest rate risk and interest expense volatility in future years, and a portion of our debt at floating-rate rates, which reset every three months and are impacted by interest rate volatility.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Our liquidity consists of unrestricted cash and cash equivalents, short-term investments, plus our authorized borrowing capacity under the PRA. For additional information see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Our average daily liquidity balance was $23.4 billion and $27.1 billion for the six months ended March 31, 2023 and 2022, respectively.

On April 5, 2023, we made additional long-term borrowings from the FFB under the terms of the new note purchase agreement. For additional details see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

On April 25, 2023, we invested excess cash and restricted cash in various six-month and one-year Treasury bills. For additional details see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 6 - Investments.*

CASH FLOW ANALYSIS

Operating Activities

Net cash used in operating activities was $1.7 billion for the six months ended March 31, 2023, compared to $945 million provided by operating activities for the six months ended March 31, 2022. This change in cash used was due to higher cash expenditures for compensation and benefits, retirement benefits, transportation, and other operating expenses and the timing of outlays for payable and accrued expenses, partially offset by higher receipts for interest and investment income as a result of rising interest rates.

Investing Activities

We invested $1.3 billion in the purchase of property and equipment for the six months ended March 31, 2023, which is an increase of $479 million, or 60.9%, compared to the same period last year. Our projected capital expenditures for 2023 is $2.8 billion.

In October 2022, we invested excess cash of $5.0 billion in a six-month Treasury bill. There were no such investments during the same period last year. In March 2023, the six-month Treasury bill investment matured and was redeemed for $5.1 billion.

Financing Activities

Net cash provided by financing activities was $402 million for the six months ended March 31, 2023, compared to $14 million used in financing activities for the six months ended March 31, 2022. On March 15, 2023, we borrowed $416 million from the FFB on a long-term 20-year note under the terms of our new note purchase agreement.

LIQUIDITY OUTLOOK

2023 and Beyond

While the enactment of the PSRA is a critical component of the *Delivering for America* plan and restoring us to financial sustainability, we continue to face systemic imbalances that make our current operating model unsustainable. As of March 31, 2023, our liquidity remains insufficient to pay all obligations, to make capital investments necessary for continuity of operations, and to prepare for unexpected contingencies in the medium or long-term. For additional information on our operating challenges and constraints and the relevant mitigating circumstances, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 3 - Liquidity.*

Legally Required Obligations

As previously discussed, we have estimated obligations for unfunded retirement benefits of $5.0 billion due on September 30, 2023. We also expect to pay the DOL approximately $1.4 billion in October 2023, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2022 to June 30, 2023, plus the administrative fee.

Capital Investments

As outlined in our *Delivering for America* plan, our technological and physical infrastructures require extensive upgrades. To invest in these upgrades, we have planned for over $40 billion in capital investments between 2021 and 2030. We currently estimate that our required cash outlays for capital investments necessary to modernize the network and ensure that we can continue to perform our universal service mission will amount to $1.5 billion for the remainder of 2023 and an additional $20.3 billion for years 2024 through 2027. However, these projections could change depending on the timing of investments to replace our delivery fleet, modernize our delivery units, transform our retail locations, improve our processing facilities, and acquire or contribute to other appropriate capital assets.

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation.

BOARD OF GOVERNORS

Consistent with our independent self-funded design, Congress intended for us to be governed by an eleven-member Board which consists of our PMG, our DPMG, and nine independent Governors. The President appoints the Governors with the advice and consent of the Senate. As of the date of this report, we have a full complement of nine Presidentially appointed, Senate-confirmed Governors in office.

The original terms of Governors Moak and Zollars expired on December 8, 2022. Both Governors are serving holdover terms of up to one year until their successors are confirmed and appointed or they are reappointed.

APPROPRIATIONS

On March 9, 2023, the President released his 2024 Budget. The President's Budget proposes $75.5 million for the Postal Service, including $46.5 million in funding for free mail for the blind and overseas voting and $29 million authorized under the RFA. The President's Budget also reflects collections in the off-budget Postal Service Fund account for annual collections of $31.7 million for service to the Freely Associated States pursuant to Compacts of Free Association, subject to ratification, starting in 2024.

The President's Budget also proposes $464.8 million for past financial losses on mandated services, including $157.5 million to reimburse the Postal Service for shortfalls not reimbursed for service to the Freely Associated States pursuant to the current Compacts of Free Association and $307.2 million for amounts authorized under the *Revenue Forgone Reform Act of 1993*, but not appropriated or made available to the Postal Service.

As of the date of this report, Congress has not acted on a 2024 Budget Resolution or the twelve annual appropriations bills.

