OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL REGULATORY COMMISSION

In the Matter of:)
)
RATE ADJUSTMENT DUE TO) Docket No.: R2013-11
EXTRAORDINARY OR EXCEPTIONAL)
CIRCUMSTANCES)

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(202) 628-4888
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POSTAL REGULATORY COMMISSION

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Room 200
Postal Regulatory Commission
901 New York Avenue, N.W.
Washington, D.C.

Volume 2
Wednesday, November 20, 2013

The above-entitled matter came on for hearing, pursuant to notice, at 9:30 a.m.

BEFORE:

HON. RUTH Y. GOLDWAY, CHAIRMAN
HON. ROBERT G. TAUB, VICE-CHAIRMAN
HON. MARK ACTON, COMMISSIONER
HON. NANCI E. LANGLEY, COMMISSIONER

APPEARANCES:

On Behalf of the United States Postal Service:

NABEEL R. CHEEMA, Esquire
DANIEL J. FOUCHEAUX, JR., Esquire
JOHN F. ROSATO, Esquire
United States Postal Service
475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-7178

C O N T E N T S

P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN GOLDWAY: Good morning, ladies and gentlemen. This hearing will come to order. This is our second and in the absence of any unexpected developments the final day of hearings in Docket No. R2013-11.

For the record, I am Ruth Goldway, chairman of the Postal Regulatory Commission and the presiding officer in this proceeding. Joining me on the dais again this morning are Vice Chairman Taub to my right and Commissioners Acton on my left and Langley on my far right. Today we will hear from Stephen J. Nickerson, Finance Manager at Postal Service Headquarters.

Today's hearing is being web broadcast. Once again we request those in attendance to please turn off their cell phones, BlackBerrys or other personal communication devices in order to avoid interference with the overhead microphones and audio system here in the hearing room. Thank you for your cooperation.

Would any of my fellow Commissioners like to make any introductory comments?

(No response.)

CHAIRMAN GOLDWAY: I see most of you are people who attended yesterday, so I think we don't need any further comments from me. I will then as a reminder caution that only the Commission will question Mr. Nickerson. Nevertheless, interested parties have been given the opportunity to suggest questions to the Commission, and a number of groups and entities have filed suggested questions.

The Commission appreciates the effort that has gone into the preparation of these questions. As previously discussed, some of these questions will be asked today, while others may appear in additional Presiding Officer Information Requests that include some of the suggested questions, as well as followup from this hearing.

Before I begin, does any participant have a procedural matter that he or she wishes to discuss?

(No response.)

CHAIRMAN GOLDWAY: If not, Postal Service counsel, will you identify your Postal Service representative so that I can swear him in?

MR. CHEEMA: Thank you, Madam Chairman. The Postal Service calls Stephen J. Nickerson.

CHAIRMAN GOLDWAY: Will you stand please, Mr. Nickerson?

Whereupon,

STEPHEN J. NICKERSON

having been duly sworn, was called as a witness and was examined and testified as follows:

CHAIRMAN GOLDWAY: Thank you. Please be seated.

As I mentioned yesterday, there's no need to formally accept your statement and responses to the information requests into the record. They are already part of the administrative record in this proceeding. However, I would like to remind counsel that there is a continuing obligation to correct and update these materials.

We are now ready for questions from the Commission based on your library references, your statement and your responses to the Presiding Officer Information Requests. Should I begin as I did yesterday with Vice Chairman Taub, who's got prolific notes here? Good. Then that's what we'll do.

VICE CHAIRMAN TAUB: Thank you, Chairman.

EXAMINATION

BY VICE CHAIRMAN TAUB:

Q Good morning. How are you today? All right. I wanted to start the questioning just to get a little bit of clarity on a document filed a couple days ago on Monday, a revision to your answer. It was Revision to Response to Parts B and C of Question 2 of the Presiding Officer's Information Request No. 6, and this is the errata that was filed on Monday afternoon of this week.

I'm focused on the revision to Question B and the answer to Question B, and at the end of that answer it states that the competitive products docket that was just filed has proposed a 9 percent increase in the rates. Would that be comparable to when we look at the market dominant products earlier in your answer where the CPI case that's pending before us proposed a 1.7 percent rate increase, the exigency case that we're here to discuss is a 4.3 percent rate increase, thus it's slightly under 6 percent for the combined rate increases?

If one were to look for comparison as to when we say exigency and CPI we're looking at roughly a 6 percent increase, your answer here, if I was to say oh, and in the competitive category, for example, the Postal Service just filed a 9 percent increase in the rates. Would that be a correct comparison?

A No. I think you're off a year actually in your rate increases. The 9 percent price increase on competitive is the price increase that was implemented in January of 2013.

Q I gotcha. Okay.

A So this year's competitive price increase --

VICE CHAIRMAN TAUB: And I appreciate that clarification.

CHAIRMAN GOLDWAY: I'm asking the clerk. Can you hear the witness? Are you okay?

THE REPORTER: Yes.

BY VICE CHAIRMAN TAUB:

Q So in CP2013-3, which was the one fiscal year just concluded.

A Right.

Q So for the one that was just filed, do you know offhand the overall price increase for that?

A If memory serves, and I might be a little bit off, I believe it's 2.4 percent. It was 2 or 2.4.

Q Okay.

A I'm not quite --

Q No. I appreciate it. And then that is consistent with Postal Service's announcement on that.

So certainly until this one that was just proposed and pending, based on these numbers, 2013, 2012, the competitive products were seeing increases of 9 percent and 4.6 percent before that?

A Correct.

Q Okay. And since we're looking at this answer itself maybe you could expound upon it a little bit to the extent, if at all, there's this issue of looking at competitive products in any way, shape or form when one is assessing the exigency case.

A Right. Certainly. You know, first of all the competitive products are by definition competitive, and pricing for those products is subject to what our board of governors believes the market can fairly bear on a product-by-product basis and the pricing strategy is adjusted accordingly.

As you noted, in the past three price increases for competitive products they actually did have price increases that were higher than CPI on average. You also have to recall that competitive products represent roughly 20 percent of the Postal Service's total revenues, so competitive products in and of themselves, there's sort of a practical limit to how much additional revenue you can generate from 20 percent of your business.

Q The idea being, as I think your answer and statement described, we're talking contributions in the hundreds of millions, whereas in the exigency case we're talking potentially billions or even --

A Potentially, yes.

Q -- tens of billions of dollars?

