

Before The  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2018

Docket No. ACR2018

**NOTICE OF THE UNITED STATES POSTAL SERVICE  
OF REVISIONS TO MULTIPLE ANNUAL COMPLIANCE  
REPORT FOLDERS -- ERRATA**  
(February 11, 2019)

The United States Postal Service hereby provides notice, in conjunction with today's Notice of Revisions to the FY2018 Annual Compliance Report, of revisions to five folders submitted with the ACR on December 28, 2018. The background to these revisions is discussed below. Details on the changes regarding each folder can be found in the revised Preface for each revised folder.

The revised folders are:

**PUBLIC FOLDERS**

- |              |   |
|--------------|---|
| USPS-FY18-1  | FY 2018 Public Cost and Revenue Analysis (PCRA) Report<br>(Revised 2/11/19) |
| USPS-FY18-43 | FY 2018 Market Dominant Product Incremental Costs<br>(Revised 2/11/19)      |

**NONPUBLIC FOLDERS:**

- |                |   |
|----------------|---|
| USPS-FY18-NP2  | FY 2018 International Cost and Revenue Analysis (ICRA)<br>Report (Revised 2/11/19)    |
| USPS-FY18-NP10 | FY 2018 Competitive Product Incremental and<br>Group Specific Costs (Revised 2/11/19) |
| USPS-FY18-NP11 | FY 2018 Nonpublic Cost and Revenue Analysis<br>(NPCRA) Report (Revised 2/11/19)       |

For the two CRA folders (USPS-FY18-1 and USPS-FY18-NP11), the revised folders include replacement versions for each of the files included with the original folder, and in that sense are complete replacement folders. The other three folders (IUSPS-FY18-43, USPS-FY18-NP2, and USPS-FY18-NP10) are only partial replacements. Each of these three revised folders contains revised versions of only the files from the original folder that have changed. Many of the numerous files in the original folder were unaffected by these changes, and those unaffected files have not been reproduced in the revised folders. The source for those unaffected files continues to be the original folders filed on December 28, 2018.

### **Background**

The impetus for the revisions to all of these folders has been the recent recognition of the need to correct certain elements of the International Cost and Revenue Analysis Report (ICRA) in USPS-FY18-NP2. Revisions to the other folders simply reflect the flow of corrected inputs from the ICRA into these (at least in some sense) downstream folders.

Because completion of the ICRA occurs in the very late stages of ACR preparation, the interval between finalization of the ICRA and ACR filing is extremely short. These circumstances can give rise to instances, such as those experienced this year, in which the ICRA Report indicates that available data for some contracts suggest that they did not cover their attributable costs, but the Postal Service has concerns about the accuracy of those data. See FY 2018

ACR (December 28, 2018) at 72-73. Consequently, the Postal Service endeavors to review available data and make any appropriate updates, but such review may not be completed before the ACR must be submitted, which was the situation this year. *Id.* Nevertheless, that review continued after the ACR filing, and the current revisions to the ICRA are the result.

Investigating the reported results for the six contracts in question revealed the need to correct broader deficiencies in the ICRA treatment of these types of contracts. As a result, applying the corrected procedures caused changes well beyond the reported costs for just these six contracts. Consistent with the overall need to tie out to accrued costs, as reported costs for some categories decline because of the corrections, reported costs for other categories rise. Ultimately, in the aggregate, the corrections to the costs for individual International Mail contracts and products shift approximately \$10 million in costs from Competitive International products to Market Dominant International products. These shifts in ICRA outputs then have an impact on the CRAs provided in USPS-FY18-1 and USPS-FY18-NP11, the incremental costs reported in USPS-FY18-43 and USPS-FY18-NP10, and in the text of the ACR itself.

As noted above, details regarding the revisions to each folder can be found in the revised Prefaces provided. As one might expect, the discussion of the revisions in the ICRA folder is far more extensive than those noting the revisions in the other folders, in which the ICRA changes are simply flowing through into output reports. A separate Notice is provided today regarding the

corresponding revisions to the ACR text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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