

DOCKET SECTION

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

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OFFICE OF THE CONSUMER ADVOCATE

Postal Rate and Fee Changes, 1997)

Docket No. R97-1

OFFICE OF THE CONSUMER ADVOCATE RESPONSE TO NOTICE OF INQUIRY NO. 5 ON RECOGNIZING INTERIM YEAR RESULTS (February 13, 1998)

I. INTRODUCTION

In its Notice of Inquiry No. 5 (NOI) issued January 28, 1998, the Commission recognized the Postal Service earned a net income of \$1.264 billion in 1997 although the Postal Service filing had estimated 1997 net income of only \$0.636 billion. Inasmuch as the interim 1997 year is a basis for projecting test year results, the Commission has asked for either a legal memoranda or testimony on the following specific issues:

1. Should the Commission recognize actual 1997 Postal Service net income in developing rate recommendations in this case? Why, or why not?
2. Participants that contend that the Commission should recognize actual 1997 Postal Service net income in developing rate recommendations are requested to describe one or more methods that would be appropriate for reflecting that information.

The Office of the Consumer Advocate (OCA) submits herein the following memoranda in lieu of testimony in response to NOI No. 5.

II. THE COMMISSION SHOULD RECOGNIZE ACTUAL 1997 POSTAL SERVICE NET INCOME

A. SCOPE OF THE INQUIRY

OCA notes that the Commission's inquiry is, on its face, limited to 1997 net income actuals. For the reasons stated below, OCA believes the Commission should recognize the actual 1997 costs and volumes. Unstated in the NOI is whether the Commission is concerned with potential adjustments for actual figures for the costs, volumes and revenues which underlie the large net income for 1997. Also, and even more significant, is the unasked question of whether and how to deal with the actual 1998 net income and underlying costs, volumes, and revenues which have also exceeded projections and appear likely to continue to do so throughout the test year.

OCA believes that the large unanticipated actual profits for both FY1997 and YTD1998 require unusual steps not previously followed in the Commission's rate proceedings. These steps are necessary to assure the Commission is able to fully consider the realities of the Postal Service's situation which quite obviously were not reflected in the interim or test year filings. Several approaches are feasible and they are discussed below. The goal should be to assure that the Commission's recommended decision would yield breakeven rates and not provide the Postal Service an unneeded financial windfall for the foreseeable future at the expense of mailers.

B. COMMISSION REGULATIONS AND PRACTICE

The Commission regulations require the filing of final actual accrued costs for the fiscal year immediately preceding the year in which the rates are filed either at the time of filing or, if a preliminary statement is filed, then when the actual costs become available. §3001.54(f)(1). That is, the Base Year or 1996 in this case. The regulations provide for the filing of "estimated total accrued costs" for the interim year in which the filing is made, in this case 1997. §3001.54 (f)(2). Revenues, both actual and estimated, for the fiscal years selected for the presentation of cost information shall also be submitted. §3001.54(j). Volumes are to be supplied, either actual or estimated, beginning with the most recent complete fiscal year and ending one year beyond the last quarter of the future fiscal year. §3001.54(j)(5)(ii). Also required by the regulations and presented in this record is a computer implementation to compute forecasts of volumes and revenues compatible with those filed with the case. §3001.54(j)(6)(iii-iv).

The Commission regulations are silent as to the filing requirements or the use of actual data when it becomes available during the course of the hearing for either the interim or the test year.

Commission practice is to adjust the revenue requirement by replacing certain interim year estimates with the actual numbers "to reflect events that have occurred since the initial filing". PRC Op. R94-1, paras. 2026-7, *see* PRC Op. R90-1. paras. 2007-12, *see also*, PRC Op. R87-1, para. 2141, PRC Op. R84-1, paras. 1188-90. In PRC Op. R94-1, the replacements for actual numbers for other than corrections of errors was limited to two adjustments: actual cost of living increases (COLA) and U.S.

Government appropriations for the Postal Service. The replacements did not involve the wholesale use of updated actual costs.