A Yes. The contribution for the competitive price filing for this year -- and we'll be updating our workpapers shortly; we didn't quite have time to get it done in time for this filing -- bring in about I want to say a $570 million annual contribution.

That's over the course of an entire fiscal year so, I mean, it certainly is a significant sum of money, but in and of itself it's not enough to plug the financial hole that the Postal Service finds itself in.

Q Sure. I appreciate that. Thanks for the clarification on Monday's filing.

Speaking of that hole then, your testimony talks about making this linkage of underscoring how what's being requested is necessary due to the recession, shall we say. If you can talk a little bit about the -- describe the dangerously low liquidity. There's some discussion of how this is an intolerably low liquidity level. How would the exigency case, if approved as proposed, deal with that? What would be the change?

Right now there's the discussion, as I understand it, the actual cash balance at the end of 2013 is $2.3 billion, so if we were in 2014 before these rates the cash balance would be $2.6. If this came into effect after we'd be looking at maybe $4.2 billion. Is that enough of an ability to deal with the liquidity crisis?

A In short, the answer to that question is no. Let me try and put it in perspective. So the way I've explained this to folks in the past is we've got incomparably large numbers, and we're talking billions of pieces of mail and billions of dollars, so what I try to do when I talk to people is make the numbers more relatable.

Let's talk about thousands of dollars. Let's say you're a family earning $65,000 a year and you have $2,300 in the bank. I've just divided everything by a million to get there, so they're really comparable to our numbers. At that level you are essentially living paycheck to paycheck and there's a risk that any kind of unexpected event could knock you for a financial loop, so to speak. An unexpected car repair or medical emergency, something like that, would really be straining financial resources.

The Postal Service is in an analogous position in that, as you pointed out, at the end of FY '13 we have $2.3 billion worth of cash, which as a rule of thumb is roughly nine days of available liquidity. We've totally maxed out on our borrowing capacity so there's no additional liquidity there so that if you have any combination of circumstances that could create a situation where you could easily become totally insolvent, and that's keeping in mind we've already defaulted on $16.7 billion of legally mandated retiree benefit payments.

So what the exigent price increase would accomplish for us, it doesn't fix the problem by any stretch of the imagination, but it would give us a lot more financial flexibility. It would increase our cash balance from, as you stated, $2.3 billion now to an estimated $4.2 billion by the end of FY 2014. That's not counting the impact of the competitive price increase. That would provide us another $300 to $400 million of additional liquidity.

But even there you're looking at 15, 16 days roughly of available liquidity, which is some flexibility -- it's more flexibility than we have now -- but it's not a lot. So what we're doing asking for the extra price increase is we're trying to increase our financial flexibility here. We're generating some additional liquidity in the competitive price increase. We are continuing actions to reduce our costs. Of course, we've requested legislative reform.

So no single leg of the stool, so to speak, is sufficient to fix the Postal Service's liquidity problem. I don't like to call it a crisis. That sounds too much. But no single action does it all. You've kind of got to attack on all fronts.

Q   Sure. Part of the result, shall we say, of the challenges financially the Postal Service is facing, as you outlined in your statement, is one of them having to defer capital investments, and the more those are deferred, putting into jeopardy potentially the necessity for regular and effective service, more of the capital investments.

To what extent, if at all, realizing that, as you said, this is part of a multi-prong effort, but the exigency relief due to the great recession would help deal with the capital investment? You know, as you mentioned, a couple extra billion dollars, which is very important for liquidity, but how would capital investments be improved, if you will, under this, if at all?

A   Well, certainly the exigent price increase, if granted, again provides a lot of additional flexibility. You know, $2 billion of additional contribution -- well, less than $2 billion in '14 because it's a portion of a year, $2 billion in '15, $2 billion in '16 helps you. Again, that's $6 billion of additional liquidity available, which gives you an opportunity to pay down some of your debt or to make capital investments.

A couple years ago there was a GAO report on replacing the vehicle fleet, which our postal vehicles, our delivery vehicles, are on average about 24 years old. You know, we're delivering more packages now so we may need sort of a different layout of vehicles, something like that in the future. That GAO report estimated the cost of additional delivery vehicles would be like $5.8 billion, if I recall correctly.

So the exigent price increase certainly gives us the flexibility to look at doing things like that where if we don't have that and our ability to invest remains constrained it becomes a lot harder business problem to solve.

Q In that regard, I wanted to just look at the numbers a little bit. In the Postal Service's case, but it relates to the testimony you're sponsoring so this is the Postal Service's request itself filed on September 26. I realize there's been some erratas.

But on page 11 of that request there's a table that shows the summary of much of what we talked about yesterday, the volume, revenue and contribution lost due to the recession, and the bottom line numbers as we again talked a lot about yesterday, '08 through '12, we're looking at 53.5 billion pieces lost for a contribution of $6.6 billion.

And the Postal Service has a statement here that says even if one were to focus only on the losses through '09, looking at Table 2, the Postal Service's request for $1.78 billion in contribution represents less than half of the contribution lost to the recession through '09, and that number through '09 is $3.642.

So the point being we could be asking for the $6.6, but we're only doing the $1.78, and even if it's $1.78 and you were just cutting the thing off in '09, it's less than half of that. Is that a correct --

A Yes.

Q A correct summary of that. Thank you.

A That's correct.

Q Over on page 15 of that filing there's a Footnote 24 that notes the exigency request assumes that CPI rate increases will also be approved. Thus, the approximately $600 million in contribution the

Postal Service expects to receive through the CPI is as necessary as the $1.78.

It says here if the Docket No. R2013-10, the CPI case, increases are not approved, the Postal Service would amend this request, the exigency, to incorporate all of the increases and classification changes sought on that docket. As a result, approximately $2.36 billion in contribution would also be sought, so if the $600 million that's predicated is added to, which would still be below your calculation of what's lost due to the recession just through '09.

A Yes, sir.

Q And the answer we were talking about earlier, if I understand it correctly, the Postal Service believes due to the extraordinary and exceptional event of the recession and this loss and whether we take the $1.78 or the $2.36 it's still under what's through '09, but my understanding is this is being sought to be put, shall we say, permanently in the rate base.

A Yes, I guess that's a fair characterization. The expectation, sort of turning back to Tom Thress's testimony yesterday. As he explained, in like 2009 we lost 11 billion pieces of volume. Or 2008. I'm sorry. In 2009, that 11 billion pieces of volume was still gone, and we lost an additional 24 billion pieces for a cumulative 33 billion pieces.

