

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF SUPPLEMENTAL TESTIMONY
IN RESPONSE TO ORDER NO. 1294
(July 7, 2000)

In response to Order No. 1294 and Presiding Officer's Ruling No. R2000-1/71, both issued on May 26, 2000, the Postal Service hereby gives notice that it is filing USPS-ST-44, the Supplemental Testimony of Richard Patelunas, and USPS-ST-45, the Supplemental Testimony of Nancy Kay. The Order sought information that would allow incorporation of actual FY 1999 CRA costs into the test year forecast, noting that the "most basic way for this to be accomplished is by substituting the actual FY 1999 cost data for the estimates for that year presented by Postal Service witnesses Kashani and Tayman." The Commission encouraged the Postal Service, in addition, "to incorporate proposed revisions to the original cost change factors with the basic update to the extent that this can be accomplished within the six weeks provided by this order."

As suggested, the Postal Service has been able to incorporate actual FY 1999 CRA and accounting data ("the basic update"), as well as to incorporate updates for as many other factors as practicable in the time available. These factors include inflation in labor and benefit expenses and in non-personnel costs; changes in workers compensation costs; breakthrough productivity; Periodicals initiatives; e-commerce revenue and expenses; reductions in advertising expenses; and increases in expedited supplies. The Postal Service is providing the results of these updates in the testimonies filed today. Due to the significant workload involved in performing these

updates in this short time, at the same time resources were being devoted to reviewing participants' testimony and preparing for hearings on those testimonies, detailed documentation will be provided by July 21, the date contemplated by Presiding Officer's Ruling No. 71 for the Postal Service to provide additional information regarding these updates.

Today, along with the testimonies, the Postal Service is filing the following library references:

USPS-LR-I-404 Order No. 1294/Summary Description of USPS Development of Costs by Segments and Components, FY 1999; and

USPS-LR-I-405 Order No. 1294/Diskette of Witness Patelunas' Spreadsheets for Exhibit USPS-ST44L (USPS-ST-44) (July 7).

As soon as possible, the Postal Service will file the CD-ROM for the rollforward and for the incremental cost model. The PRC version as well as traditional rollforward and revenue requirement documentation for both the Postal Service and PRC versions will follow by July 21.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 7, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", written over a horizontal line.

Susan M. Duchek

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