LEGISLATION

On March 29, 2023, a *bill to provide for a limitation on availability of funds for Independent Agencies, Postal Regulatory Commission, Salaries and Expenses for fiscal year 2024* (H.R. 2138) and a *bill to provide for a limitation on availability of funds for Independent Agencies, United States Postal Service, Payment to the Postal Service Fund for fiscal year 2024* (H.R. 2150) were introduced in the House. H.R. 2138 would cap 2024 appropriations to the PRC at $15.2 million. H.R. 2150 would cap 2024 appropriations to the Postal Service at $52.6 million. Both bills were referred to House Committee on Oversight and Accountability where no further action has been taken.

On March 17, 2023, the *Delivering Envelopes Judiciously On-time Year-round Act* or *DEJOY Act* (H.R. 1636), was introduced in the House. The bill would require the Postal Service to maintain the service standards for *First-class Mail* that were in effect on January 1, 2021. The bill was referred to the House Committee on Oversight and Accountability where no further action has been taken.

On March 8, 2023, the *Vote at Home Act of 2023* (H.R. 1439 and S.700) was introduced in the House and Senate, respectively. The bill would require the Postal Service to carry ballots for federal elections expeditiously and free of postage. The bill would authorize appropriations payable to the Postal Service as compensation for costs associated with free postage. The bill was referred to the House Committees on Oversight and Accountability and House Administration; and Senate Committee on Rules and Administration. No further action has been taken on the measures.

On February 7, 2023, the *Comprehensive Paid Leave for Federal Employees Act* (H.R. 856 and S.274) was introduced in the House and Senate, respectively. Specifically, the legislation would provide additional paid family and medical leave to federal employees, including Postal Service employees. The bill was referred to the following committees where no further action has been taken: House Committees on Oversight and Accountability, Veterans' Affairs, and House Administration; and Senate Committee on Homeland Security and Government Affairs.

On February 2, 2023, the *Inflation Reduction Act of 2023* (H.R. 812) was introduced in the House. The bill would repeal the *Inflation Reduction Act of 2022* (P.L. 117-169) and rescind any unobligated funds made available by the Act. The Postal Service received $3.0 billion in the *Inflation Reduction Act of 2022* – $1.29 billion in funding to the Postal Service for the procurement of zero-emission delivery vehicles and $1.71 billion in funding to the Postal Service for the purchase, design, and installation of the requisite infrastructure to support zero-emission delivery vehicles at facilities that the Postal Service owns or leases from non-federal entities. Both amounts were deposited into the Postal Service Fund on September 21, 2022 and will remain available for use through September 30, 2031.

On January 27, 2023, the *Postal Supervisors and Managers Fairness Act of 2023* (H.R. 594) and the *Postal Employee Appeal Rights Amendment Act of 2023* (H.R. 595) were introduced in the House. H.R. 594 would modify procedures for negotiating pay and benefits of supervisory and other managerial personnel of the Postal Service. H.R. 595 would extend the right of appeal to the Merit Systems Protection Board to certain employees of the Postal Service. Both bills were referred to the House Committee on Oversight and Accountability where no further action has been taken.

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties in accordance with GAAP. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies that require significant management judgment or the selection or application of alternative accounting policies and could result in a material impact to the financial statements are described in *Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Policies and Estimates* of our 2022 Annual Report. Management discusses the development and selection of critical accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements and Supplementary Data*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates, and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline, and aircraft fuel for transportation of the mail, as well as fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange, or interest rate fluctuations for debt instruments. Additionally, we have not purchased or held derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $10.4 billion debt with the FFB at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in our 2022 Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

We are responsible for the preparation, integrity, and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA and that this information is accumulated and communicated to our management, including the PMG and CFO, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the PMG and the CFO, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2023. Based on and as of the date of the evaluation, the PMG and the CFO concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Part I. Financial Information, Item 1. Financial Statements*, *Notes to Unaudited Financial Statements, Note 8 - Commitments and Contingencies* in this document, as well as *Part I, Item 3. Legal Proceedings* and *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to Financial Statements*, *Note 10 - Commitments and Contingencies* in our 2022 Annual Report.

ITEM 1A. RISK FACTORS

No material changes have transpired in our risk factors from the disclosures in *Part I, Item 1A. Risk Factors* in our 2022 Annual Report.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/ Louis DeJoy
Louis DeJoy
PMG and CEO

Date: May 9, 2023

/s/ Joseph Corbett
Joseph Corbett
CFO and Executive VP

Date: May 9, 2023

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Louis DeJoy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 9, 2023

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 9, 2023

/s/ Joseph Corbett

Joseph Corbett

CFO and Executive VP

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2023, (the "Report"), I, Louis DeJoy, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: May 9, 2023

/s/ Louis DeJoy

Louis DeJoy

PMG and CEO

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service (“Postal Service”) on Form 10-Q for the period ended March 31, 2023, (the “Report”), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Date: May 9, 2023

/s/ Joseph Corbett

Joseph Corbett

CFO and Executive VP