You know, those volumes have been lost and are anticipated to remain lost for the foreseeable future really until some event, if it ever occurs, would cause volumes to grow again or eat into that volume lost during the recession.

Q And let's pick up on that point. Although not in any way explicitly stated in the law, the Commission's rules ask as part of a filing for the Postal Service to offer when, if at all, it might expect the need, shall we say, for the exigency to end.

And the Postal Service's statement discusses in large measure the need for a congressional legislative action and the lack thereof and until such time as Congress acts. There's also a discussion in the Postal Service's filing of an expectation in 2017 when this agency is required to re-evaluate the operations of the price cap system and implies explicitly to some degree that while maybe there would be changes there that would reconfigure the system and maybe that as well.

Assume for a moment whether it's Congress or this Commission in 2017 doing something that ameliorates that. Would the perspective be then that whether it's the $2.36 or the $1.78, whatever number if one were to see this approved and put into the rate base, would stop at that stage? And if so, how?

Do rates get rolled back to as if the exigency didn't exist in 2017 and the CPI for that year gets put on what it would have been? How would that work? Have you all thought about that?

A The short answer to your question, how would that work, would be I don't know. Now let me expand on that just a little bit.

We believe, based on our econometric forecasts, that mail volume has essentially -- you know, it chunked down as a result of the great recession and the rate of diversion for first class mail increased, creating the volume and contribution loss that you had talked about quite a bit yesterday. We don't foresee at this time a circumstance that would cause that to end.

Now, you bring up the possibility of another circumstance unrelated to the loss in volume caused by the recession that would not eliminate this exigent condition, but offset it for lack of a better word, and how we would react to that the devil is sort of in the details of what the particulars of congressional legislation would be, the benefits, the costs, how we would estimate what it would do to our financial condition, because there's two questions here, you know. One is the amount of the exigency. The other is the financial condition of the Postal Service.

You know, if Congress passes a law and say it doesn't materially help the Postal Service's financial condition and liquidity then it would likely be the organization's position that the condition continues. The opposite could occur where we could see financial benefits that might allow us to do something to the exigent, and I don't know what shape that would be in all honesty because we're not there yet.

Q   How do you respond to the concern that, as we were talking about earlier, the Postal Service is laying out? Let's take the $1.78 billion figure. Hey, you know, even if one were to cut it at '09 this is less than half of that. But because it's part of the rate base it's $1.78, as you said, year after year after year, and at some point in three years' time, three to four years' time, we're passing the $6.6 billion of the '08 to '12 estimate.

You know, so to those that say hey, wait a minute, if you're putting this in the rate base and you're coming in saying it's a $6.6 billion contribution loss you'll actually at some point in the sort of medium term surpass what was due to the exigency case by leaving it permanently in the rate base. How would you respond to that?

A I would say that's not really the correct interpretation of the loss from the great recession. You know, as we talked about before, the loss of volume in 2008 and 2009 is ongoing. That 34 or 35 billion pieces that were lost in those two years are lost and remained lost for five years in the past.

That's $3.6 billion in contribution times four years, so what, $14 billion of contribution that has gone and will never come back plus again that lower volume lives on into the future. So really the $1.7, which also would live on into the future, is continuing to offset that roughly 40, 50 percent of the $3.6 billion.

VICE CHAIRMAN TAUB: Appreciate that. I'll have some other questions, but that's what I've got on my first round.

CHAIRMAN GOLDWAY: A moment to switch the chip? Okay. We'll wait a moment.

(Pause.)

CHAIRMAN GOLDWAY: Commissioner Langley,

would you like to begin?

COMMISSIONER LANGLEY: Thank you. I seem to come in at the chip switching each day. Yes.

BY COMMISSIONER LANGLEY:

Q Thank you, Mr. Nickerson, for being with us today. As you know, one of the central goals of the PAEA is to incentivize the Postal Service to maximize its efficiencies and cost savings, which it has been doing well since the enactment of the law.

But what incentives ensure the continuance of these cost reductions with an exigent increase that appears to continue on perpetuity from what you just testified with Commissioner Taub? Vice Chairman Taub. Excuse me.

A Yes. I think, as I mentioned previously, the Postal Service remains in precarious financial condition, and the only way to ameliorate that under current law is to continue to look to growing revenues through the exigent price increase, competitive price increases and reducing costs.

You know, as you observed, we have taken billions of dollars of costs out of the system over the last several years and will continue to look at ways to do so because by looking at -- we can't fix the Postal Service's problems on just revenues. We have to continue to manage costs to the best of our ability to keep the organization viable.

I mean, it's a tough challenge. The delivery infrastructure is going to continue to grow as the country grows over time. I think we added 700 and some thousand delivery points just in FY 2013, and you need a certain level of infrastructure in order to provide that service so it's a constant balancing act. But, yes. I mean, we will certainly continue pushing the costs wherever we can.

Q I appreciate that response. With that in mind, one of the things I'm trying to understand is how the Postal Service counts savings for consolidating and closing postal facilities.

You note on page 10 of your written testimony that savings from consolidating mail processing operations, delivery units and routes and transportation can only be achieved once and that savings from closing or consolidating facilities or transportation, for example, are by their very nature one time occurrences. So you also state once the savings has been realized they cannot be repeated unless further consolidations are undertaken.

But this appears to differ from the way the Postal Service, for example, counted the savings for the mail processing network rationalization, which was eventually revised to $1.6 billion, or the way the Commission is presented with final determinations for closing post offices, which in final determinations itself says here is a 10 year savings.

A Right.

Q So if you could explain the difference between your testimony and your expertise as a financial professional and what the Postal Service asserted in the MPNR and its final determinations? That would be very helpful to me.

A Okay. There's no disconnect there. It's a matter of phrasing and how you measure savings, and it's very similar to what I was discussing with Vice Chairman Taub with respect to the revenues and volumes that had been lost. It's the same thing when you close or consolidate a postal facility.

Obviously you can only do that one time, and just hypothetical example you close a unit and you save a thousand work hours from doing that. The value of those work hours, let's call it $40 an hour, which is a good guesstimate of an average, would be $400,000 (sic).

Well, that $400,000 that went away in year one from closing that facility is still gone in year two. It's still gone in year three. It's still gone in year four out through 10, so your 10 year savings from closing that facility are $400,000 times 10, $4 million.

Q So you're projecting out?

A Yes.

Q So then why aren't you projecting out when you give us the savings? In the charts we've seen you say the savings are only once -- you can't do them the second year or the third year -- in network consolidations.