In addition, volume estimates have been routinely compared to actual volumes which become available during the hearing. In PRC Op. R94-1 and PRC Op. R90-1, original forecasts were compared to three quarters of actual volumes from the Revenue, Pieces and Weight (RPW) reports. These comparisons demonstrated large-but-offsetting forecast errors among the individual classes of mail. The Commission noted that the forecasts improved in R94-1 as compared to the forecasts in R90-1. PRC Op. R94-1, paras. 2107-2109. The Commission determined in R94-1 it was "unnecessary to apply all current information, unavailable to witnesses Tolley and Musgrave at the time they prepared their forecasts." PRC Op. R94-1, para. 2110. Therefore, actual data for the interim year are commonly used by the Commission, but actual data for all cost components is not incorporated into the rate calculations.

C. OTHER REGULATORY AGENICES

Recognition of actual data for the test year is not a revolutionary concept. The use of historical data for test year purposes in regulation is by far the more common method with updates to the actuals to provide for future known and measurable changes.¹

Most regulatory agencies rely on a test year which includes historical data. Attachment 1 replicates a table published by NARUC indicating that by far most states

¹ See Garfield and Lovejoy, Public Utility Economics (Prentice-Hall, Inc., 1961), at 50.

and the Federal Government utilize a historical test year for electric and gas utilities.² Other tables for telecommunications and water utilities show similar results.³ This is not to suggest that the Commission's future test year method is inappropriate. Rather it demonstrates that the use of actual data for the test year is appropriate in the regulatory context.

D. WHY ACTUAL 1997 NET INCOME SHOULD BE RECOGNIZED

The Postal Service profits for 1997 exceeded the forecast by \$0.628 billion, or almost double the forecast. Other than the obvious impact of actual data on each cost component and volume estimate, there are several areas where the actual figures will have a significant impact on the revenue requirement:

- The additional profit will reduce the amount of past year losses on the books and the calculated amount of recovery of past year losses set at one-ninth of that \$0.636 billion would be reduced by about \$0.70 billion.⁴
- The increased cash generated by the excess profits has allowed the Postal Service to reduce its debt and thereby save about \$0.1 billion on interest expense during the test year and beyond.⁵
- The unanticipated cost reductions may be across the board or they may be concentrated in certain areas of technological improvement. Without re-filing of detailed cost data, the Commission would not have this information available.

² Utility Regulatory Policy in the United States and Canada, compilation 1995-1996, National Association of Regulatory Utility Commissioners, Washington, D.C. at 430.

³ Id. at 261 and 637.

⁴ Tayman USPS-T-9 at 39-42, Tr. 9/4589-93.

⁵ Tr. 19-C/9196-7 (OCA/USPS-105c).

- Because many of the test year cost estimates are a multiple of interim year costs rolled forward, cost savings during 1997 could have an even greater impact on 1998 costs. A simple illustration confirms this. If, originally, certain mail processing costs were expected to increase 3 percent in 1998 over 1997, but then 1997 costs fell 1 percent short of estimates, the actual 1998 costs would not be 1 percent below the original estimate, but would be 1.06 percent below the original estimate. In other words, the impact of unanticipated cost savings in 1997 is magnified in the test year and later years. Given the level of detail necessary to fairly and equitably calculate the rates, this level of adjustment to specific components could have a large impact on certain classes of service.

- OCA has prepared an analysis to demonstrate the limited information now available in the record to properly attribute expenses to all subclasses. Unless the Postal Service provides for the record the actual attributed expenses for each class and subclass of mail, the best approximation of the impact of the unexpected 1997 profit is to apportion, pro rata, the reported expense increase. Attachment 2 to this response entitled "Postal Service Projected and Actual Financial Data" shows the effect on the revenue, less volume variable cost, for each class and subclass of mail as a percentage of volume variable cost (1) as projected originally in Docket No. R97-1, and (2) with actual FY1997 expense data apportioned pro rata. Because the total actuals vary by only a small percent from the estimates, the impact on the revenue as a percentage of volume variable cost appears slight. Nevertheless, the attachment provides an indication of the cost coverage based on actual 1997 revenues by classes which could

provide some guidance for establishing mark-ups. However, some anomalies appear due to unanticipated changes in revenue which might be countered with actual expense data. Also, the true impact on the individual subclasses remains unknown without all of the actual 1997 expense data.

