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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20268-0001

Before Commissioners: Edward J. Gleiman, Chairman
W.H. "Trey" LeBlanc III, Vice-Chairman
George W. Haley and H. Edward Quick, Jr.

Special Services Fees and Classifications Docket No. MC96-3

ORDER DIRECTING THE POSTAL SERVICE TO PROVIDE
ADDITIONAL COST PRESENTATIONS

(June 18, 1996)

A central aspect of the Postal Service request is to generate additional revenues through increased fees for several special services. An important Commission function in the current proceeding is to evaluate the proposed test year cost coverages for the special services that are the subject of proposed fee increases and determine if those coverages are in conformance with the Act. This function involves coverage comparisons of those special services with each other, and with mail classes, subclasses, and other special services. These comparisons are necessary because the Act requires a balancing of various pricing factors, and the Commission has historically considered the cost coverage profile of all classes, subclasses, and services when evaluating proposals to increase institutional cost allocations through rate and fee increases.

Cost coverage comparisons are influenced by the methodology underlying attributable cost calculations. In its filing in Docket No. MC96-3 the Service appears to have departed from the

attribution methodologies utilized by the Commission in Docket No. R94-1, on which current rates are based. For example, examination indicates the Postal Service does not reflect, for Base Year 1995 or Test Year 1996, the Commission's city delivery street time single subclass stop analysis, purchased transportation nonpreferential Alaskan or Hawaiian air analyses, or special delivery messenger fixed attribution.

The Commission accepted Postal Service arguments that the attribution methodologies used in R94-1 need not be used in MC95-1, since their use would have had no practical impact and there were, arguably, problems involved in implementation in the unique circumstances of that case. However, the Commission stated that it still considers R94-1 analyses the proper methodology for tracing cost causation. See PRC Op. MC95-1, IV-60. The unique circumstances present in MC95-1 do not appear to apply in this case.

The Postal Service request does not provide detailed discussion of why its cost analysis varies from that used in Docket R94-1. Other attribution differences may exist in the Service's filing in addition to those noted above. Until the Service files The Summary Description of USPS Development of Costs by Segments and Components, FY 1995, referred to by witness Patelunas in his testimony, USPS-T-5, page 8, a complete comparison is not possible.

To permit meaningful comparisons of cost coverages between the special services at issue and other classes, subclasses, and services, the Postal Service is directed to submit cost

presentations that reflect the Commission's Docket No. R94-1 attribution methodology.

It is ordered:

1. The Postal Service is to provide versions of USPS-T-5A-J that comport with Commission cost attribution methodology from R94-1.
2. The Postal Service is to provide a version of witness Lyon's (USPS-T-1) Exhibit C that reflects the Commission cost attribution methodology.
3. This material is to be submitted on or before July 5, 1996.

By the Commission:

(S E A L)


Cyril J. Pittack
Acting Secretary