A Well, the savings are projected out in our budget estimates, but there's a new incremental savings on top of that would require an additional closure. I mean, we do count. If we close a facility that comes out of the budget's base and is gone.

Q So if you're closing or consolidating half of the processing plants and realizing what you're saying is an annual savings, so the annual savings just keeps being projected out?

A Yes.

Q What about if you keep the exigent rate increase in the pot let's say and volume -- standard mail, for example -- continues to go up? How do you account for the volume going up and the rate being there as the volume goes up?

I mean, you're trying to capture loss, trying to make up revenue for lost volume and yet you have volume that may go up in the future.

A It may, but keep in mind that it would be increasing from a lower base. Standard mail, and forgive me. I don't have the numbers ingrained in my brain the way Tom Thress did.

Q I'm sure there are some in the audience who know it, but we won't ask.

A They probably do. You know, standard mail dropped substantially from 2007 to 2013. You know, this current year there's probably a 30, 40 billion piece difference. So we're going to be growing again from that lower base. It would take quite some time to get up to where it was before the recession hit.

Q So basically keeping the exigent rate increase in effect is making up the deficit that you had from the recession?

A Yes.

COMMISSIONER LANGLEY: I guess that's all the questions I have right now. I'll think of some more. Thank you.

CHAIRMAN GOLDWAY: Commissioner Acton, do you want to jump in?

COMMISSIONER ACTON: Thank you, Madam Chairman.

BY COMMISSIONER ACTON:

Q Welcome, Mr. Nickerson.

A Thank you.

Q Would you say that the liquidity issue is the greatest or most critical financial problem that the Postal Service is presently facing?

A I would say that in terms of criticality, criticality meaning urgent, the most likely to put us into deep trouble in the immediate future, yes. I would say that's true.

Q Is that concern the primary driver for the filing of the exigent proposal?

A It is a significant driver of the exigent proposal certainly from the point of view of a finance guy like me. It is probably the primary consideration, but I couldn't necessarily speak for what the board's thinking was there.

Q How effective will this proposal be in addressing this concern? How much relief will you gain? How long may it last?

A Well, the projected additional contribution from the exigent price filing is $1.7 billion, which as we indicated would be expected to continue for the foreseeable future.

It does not fix the Postal Service's liquidity problem, but it gives us breathing room, so to speak, or a little bit more breathing room than what we have right now.

Q Do you think that if the liquidity issue wasn't as dire as it is that the exigent request would have been brought?

A That's a personal opinion question. I would guess, and I'm speaking personal opinion, that it might not have been.

Q Okay. You mentioned that the Service is requesting $1.78 billion in lost contribution, but it's estimating that it has lost much more.

Has the Service thought about what to do with that differential in the future? Would they bring another exigent case to clean up the rest or a portion of the difference?

A I don't believe there's any plans to do so.

COMMISSIONER ACTON: Thank you, Mr. Nickerson. Thank you, Madam Chairman.

CHAIRMAN GOLDWAY: Thank you.

BY CHAIRMAN GOLDWAY:

Q So let's get back to this liquidity issue again. My understanding from briefings that the

Commissioners received from Vice President for Finance Joe Corbett that there's actually a fluctuation in liquidity over the year and that the Postal Service, for instance, at this time of year when people are sending more mail and business is going up, there's a lot of money that's in the system.

And that it's just at the end of the year, in September when you come through the summer, where you don't get that much revenue and you're even in good years operating at a loss or breaking even, that you've got your workmen's compensation payment and often two employee payrolls because of the holidays and the way it configures so that the end of September is always on the cycle the lowest point in your liquidity. That's the graph that I've seen year after year after year.

A Yes. That's an accurate graph.

Q So the $2.3 you're talking about is the lowest point on liquidity, isn't it?

A It's almost the lowest point on liquidity.

Q Sometimes there's a dip in the spring, but the lowest point?

A The lowest point is generally going to be mid October when we're required to make the $1.4 --

Q Right.

A -- billion workers' compensation payment.

Q And you had projected that you were going to be at $.8, $800 million in liquidity at one point, and you wound up the year with $2.3 in liquidity. And volumes were going up, and according to what we're hearing at least so far this month they're going up again, and the Postal Service is projecting record volumes for its package delivery system where it makes a handsome profit.

So what do you think if we didn't provide this exigency case? What's your estimate as to what the liquidity would be at the lowest point again in September of 2014? Have you done that? Assuming you get the CPI increase as requested.

A Well, the before rates estimate as of September '14 is $2.4 billion of liquidity, which is almost the exact same as this year as of September 30. Again, as you noted, it falls below that.

Q Right. And you underestimated at the beginning of last year what the liquidity, the amount you'd have. If you have a good year, it might be a little bit more than that this next year.

A Oh, absolutely. It's a good problem to have to be --

Q Yes.

A -- on that side of the forecast.

Q I'm not disputing that this is a small amount of liquidity. I'm just saying that the magnitude of the problem seems to be under controlled some degree over the last couple of years at least in relationship to the level of concern that was expressed earlier about the crisis here. So I wanted to point that out.

The other thing I would ask, because I'm very concerned about the fact that there is no readily available capital for capital improvements, and I've mentioned that a great deal that this is a result of the payments that are required for the health care retiree benefit fund.

But in retrospect, do you think that the board of governors' decisions to use up all of its liquidity borrowing money from the revolving $15 billion fund to put into the health care retiree benefit fund was a good management decision?

I mean, they haven't been punished for not paying their health care retiree benefit fund for three years now. What if they had not done it one other year and they'd have $5.5 billion sitting in the revolving fund? Has anybody thought about that in terms of what the impact was of a management decision?

A Well, obviously hindsight is always 20/20, and I certainly couldn't second guess the board for deciding to fulfill the legal obligation of the Postal Service to make those payments.

In retrospect, obviously there was no financial penalty or legal penalty of failing to make the subsequent payments other than reputational penalty and bad publicity that the organization received as a result, but it's awful hard to fault the board for making a decision to comply with the law.

Q Yes. I understand that. It's just we have interested parties here who provide the funding for all of that and look at how the money gets allocated.

So as I understand it, you basically said to Vice Chairman Taub that you're anticipating recovering the $6.6 billion, just over a period of three years at least.

A The $6.6 billion of contribution loss, unless that volume comes back, remains gone. We would be for the foreseeable future -- 2013, 2014, 2015, et cetera -- we would be recovering $1.7 of that $6.6 billion for each of those years.