- Volumes are normally adjusted for actual figures and the resultant revenues for the interim year are then recalculated. However, the enormous change in original estimates for 1997 will most certainly have an impact on the roll forward test year volume estimates of witness Tolley. The Commission should assure that witness Tolley's estimates for 1998 can be updated to reflect actual 1997 figures. Moreover, the actual first quarter profits are already available for 1998. We believe the Commission should direct the Postal Service to recalculate 1998 volumes and revenues, where costs and revenues have been underestimated in the filing.

- Below is a summary of certain dates on which the Postal Service underestimated the 1997 and 1998 profits. Significantly, the first underestimation was filed under oath on July 10, 1997, after the close of three quarters of the 1997 interim year. These estimates have not been changed in the record by the Postal Service. The Postal Service also continuously adhered to its estimates in interrogatory responses. Also, the Postal Service has declined to update its record estimates for 1998. The underestimations in the exhibits continue to this day without interruption.

POSTAL SERVICE ESTIMATED PROFITS AND (LOSSES) AT SPECIFIED DATES

	1997 Interim Year	1998 Test Year
Filing on July 10, 1997	\$636 ⁶	(\$1,387) ⁷
August 18, 1997	\$900-1000 ⁸	(\$1,391) ⁹
September 18, 1997		same as above ¹⁰
September 29, 1997	\$1,200 ¹¹	
Hearing October 16, 1997	\$1,200 ¹²	(\$1,391) ¹³
November, 1997 Bd. of Gov Mtg.		{ (\$228) } ¹⁴
January 1, 1998		{ profit } ¹⁵
1997 Annual Report	\$1,264	
February, 1998		(\$1,391)

⁶ Tayman, USPS-T-9 at 40.

⁷ Tayman, exhibit USPS-T-9A.

⁸ Tr. 9/4398 (ANM/USPS-T9-1e). Added income primarily due to under-run of other program expenses. Tr. 9/4400 (ANM/USPS-T9-1e), see also Tr. 9/4491 (OCA/USPS-T-9-22). It did not include UPS strike income estimates. Tr. 9/4440 (DMA/USPS-T9-27j). Postal Service still views 1998 total revenue requirement for 1998 to be as witness Tayman's initially filed testimony. Tr. 9/4399 (ANM/USPS-T9-1e).

⁹ Tayman, Exhibit USPS-T9A (as revised). Inflation and cost of other programs cited as reason for projected 1998 loss. Tr. 9/4403 (ANM/USPS-T9-2a).

¹⁰ DMA/USPS-T9-27e. Tr. 9/4440. "The Postal Service remains satisfied with its Docket No. R97-1 revenue requirement and believes that no adjustments are necessary." See also, Tr. 9/4519 (OCA/USPS-T9-39b, filed September 29, 1997).

¹¹ Tr. 9/4519 (OCA/USPS-T9-39d). UPS strike profits added to prior estimate.

¹² Tr. 9/4547.

¹³ Tr. 9/4561.

¹⁴ The Chief Financial Officer report assumed proposed rates would be effective only from June, 1998, not for the full year as the Postal Service estimates assume.

¹⁵ The Chief Financial Officer interview that a rate increase on July 1, 1998 would mean a profitable year in 1998. Associated Press interview, AMMA Bulletin 01-98, January 2, 1998 at 5.

As the notes to the above table indicate, the Postal Service is still projecting in this record a test year loss of \$1.391 billion while its Chief Financial Officer has reported lesser estimated losses to the Board of Governors and others.

In 1997, as late as the end of accounting period 11 (at which time it had recorded a year to date net income of \$1,292.4 million), the Postal Service expected losses for the last three accounting periods totaling \$518 million.¹⁶ As the above tabulation shows, the Postal Service ended the year with a profit of \$1,264, only \$28 million less than what it had after accounting period 11. Significantly, this raises the question about the Postal Service's ability to accurately project its net income, even for the next three accounting periods. This is not a minor inaccuracy, even though on a percentage basis the differential appears small. The underestimation was over \$500 million for a period of less than three months.

