

# DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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VOLUME OF THE DOCKET

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Docket No. R97-1

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Postal Rate And Fee Changes, 1997

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## **MEMORANDUM OF ALLIANCE OF NONPROFIT MAILERS ON RECOGNITION OF INTERIM YEAR RESULTS (February 13, 1998)**

The Alliance of Nonprofit Mailers ("ANM") respectfully submits this memorandum in response to Notice of Inquiry No. 5 (Jan. 28, 1998). The Notice requests comments on whether and, if so, how the Commission should "recognize actual 1997 Postal Service net income in developing rate recommendations in this case."

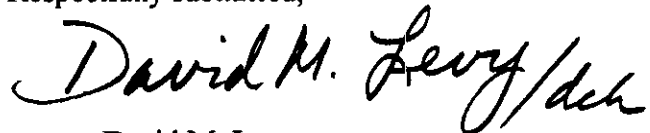
The answer to the first question is clearly yes. Postal rates and charges must be set to "provide sufficient revenues so that the total estimated income and appropriations to the Postal Service will equal as nearly as practicable total estimated costs of the Postal Service." 39 U.S.C. § 3621. Like many other regulatory agencies, the Commission applies this standard by estimating revenues and costs during a "test year" or other test period, all or part of which lies in the future when the Postal Service initiates the rate case.

The Commission's revenue and cost projections for the test year, like similar projections in rate cases of this kind, need not be absolutely certain. But they must be based on the best evidence of record. Whatever the original soundness of the test

year projections sponsored by the Postal Service at the outset of this case, those projections have been eclipsed by the data on actual earnings that the Postal Service has released since then.

Here as elsewhere, an ounce of experience is worth a pound of logic. Accordingly, the Commission, in extrapolating test year 1998 values from net income for base year 1996 and interim period 1997, should replace the 1997 values originally projected in the Postal Service's case-in-chief with the earnings results actually achieved since then.

Respectfully submitted,

A handwritten signature in black ink that reads "David M. Levy" followed by a stylized flourish or initials "dch".

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February 13, 1998

### **CERTIFICATE OF SERVICE**

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

*David M. Levy/deh*

February 13, 1998