Q Each year. So it would add up to the --

A So we would continue to have a gap of $4.9 billion relative to the $6.6 billion of contribution loss every year.

Q I see how you're considering it. We had a discussion yesterday with Witness Thress about the ups and downs of the Postal Service and its volumes and the changes in the market over the last five or six years since the initial recession, and he said that there's a new normal that's developed somewhere between 2011 and 2012 as best I could figure. It depends on which trend he measured, but basically there was a new normal and that that's life now.

So are you saying when we expect that the Postal Service should be credited for losses in the old normal for year after year that that makes sense? I mean, isn't there a point where you say the Postal Service we need now is a different Postal Service from the Postal Service we needed in 2006 when volumes were higher and that what the rate payers are expected to support might be something different from what was expected then?

A Well, I believe the Postal Service has addressed, as you put it, the new normal by reducing employee complement, consolidating mail processing facilities, reducing retail hours, all these cost reduction activities to adjust to what mail volume is now and what is anticipated to be in the future.

But you can't, for lack of a better term, put the genie back in the bottle for what the Postal Service had built in infrastructure to service 200 billion pieces of mail when that was the old normal and we have had to make these really significant adjustments in a relatively short period of time to rachet everything down.

But the costs that were incurred, the infrastructure that was built to service the old normal are already spent. The 50 billion pieces of mail that has gone away has already gone away and is anticipated to remain gone in the new normal.

Q So let's say, I mean, I'm sympathetic to the Postal Service problems and believe that we're in a situation where the law dictates only certain things that we can do to help the Postal Service. So we have a requirement that we provide an opportunity for the Postal Service to recoup losses from an exigency, an emergency.

Let's say the Postal Service, because of some hurricane, happened to lose a hundred processing plants and it turns out you didn't need them anyway. You're not going to rebuild them because the network is lower. What should we give the Postal Service in terms of an emergency? Should we say we've got to give you all that money to rebuild every one of those postal facilities again?

I'm trying to understand how providing the Postal Service with money to make up the losses for the recession is something that can go on year after year after year.

A I think it needs to continue on a practical basis in order to continue the financial viability of the organization, leaving aside for a moment, and I understand completely your question regarding the ongoing nature of the great recession.

But leaving that aside for a moment and just focusing on the strictly practical from an accountant's point of view nature of paying the bills for the Postal Service, the financial condition is such that we don't anticipate that financial need going away.

Q I know.

A It's a balancing act.

Q I know that's a dilemma.

A Yes.

Q So the other discussion we had yesterday that relates to this is the Postal Service in its proposal has suggested an across the board rate increase, and in doing so it seems to me it's saying the same rules apply. The same Postal Service that we had in 2006 is going to be the Postal Service in the future.

Whereas if the pricing signals were different -- I mean, they have an opportunity to ask. Whether we determine it was fair or not is another question, but you have the opportunity to propose prices that would perhaps expand the amount of mail that you make a high profit on and discourage the amount of mail that you lose money on or at least cover the cost of some of the mail that you lose money on more efficiently than the 4 percent across the board, 4.3 percent, it's asking.

So here again is your view that the Postal Service needs this money and it needs it because it's the same Postal Service on and on with the same kind of rates that we've always had, the same kind of price signals for the same kind of volume mix that we've had all along?

A It's my view that the Postal Service needs this money because it has an ongoing liquidity challenge. With respect to the pricing signals and the across the board price increase, I've got to defer to the judgment of the board as far as that's concerned.

CHAIRMAN GOLDWAY: Okay. Well, those are interesting.

Do I have other questions? Vice Chairman Taub?

VICE CHAIRMAN TAUB: Thank you.

BY VICE CHAIRMAN TAUB:

Q Could you elaborate a little bit more on the liquidity issue? Obviously it is central to the case on the low liquidity problem. It would be helpful if you don't mind at least orally -- it's in your written statement -- just elaborate a bit from the Postal Service's perspective the numbers we're talking about, the $2.4. Maybe it goes up to $4.2, but you back out the workers' comp in October and you're looking at $700 million kind of.

And there's a comparison to, for lack of a better term, but it's from the exigency standard best practices, UPS and FedEx and the comparison there of what they maintain for liquidity purposes vis-à-vis the United States Postal Service. Could you expound upon that a little bit and how that relates to the perception from the Postal Service's end that liquidity is a key motivator here that needs to be addressed?

A Sure. I mean, we've hit on the roughly

$2.3 billion of available liquidity as of September 30, expected to go up a little bit in 2014 if revenue forecasts come true, cost reductions occur as we plan, all that kind of thing.

With respect to liquidity, of course, it doesn't matter what your high point is or what your average is. Really the only number that matters is your low point because zero is zero or, worse yet, a negative is just not possible. It's insolvent.

So we always have to manage looking to October 15 of every year where we have a large lump sum payment due for workers' comp, which generally speaking is our low point in liquidity. This year, October 15 we had about $1.6 billion of remaining cash, which is about six days of liquidity, so you're getting fairly close to the financial edge there.

Contrast that with a company like UPS, which is roughly what, two-thirds the size of the Postal Service. I outline the numbers in my statement that are right out of their 10-K. They bring significantly greater financial resources and financial flexibility to the table relative to us in terms of having line of credit program, commercial paper, ability to access literally billions of dollars of borrowing at a relative moment's notice.

Whereas the Postal Service, we're smack up against our $15 billion credit line, although during the fall mailing season, for example, when revenues are higher we'll pay that down a little bit, but by the --

BY CHAIRMAN GOLDWAY:

Q My understanding is one of the reasons this number is a little bit lower is because you did pay down a little bit of your $15 billion somewhere in the last month. I think that's what I've been informed that you actually did.

A It's possible. I don't know off the top of my head. But, yes. So we are rolling along with at a low point six days or so of available cash, which we could conceivably muddle along as we are right now, but the risk there, and a lot of the reason we're here today is because of risk management. Is it really prudent for the Postal Service to be in that position?

You know, I remember I want to say it was 2008 when fuel prices spiked up in the middle of the summer for whatever reason and it caused CPI to go way up. We had like a billion dollar cost of living adjustment for our employees kick in the following September. Obviously our own fuel costs increased at the same time.

Say mail volumes are less than our forecasts. It's not hard to craft a scenario where that $1.6 billion of projected liquidity in mid October comes down to sort of the razor's edge, and we just don't believe it's prudent for the organization to continue operating that way.