E. METHODS FOR REFLECTING ACTUAL 1997 POSTAL SERVICE NET INCOME

1. Present Record

The Commission could rely on the record evidence to date and adjust the Postal Service revenue requirement for reduced interest expenses and past year loss reductions. As in the past, it would also update the volume and revenue estimates for the interim year.

2. Updated Record

The present record does not reflect the large differences in actuals for each component that may be minor in and of themselves, and in many cases probably offset

¹⁶ Tr. 9/4398.

each other, but collectively have obviously worked to significantly reduce the shortfall the Postal Service projected in its filing. As discussed above, the impact of the 1997 actuals on the 1998 estimates is significant. Individual members of the Board of Governors have several times, beginning as early as an August 23, 1997 report, noted the probability of delaying the requested rate increase because of favorable earnings.¹⁷ Witness Tayman has testified for the Postal Service that "if updating is considered despite the obvious potential for problems that it presents, it must not be done selectively."¹⁸ He also stated, "should the Commission choose to update the Postal Service's revenue requirement, all subsequent events should be considered"¹⁹

For these reasons the Commission should take steps to assure, as a minimum, that the actual interim year costs are provided for the record and that they are utilized in the roll forward for the test year. The Commission could order the Postal Service to provide this information for the record with its filing of rebuttal evidence to the participants on March 9, 1998. If necessary, interrogatories and additional hearings should be scheduled on the actual figures.

Specifically, the Commission should require updates to the FY1997 data in a format similar to that provided by the Postal Service in its Base Year Manual Input Requirement. See USPS-T-5. Workpaper A. Updates would include revising the test year estimates for the six cost effects as calculated by USPS witness Patelunas in his

¹⁷ Tr. 4506 (OCA/USPS-T9-32).

¹⁸ Tr. 9/4477 (OCA/USPS-T9-12). See also, Tr. 9/4518 (OCA/USPS-T9-39).

¹⁹ Tr. 9/4519-20 (OCA/USPS-T9-39e).

testimony. See USPS-T5, exhibit 15A. Also needed is updated data reflecting the variability changes resulting from updated costing data.

III. THE COMMISSION SHOULD ALSO RECOGNIZE ACTUAL 1998 POSTAL SERVICE DATA

A. The Test Year Actuals

At the present rate, it appears the Postal Service will earn a profit for the test year. It would be difficult to justify rate increases for the Postal Service based on a test year in which a profit is estimated when the statute clearly requires a breakeven rate level. A Postal Service profit in the test year would also satisfy the requirement that the Commission make "a reasonable provision for contingencies."²⁰

A positive trend in the Postal Service earnings exists which regularly not only exceeds the estimates in the July 10, 1997, rate filing but seems to exceed each previous updated estimate. If the current earnings trend is projected for the full test year, there is a strong probability that the Postal Service will experience a net profit for the 1998 test year. If the current trends continue, even if there is a profit, it would be so small that any significant rate level increases would yield unneeded profits for the Postal Service. The minimum practical increase of one cent in the First-Class rate would almost certainly provide excess profits, even if no other rates were increased. The Commission may instead retain the First-Class 32-cent stamp rate and only increase other rates at this time in order to avoid excessive Postal Service earnings.²¹ This would allow for the desired incremental rate increases for commercial mailers but

²⁰ 39 U.S.C. §3621.

²¹ See Trial Brief, Major Mailers Association at 7-8, February 10, 1998.

avoid the confusion for First-Class mailers created by a series of small increases rather than a single two cent or three cent price jump.

More specifically, the Postal Service reported a net income of \$996 million for the first three accounting periods of its test year. This is \$427 greater than for the same period in 1997.²² Without a 1998 rate increase, a simple extension based on the current year to-date performance (A/P 1-4), and assuming equivalent 1997 earnings for 1998 for accounting periods 5 through 13 (even though for the first three accounting periods net income virtually doubled), less the estimated UPS strike earnings impact, yields a projected net income for 1998 of \$1,402 million.