VICE CHAIRMAN TAUB: I appreciate you expounding on that.

CHAIRMAN GOLDWAY: Can I just interrupt with a little --

VICE CHAIRMAN TAUB: Oh, sure.

CHAIRMAN GOLDWAY: -- facetious comment?

BY CHAIRMAN GOLDWAY:

Q   Do you miss the old days when you could ask for a $3 billion contingency in a rate case?

A   The old days are the old days and they've come and gone. We've got to live in the world we're in now.

VICE CHAIRMAN TAUB: On the Postal Service's case that was filed, and again this is the September 26 request and this goes to your testimony. There's the discussion on pages 18 and 19 of honest, efficient and economical management.

And I don't know if you wanted to look at it. I think I know what the Postal Service is suggesting here, but I was hoping maybe you could expound upon it a little bit.

THE WITNESS: Could I ask for a copy from --

VICE CHAIRMAN TAUB: Oh, definitely. Please.

THE WITNESS: I don't have it with me.

VICE CHAIRMAN TAUB: Yes. It's pages 18 and 19 of the September 26 filing itself of the Postal Service.

THE WITNESS: Thank you, Eric.

VICE CHAIRMAN TAUB: Take your time to read it. It's the last paragraph of page 18 and the first paragraph of page 19.

THE WITNESS: Okay. Give me a second.

VICE CHAIRMAN TAUB: Oh, of course

(Pause.)

THE WITNESS: Okay.

BY VICE CHAIRMAN TAUB:

Q As I read particularly the bottom part of 18, it seems to -- well, not seems. You know, in particular the statement:

The fact that the policy choices underlying those constraints, the constraints imposed by Congress and then by definition those costs outside, may deviate from what the Commission or other parties may prefer and may therefore lead to a cost structure that is not considered optimal is also irrelevant as the Commission has recognized it cannot read the exigency clause in a way that incentivizes Congress to make different policy choices.

Could you expound on what's the point being made there? In shorthand, different policy choices are irrelevant, but I'm trying to better understand whet's the point there in the context of honest, efficient, economical management. I think I know, but I don't want to assume.

A Well, the way I read it is that the Postal Service, again we're living in the world we're living in.

There are constraints imposed upon our ability to reduce cost, both legal restrictions such as inability to transition to five day mail delivery, six day packages that we had proposed earlier this year, and sort of practical political considerations such as concerns that were expressed by a number of senators I want to say it might have been two years ago with respect to some of our initiatives to consolidate mail processing facilities.

You know, we backed off on consolidations for a time as a result of those concerns to allow

Congress to make further progress on postal legislation. So, I mean, there are just practical constraints on the ability to manage the organization in the absolute. You know, if we were a private sector company if we were managing like FedEx or UPS we would have the ability to make cost reductions that maybe we can't now.

Q I think I hear what you're saying. So in essence is the suggestion as the Commission evaluates the honest, efficient, economical management standard to the extent that some may view while you should do X, Y and Z, that's interesting, but we, the Postal Service, are operating under the constraints imposed on us by both the explicit framework of the law and the small P political influence and concerns expressed to us and our response to those from legislators, or am I misstating that?

A I don't know that I'd put it in quite those terms, but, I mean, I think we're on the same page relatively speaking.

The organization is managing in an honest, efficient and economical manner to the best of its abilities within the constraints of its legal environment, the political environment and the competitive environment trying to balance all of those considerations.

Q Thank you for clarifying that. I don't know if you've got these materials. If so, we can take a little bit of time to get it.

I wanted to ask you about the Postal Service's response, but it was based on statements of your testimony to Presiding Officer Information Request No. 5, and it's Answer No. 2. Again, the question is all in the context of your statement.

A Okay. Yes, I do have that.

Q You have that? This is following up. Commissioner Acton had asked something along that line. You know, it goes to this idea of is this it for the great recession?

The Postal Service has said look, we could come in here with a $6.6 billion contribution request. We're not going to exceed what we view is due to. We're going to do the $1.78. We're trying to balance the impact on our customers. Is that it, or is the Postal Service elegantly and artfully keeping its powder dry to say well, even if we get the $1.78 we'll see how things go. We might come back and have to say that great recession now X years away from we still have more due to to claim.

A I'd have to go to -- I can't say anything in addition to what we said in C to that response. Nothing is currently planned or anticipated in regard to future exigent rate increases.

Q And that's fair. And just as my own observation, it may be a fair interpretation, or maybe it isn't, for one to draw from that what's before us, that's it for the great recession. You know, we consider this and that's it. I was just interested in your perspective on that since it was on the statement. I appreciate your response on that.

A Sure.

Q Do you have the answers to Presiding Officer Request No. 6?

A Yes.

Q And I'm interested in looking at the answer to No. 16. And again, this is an institutional response.

It does follow some of your answers, but it does relate to trying to understand the context of the case, and you touched upon this a little bit earlier. I had asked Witness Thress yesterday about this as well. Are you familiar with the answer on 16?

A Yes, I am.

Q What do you think of it? Is it a --

A I think more highly of it than Mr. Thress did apparently, and maybe that has to do with the difference in an accountant's point of view and --

Q Sure.

A -- an economist's reading of the world.

Q Yes.

A Again, I fall back on -- and I know I've said this like half a dozen times so far -- the 11 billion pieces that we lost in 2008. It happened in 2008, 2009, 2010, 2011, 2012 and so forth.

So cumulatively over this five year period we're talking about, 2008 to 2012, the Postal Service did lose almost 190 billion pieces of mail relative to what otherwise would have been had the great recession not occurred.

Q Is that same math, shall we say, applicable on the contribution column? So if you added up everything that currently -- you know, it's this year and then added to what the loss that year, we're at the $6.6. But in the same way, if we total all those up we're looking at roughly $23 billion. Would that same logic apply?

A Yes, the same logic applies.

Q And the math may be --

A There's about $22 billion of accumulative contribution that we did not get relative to the old world.

Q Is there a distinction that's important for the Commission to consider this approach versus the 53.5 and the $6.6 when it comes to the issue of putting it in the rate base and saying that it needs to go forward?

I know to Chairman Goldway's question you had mentioned well, the perspective is there's still this bogey between the $6.6 and the $1.78 and so that bogey the Postal Service has not put into the base so it isn't -- even though one on one hand might think there's a compounding value here, the Postal Service's perspective is sure, but there's the compounding value of what we haven't claimed --

A Right.

Q -- and so we're really not being made whole. We're just taking part of what's due to. That, whether or not ultimately the Commission, whatever our decision is, I see within the context of the $6.6.

Is the suggestion here in Question 16 that the Commission should look at it and that it's $23 billion? Would it drive us to a different conclusion or bolster the perspective of the Postal Service, or is it a wash?

A I don't know that I would call it a wash. I certainly don't know whether it would drive you to a different conclusion. What I would say is that it's water under the bridge.

It's $22 billion of contribution that the Postal Service did not realize during the period 2008 to 2012 that we never will realize. It is permanently foregone, and to the extent that is an ongoing shift in Postal Service mail volume there is a future impact as well.

Q I appreciate you walking through that. I had one last question. This is not a top line issue by any means, but I was intrigued by it and I wanted to ask since you're here.

There was the discussion, maybe to help, on page 11 of your statement. I'm sorry. It's not page -- well, it is page 11. Sorry. It was mentioned. Page 11, the middle of your statement. You discuss the operational contractual requirements adding to these legally mandated cash outlays.

The idea is look, we've got a big liquidity problem. Cash outlays are growing, and on top of what we've just outlined to you, on top of that beginning in 2017 the law is imposing a 27 year amortization schedule to fund the unfunded CSRS actuarial liability, which was $19 billion at the end of last fiscal year.

Likewise, the retiree health benefits obligation does not cease just because the scheduled prefunding have not been made. Beginning in 2017, the Postal Service is required to pay the actuarially determined normal cost of providing plus the OPM amortization.

So in 2017 there is the 10 year schedule. Obviously there is the hope and desire of everyone that the Postal Service would pay those payments for the 10 years, 2017, and I'm speaking the retirement health benefits, be reamortized over a 40-year schedule, the remaining life of it, and those payments and hopefully if it was overfunded it really wouldn't be that much.

But the issue being on top of payments not being able to be made the expectation is that new amortization payment is going to be huge. Would it be bigger than the $5.6 or $5.5 that currently is annually required from a guess at this stage? And I realize it's an informed guess.

A Yes, it is a guess. The retiree health benefits, you're correct in pointing out, in 2017 OPM will figure an amortization schedule to pay down the remaining unfunded liability, which at this point is somewhere in the neighborhood of $49 billion plus or minus a billion or two. I don't recall exactly.

Q And I'm sorry to interrupt you, but I didn't want to lose the thought. So there's $49 billion roughly now outstanding for prefunding future retiree health benefits?

A The unfunded liability of the Postal Service retiree health benefit fund, the total estimated liability of that fund minus the funding so far, which is roughly $47 billion.

Q All right.

A It's in the 10-K. I don't have the exact numbers in my brain.

Q Okay. So you said there's about $47 in the account right now?

A Right. And the difference between those two is the remaining unfunded liability --

Q Okay.

A -- which OPM will then work out an amortization schedule to have us fund over I think it's actually 34 years -- don't ask me how they got 34 -- plus the normal costs, the costs associated with the expected retirement benefits of all active employees added to that, so roughly speaking --

CHAIRMAN GOLDWAY: Well, you pay that

already.

THE WITNESS: Well, not exactly. What we're currently obligated to pay right now are the premium payments for our retirees prorated for post 1971 civil service, all that kind of stuff.

In 2017, that premium payment goes away and those premiums will then be paid by the retiree health benefit fund. The Postal Service will then be paying into the retirement fund the normal cost associated with myself and all of the other active postal employees, an estimate of what it would take to fund a prorated portion of our retiree health benefits.

So we'll begin paying that amount in 2017, and I believe the estimate of that amount is roughly $3.2 billion, plus then the amortization of the $49-ish billion unfunded liability, so call that, and I'm really ballparking these numbers here, another $2.5 billion so you're looking at a cash outflow or required cash outflow for retiree health benefits in 2017 of something on the high side of $5 billion.

Now, at the same time the law also -- you know, the PAEA deferred civil service retirement contributions of the organization for 10 years effectively, and OPM will calculate beginning in 2017 a payment to pay down any unfunded liability in the

CSRS, which as you pointed out is about $19 billion. And if memory serves, the estimated amortization payment on that, because it's a shorter period, is like about $1.6 billion.

So the retiree health benefit, just because we defaulted the obligation doesn't go away. It comes back in 2017 in a new form plus we get the added present of getting to pay down the CSRS unfunded liability beginning in 2017.

VICE CHAIRMAN TAUB: So if I followed your numbers, we could be looking at rather than $5 point something each year that the Postal Service is expected to pay in the last few years upwards of $7 to $8 billion, CSRS, the prefunding and then the normal cost. Go ahead.

THE WITNESS: Yes. It could be call it $6 to $7 billion. And to be accurate, again we'll stop paying the retiree health benefit premiums at that time.

BY CHAIRMAN GOLDWAY:

Q So how much do you save from that?

A Well, that's about $3 billion. I think it was $2.9 billion.

Q So the next cost will be what, $4 billion?

A It would be an additional $4 billion or so.

Yes.

BY VICE CHAIRMAN TAUB:

Q The whole part of my getting into this, I was trying to clarify that point that indeed it was my understanding that the way the law was set up for 10 years the Postal Service had to keep paying the annual cost itself and then once we got to 2017 the fund could start paying out those costs.

In fact, in my previous life, in 2009 my previous boss and I were trying to do a piece of legislation in '09 to allow the Postal Service to use the fund starting back then to pay that rather than -- so was the idea that assuming the Postal Service had been able to meet the $5.5 through 2017 the unfunded liability, if there had really been much of one, all that would be left was this roughly $3 a year that you were saying for your own would be left to pay in -- "all that would be left" -- as opposed to still --

A Right. I think conceptually speaking, had we been able to make all the retiree prefunding payments and the remaining unfunded liability been nominal then the Postal Service's financial obligation in 2017 for retiree health benefits would just be limited to the normal cost, the $3.2-ish billion a year.

VICE CHAIRMAN TAUB: Okay. Thank you for walking me through that.

THE WITNESS: Sure.

CHAIRMAN GOLDWAY: Commissioner Acton said he had another question.

COMMISSIONER ACTON: Thank you, Madam Chairman.

A little housekeeping before I forget, Mr. Nickerson, is staff has prompted me to ask you to spend a little attention, please, if you can soon to a request that's outstanding from the technical conference for some cost reduction information.

If you know what I'm talking about that's great. If not, then staff can touch base with you after the --

THE WITNESS: Yes. Have them check in with me. Thank you.