ESTIMATED 1997 & 1998 POSTAL SERVICE NET INCOME

	1997	1998
Accounting Periods 1-4 ^{23 24}	\$ 666	\$ 964 (actual) ²⁵
Accounting Periods 5-13	\$ 598	\$ 598 (no growth)
Interim Year Income	<u>\$1,264²⁶</u>	
Less: UPS Strike Income ²⁷		\$ 150
Total Realistic Test Year Net Income		<u>\$1,402</u>

²² First quarter 1998 less first quarter 1997 of \$549.4. Financial & Operating Statements, A/P 03 1997, November 9-December 6, 1996.

²³ Budgeted and actual net income (loss) by accounting period can be found in the USPS Financial and Operating Statements. Tr. 9/4399 (ANM/USPS-T9-1g).

²⁴ A/P 4 income was \$5 million, February 3, 1998 Bd. of Gov. meeting.

²⁵ Includes \$976 first qtr. plus \$5 million A/P 4, as adjusted, per February 3, 1998 Bd. of Gov. meeting.

²⁶ 1997 Annual Report at 60.

²⁷ Any carryover effect of the strike will be minimal. Tr.9/4503 (OCA/USPS-T9-29), Later estimated at between \$100-\$200 million. Tr. 9/4547-8, Tr. 9/4573.

This *profit* projection should be contrasted to the Postal Service's present claim that without a rate increase the Postal Service will have a *deficit* of \$1,391 million. The Postal Service further contends on the record that even if the proposed rates had been implemented at the beginning of the test year there would be a TYAR surplus of only \$35.6 million.²⁸ This is clearly contrary to the direction of the Postal Service earnings reports.

There is no doubt that with financial miscalculations of this magnitude something significant is happening with the Postal Service operations. Technological advances may finally be paying off. Improved management or the advantages of increased mail volume may not have been taken into account in the estimates. Significantly, for whatever reason, there are big changes taking place, and the causes are unknown. They have resulted in unexpected discrepancies between the usual estimating processes applied and accepted in past cases and actual results for each accounting period since the filing of the case.

There is no credible reason to believe the earnings trend will not continue. For instance, the first quarter 1998 net income recently announced at the February Board of Directors meeting included astonishing profits \$427 million greater than last year (\$976 million total profits for the first quarter, or almost twice the profits from the same period last year.) And this in comparison to 1997, a year in which more than \$1.2 billion was earned, which is considerably above the breakeven threshold.

²⁸ USPS-T-9 at 47 (revised 8/22/97). This assumes the test year rates become effective at the beginning of the test year. Tr. 9/4571. See also, Tolley USPS-T-6 at 4.

In October, 1997, well before the favorable earnings were recorded, the Presiding Officer appeared skeptical that the Postal Service profits would drop as precipitously as projected. Recent Postal Service earnings history has been, in round numbers, an annual decline in profits of about \$300 million per year (FY1995-\$1.8 billion profit, FY1996-\$1.5 billion profit, FY1997 \$1.2 billion profit).²⁹ Then for FY1998 the Postal Service has suddenly projected a \$1.4 billion *loss*. The prediction is a year-to-year turnaround of \$2.6 billion. Actual 1997 earnings and early 1998 earnings strongly suggest the Presiding Officer's inquiries were not misplaced.

The future test year methodology has worked well during periods of increasing inflation and sharply rising costs. The approach prevented shortfalls in earnings immediately following rate increases and the need for constant rate filings. In the economic environment today of low, stable inflation and Postal Service expense savings and volume growth, the future test year methodology could result in unnecessary profits unless actual data is recognized in the deliberative process.

The Commission's process is actually somewhat analogous to a historical test year concept. A historical year is chosen as a base and adjustments to that base are made.³⁰ Although very few of the Postal Service's adjustments are known for a certainty, it has been reasonable to assume the volumes and expenses adjusted will change and that the change is measurable to a degree of statistical accuracy. Every attempt is made by the Postal Service and the Commission to accurately construct a true financial picture of a test year two years forward of the historical base year in order

²⁹ Tr. 9/4572-76.