COMMISSIONER ACTON: Thanks.

BY COMMISSIONER ACTON:

Q My last question on this is when you developed these models, these accounting models of yours, to account for lost institutional contribution of revenues and other impacts of the great recession is there a variable factor, an input that accounts for the ongoing effect of the recession?

Whether that effect is static or dissipating or growing, is there some information that you include in your modeling that would account for whatever dynamic is occurring with that recession?

A Let me make sure I understand your question. You're asking with respect to our forecasting of revenues and volumes on a go forward basis as to --

Q I think I'm asking that in the collection of models that you -- I think part of your role there is to develop models that account for the future financial status of the organization. Is that right?

A Yes.

Q Okay. So in that collection of models is there an input factor in some way that works to account for whatever the fiscal impact may be going forward of the great recession, something that changes as dynamics change, as new information becomes available or old information becomes outdated?

A That's really handled through the revenue and volume forecasting, which is an input to sort of the greater financial modeling.

Q So it sounds like the answer is yes, but that's part of what's given to you --

A Yes.

Q -- by another group of technicians?

A   Yes.

COMMISSIONER ACTON: Okay. All right. Thank you.

CHAIRMAN GOLDWAY: Commissioner Langley?

COMMISSIONER LANGLEY: Thank you. I have one further question.

BY COMMISSIONER LANGLEY:

Q   I know you've discussed a great deal this morning especially with Chairman Goldway and Vice Chairman Taub that the total revenue and contribution losses from FY or through FY '12 due to the exigency is approximately $6.6 billion, but the Postal Service is seeking to recover only $1.78 billion. So if the rate stays in effect for five years, what amount would the Service recover?

A   The simple answer would be at the end of five years the Postal Service would have $1.78 billion times five -- I'm not going to try to do that math in my head -- of additional contribution --

Q $8.5 more or less.

A   -- over the course of that five years relative to --

Q   About $8.5 billion.

A   -- what it otherwise would have been. That's not to say that it would -- well, it would be

$8.5 billion better off than if nothing had happened. However, as we've pointed out, it's only a portion of the estimated loss due to the great recession that's carried forward.

Q But if it's say $8.5 billion or say that's more than the $6.6 billion.

A $8.5 billion is more than $6.6 billion, but keep in mind that $6.6 billion is an ongoing annual figure and the $1.78 is an ongoing annual figure, so there's still a loss relative to the total loss from the great recession.

COMMISSIONER LANGLEY: Right. But the ongoing aspect of the rate, the exigent rate, is something that the Postal Service doesn't have to continue. There is an option for the Postal Service. That's all I'm saying.

BY CHAIRMAN GOLDWAY:

Q And is your expectation that we're going to have an ongoing effect of this recession forever, every year? I mean, the GDP figures show the recession ended in 2010 more or less. So are we going to continue to build this in forever, the same losses?

A Well, as Mr. Thress said yesterday in his testimony, we very well could be talking about the effects of the great recession 20 years from now much in the same way the effects of the great depression carried forward for years and years and years. Yes, GDP is growing, but it is growing at a --

Q But do you think a law that's designed for emergencies should be used to count something that has lingering effects for 20 years?

A Just because the emergency ended doesn't necessarily mean that the effects of that emergency ended. An absurd example, your house burns down. It burned down. The effects of that are going to be with you for a long, long time, right?

Q Well, not if you get enough money to rebuild it and then you're all set again.

A That's what we're asking for.

CHAIRMAN GOLDWAY: No. Well, the question is -- well, it's a complicated question and it's one of the major policy issues that the Commission will have to deal with to what extent you use a law that's designed for emergencies to deal with effects that linger for 20 years.

COMMISSIONER LANGLEY: And the Chairman does raise a good point. We do have as part of the record in this particular case correspondence from a member of Congress who disagrees with the Postal Service's definition of an exigent situation, so whether --

Basically what I think all of our witnesses have been saying is there's a cumulative effect and this continues on, so whether the house has burned down and an individual receives sufficient remuneration from the insurance company and moves on and rebuilds the house, the Postal Service is saying we are always going to have the effect of the great recession on volume and on revenue.

THE WITNESS: Yes, that is what we are saying absent something happening to change that. Yes.

COMMISSIONER LANGLEY: Okay. Thank you. That's all I have for my questions.

CHAIRMAN GOLDWAY: And I have just one last question.

BY CHAIRMAN GOLDWAY:

A I believe you had some discussion with Vice Chairman Taub about what the PMG said his options would be. He announced just the other day that were there to be legislative action he would withdraw this exigency case.

But I thought I understand your conversation with Mr. Taub to say well, it depends on what the legislative action is. You know, if we like the legislative action we'll withdraw the exigency case.

Is that your understanding of what the Postmaster General meant?

A I'm not familiar with exactly the remark that you are referring to, but I certainly think it would be in the context of if we get legislation that provides sufficient financial help to the organization, dot-dot-dot, we would withdraw, and I think it comes --

Q And then it's a judgment call on your part as to what's sufficient?

A It requires an analysis of the provisions of any legislation as to what the benefits are. Are there related costs and netting out to see what would be the financial impact thereof.

CHAIRMAN GOLDWAY: Okay. Well, that clarifies the situation I think. I think we're satisfied with the discussion we've had here.

I want to thank you for your participation and your clear explanation of the testimony and the questions that you've presented to us. As I said earlier, there may be followup questions in writing.

THE WITNESS: Of course.

CHAIRMAN GOLDWAY: We appreciate your participation. I appreciate the patience of the members of the audience who listened to our questions.

I hope they recognize that some of the questions they suggested have been included in the questions that we asked here today.

And we will now get to work on sorting out the complicated and difficult issues that are in front of us before we make a decision. Thank you for your participation.

THE WITNESS: Fantastic. You're welcome.

(Witness excused.)

CHAIRMAN GOLDWAY: I'll call the meeting adjourned.

(Whereupon, at 11:10 a.m., the hearing in the above-entitled matter was concluded.)

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REPORTER'S CERTIFICATE

DOCKET NO.: R2013-11

CASE TITLE: Rate Adjustment Due to Extraordinary or Exceptional Circumstances

HEARING DATE: November 20, 2013

LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the United States Postal Regulatory Commission.

Date: November 20, 2013

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David W. Jones
Official Reporter
Heritage Reporting Corporation
Suite 600
1220 L Street, N.W.
Washington, D.C. 20005-4018