³⁰ Tayman USPS-T-9 at 10-11.

to establish rates for the future.³¹ However, the two year roll forward is a long time when significant and unusual financial changes are occurring. When, as here, actual earnings indicate that the roll forward adjustments, which have reasonably estimated the revenues and expenses in the past,³² are simply incorrect, the Commission should make an effort to correct those estimates with actual numbers.

The use of actuals will result in a large reduction in the revenue requirement. The Commission has the authority to reduce the estimated revenue requirement based upon record evidence and other appropriate evidence available to the Commission. The Postal Service has the management prerogative in the first instance to determine its revenue requirement, but the Commission is bound by the duty to review the cost and revenue estimates submitted by the Postal Service to determine whether the costs and volumes will be as projected. PRC Op. R71-1 at 1-268-271.

Therefore, the Commission must take a closer look at these previously unrecognized phenomena which have emerged as this case has proceeded. OCA believes the Commission should take the steps needed to fully analyze in detail the financial fortunes of the Postal Service so that the Commission is not in the position of recommending rate level increases on the basis of what are essentially stale cost and volume estimates.³³

³¹ The obvious difference is the selection of the title "base year" rather than "test year" for the year of actual data and the use of a test year further in to the future than in the majority of regulatory venues.

³² Tayman exhibit USPS-T-9J.

³³ Stale base-period data was one basis for remand by the court in rate proceedings before another regulatory commission. State of N.C. v. FERC, 584 F.2d 1007, 1012, 1015 (D.C. Cir. 1978).

B. Suspension of Proceeding For Actual 1997 And Partial 1998 Actual Data

In order to recognize actual 1998 data, the Commission would need to, as a minimum, suspend the proceedings pending the filing of all actual 1997 and available 1998 information. The Commission would also need to extend the time for reaching its decision by the amount of time required to obtain compliance with the request for actual 1997 and available 1998 data and appropriate roll forward adjustments. An analogous procedure is contained in the Commission's regulations which provide that where the Postal Service:

fails to provide any information...required by the presiding officer or the Commission, the Commission...may stay the proceeding until satisfactory compliance is achieved...only if it finds that failure to supply adequate information interferes with the Commission's ability promptly to consider the request and to conduct its proceedings with expedition in accordance with the Act. §3001.56.

The regulation is arguably not applicable because the Postal Service has not previously been required to provide this information in the proceeding. However, the net profits of the Postal Service have far exceeded projections. Since its filing, the Postal Service continues to adhere to the position in its filing that it will lose \$1.391 billion in the test year and has not changed its estimates in this case. The Postal Service has had months to adjust its filing for actual figures that clearly differ significantly from the filing. A stay of the proceedings to require the Postal Service to conform its case to reality, particularly where earnings continue to exceed estimates and where the top managers of the Postal Service have suggested a delay in any rate increase, could not fairly be objected to by the Postal Service.

IV. CONCLUSION

The specific impacts of the large 1997 earnings on several categories of the revenue requirement (interest expense, RYPL, and the general adjustment of costs and volumes for 1997) and the actual earnings for the first quarter of 1998, all lead to the conclusion that the Commission needs to recognize the actual earnings and the underlying data before fashioning its rate recommendation in this case.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kenneth E. Richardson".

Kenneth E. Richardson
Attorney
Office of the Consumer Advocate

**Table 194 - Type of Test Year Used in Determining Rates
Electric and Gas Utilities**

Agency	Test Year Used in Determining Rates	
	Electric	Gas
FERC	FORECAST/HISTORIC	HISTORIC
Alabama PSC	Historic	Historic
Alaska PUC	Historic	Historic
Arizona CC	Historic	Historic
Arkansas PSC	Historic/Part Forecast	Historic/Part Forecast
California PUC	Full Forecast	Full Forecast
Colorado PUC	Historic	Historic
Connecticut DPUC	Forecast	Historic test Year/ Forecast
Delaware PSC	Historic test year/forecast rate year	Rate Year
DC PSC	Historic/Part Forecast	Historic/Part Forecast
Florida PSC	Historic/Projected	Historic/Projected
Georgia PSC	Full Forecast	Historic/Part Forecast
Hawaii PUC	Full Forecast	Full Forecast
Idaho PUC	Historic/Part Forecast	Historic/Part Forecast
Illinois CC	Historic/current/future	Historic/Current/Future
Indiana URC	Historic	Historic
Iowa UB	Historic	Historic
Kansas SCC	Historic	Historic
Kentucky PSC	Historic/Forecast	Historic/Forecast
Louisiana PSC	Historic	Historic
Maine PUC	Historic	Historic
Maryland PSC	Historic/Part Forecast	Historic/Part Forecast
Massachusetts DPU	Historic	Historic
Michigan PSC	Full Forecast(large)/Historic(small)	Full Forecast/Historic
Minnesota PUC	Full Forecast(large)/Historic(small)	Full Forecast/Historic
Mississippi PSC	Full Forecast/Historic	Full Forecast/Historic
Missouri PSC	Historic	Historic
Montana PSC	Historic	Historic
Nebraska PSC	PSC has no jurisdiction over energy	
Nevada PSC	Historic	Historic
New Hampshire PUC	Historic	Historic
New Jersey BPU	Partial Forecast	Partial Forecast
New Mexico PUC	Historic	Historic or Forecast
New York PSC	Full Forecast(large)/Historic(small)	Forecast/Historic
North Carolina UC	Historic	Historic
North Dakota PSC	Part or Full Forecast	Part or Full Forecast
Ohio PUC	Part Forecast/Historic	Part Forecast/ Historic
Oklahoma CC	Historic	Historic
Oregon PUC	Full Forecast & Historic	Historic
Pennsylvania PUC	Full Forecast(large)/Historic(small)	Forecast/ Historic
Rhode Island PUC	Historic & Forecast	Historic & Forecast
South Carolina PSC	Historic	Historic
South Dakota PUC	Historic	Historic
Texas PUC	Historic	Does not regulate
Texas RC	Does not regulate	Historic

Utah PSC	Historic/12 month forecast	Historic/12 month Forecast
Vermont PSB	Historic	Historic
Virginia SCC	Historic with pro forma adjustments	Historic with Pro Forma
Washington UTC	Historic	Historic
West Virginia PSC	Historic	Historic
Wisconsin PSC	Full Forecast(large)/Historic(small)	Forecast/Historic
Wyoming PSC	Historic	Historic
Virgin Islands PSC	Historic Year End	none in jurisdiction
Nat'l Energy Board	Does not regulate	Full Forecast
Alberta EUB	Full Forecast	Full Forecast
Nova Scotia UARB	Full Forecast	none in jurisdiction
Ontario EB	Full Forecast	Full Forecast
Quebec NGB	Does not regulate	Full Forecast

Postal Service Projected and Actual Financial Data

	Revenue ¹	Volume Variable Cost ¹	Revenue Less VV Cost ¹	Revenue as % of VV Cost ¹	Revenue ²	Volume Variable Cost ³	Revenue Less VV Cost ⁴	Revenue as % of VV Cost ⁴
First-Class Mail	\$33,190.0	\$16,539.1	\$16,650.9	200.7	\$33,397.6	\$16,484.6	\$16,913.0	202.6
Priority Mail	\$3,753.6	\$1,894.6	\$1,859.0	198.1	\$3,856.9	\$1,888.4	\$1,968.5	204.2
Express Mail	\$779.2	\$384.3	\$394.9	202.8	\$824.7	\$383.0	\$441.7	215.3
Mailgrams	\$5.7	\$0.6	\$5.1	950.0	\$2.0	\$0.6	\$1.4	334.4
Periodicals:								
Within the County	\$81.8	\$81.5	\$0.3	100.4	\$80.9	\$81.2	-\$0.3	99.6
Outside County:								
Nonprofit	\$328.0	\$325.7	\$2.3	100.7	\$316.1	\$324.6	-\$8.5	97.4
Publications								
Classroom	\$9.7	\$15.9	-\$6.2	61.0	\$10.2	\$15.8	-\$5.6	64.4
Publications								
Regular-Rate Publ	\$1,607.2	\$1,521.2	\$86.0	105.7	\$1,638.3	\$1,516.2	\$122.1	108.1
Fees	\$21.1		\$21.1		\$22.0		\$22.0	
Total Periodicals	\$2,047.8	\$1,944.3	\$103.5	105.3	\$2,067.5	\$1,937.9	\$129.6	106.7
Standard Mail (A):								
Single Piece Rate	\$151.5	\$216.6	-\$65.1	69.9	\$137.3	\$215.9	-\$78.6	63.6
Standard-Regular	\$11,231.0	\$6,495.9	\$4,735.1	172.9	\$11,329.2	\$6,474.5	\$4,854.7	175.0
Standard-Nonprofit	\$1,327.5	\$1,189.5	\$138.0	111.6	\$1,332.3	\$1,185.6	\$146.7	112.4
Fees	\$109.1		\$109.1		\$77.3		\$77.3	
Total Standard (A)	\$12,819.1	\$7,902.0	\$4,917.1	162.2	\$12,876.0	\$7,875.9	\$5,000.1	163.5
Standard Mail (B):								
Parcels(Zone Rate)	\$722.3	\$747.6	-\$25.3	96.6	\$771.2	\$745.1	\$26.1	103.5
Bd Printed Matter	\$465.3	\$304.8	\$160.5	152.7	\$451.9	\$303.8	\$148.1	148.8
Total-Zone Rate	\$1,187.6	\$1,052.4	\$135.2	112.8	\$1,223.1	\$1,048.9	\$174.2	116.6
Mail								
Special								
Standard	\$343.4	\$239.7	\$103.7	143.3	\$356.7	\$238.9	\$117.8	149.3
Library Mail	\$43.9	\$45.2	-\$1.3	97.1	\$45.2	\$45.1	\$0.1	100.3
Total Standard (B)	\$1,575.7	\$1,337.2	\$238.5	117.8	\$1,627.6	\$1,332.8	\$294.8	122.1
U S Postal Service								
Free Mail for Blind			\$0.0				\$0.0	
& Handicapped		\$28.1	-\$28.1			\$28.0	-\$28.0	
International Mail	\$1,541.7	\$1,109.1	\$432.6	139.0	\$1,614.8	\$1,105.4	\$509.4	146.1
Total mail	\$55,712.7	\$31,139.2	\$24,573.5	178.9	\$56,267.1	\$31,036.5	\$25,230.6	181.3
Special Services	\$1,839.1	\$1,298.2	\$540.9	141.7	\$1,618.7	\$1,293.9	\$324.8	125.1
Miscellaneous Items	\$215.5		\$215.5		\$302.0		\$302.0	
Ttl mail & Services	\$57,767.2	\$32,437.4	\$25,329.8	178.1	\$58,187.8	\$32,330.4	\$25,857.4	180.0
Appropriations	\$82.8				\$83.0			
Ttl Operating Income	\$57,850.1				\$58,270.8			
Investment Income	\$112.4				\$115.0			
Total	\$57,962.5	\$32,437.4	\$25,525.1	178.7	\$58,385.8	\$32,330.4	\$26,055.4	180.6
All Other Costs		\$24,818.4				\$24,736.5		
Ttl Operating Expense		\$57,255.8				\$57,067.0		
Net Income/ (Loss)		\$706.7				\$1,318.8		

¹ Projected: Docket No. R97-1, USPS-15D, Summary of Revenue and Cost for Major Service Categories.

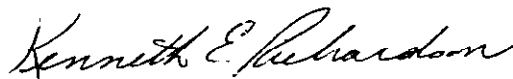
² Actual: Revenue, Pieces and Weights by Classes of Mail and Special Services for GFY 1997.

³ Accounting Period Reports, AP 14, 1997, assuming same proportions as projected amounts.

⁴ Calculated using the same proportions as those in column 1.

CERTIFICATE OF SERVICE

I hereby certify that I have this date 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 cursive script, reading "Kenneth E. Richardson".

KENNETH E. RICHARDSON
Attorney

Washington, D.C. 20268-0001
February 13, 1998