

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Periodic Reporting  
(Proposal Nine)

Docket No. RM2020-1

PUBLIC REPRESENTATIVE COMMENTS  
(December 20, 2019)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 5291.<sup>1</sup> In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, that address the Postal Service's petition to change analytical principles related to periodic reporting.<sup>2</sup> The Postal Service filed the Petition pursuant to 39 C.F.R. § 3050.11. Petition at 1. With its petition, Postal Service also filed non-public materials relating to Proposal Nine (USPSRM2020-1/NP1).

II. BACKGROUND

The Postal Service proposes to update the methodology for estimating facility-related costs, specifically, it proposes to update the inputs into the analysis used for the allocation of facility-related costs to products. Petition at 1. The last Facility Space Usage Study (FSUS) was conducted in 1999, and presented in Docket No. R2005-1.<sup>3</sup>

---

<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Nine), November 4, 2019 (Order No. 5291).

<sup>2</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), October 31, 2019 (Petition). The Postal Service filed a notice of filing of non-public materials relating to Proposal Nine. Notice of Filing of USPSRM2020-1/1 and USPS-RM2020-1/NP1 and Application for Nonpublic Treatment, October 31, 2019.

<sup>3</sup> Docket No. R2005-1, Library Reference USPS LR-K-62, April 8, 2005. (1999 Study)

*Id.* at 2. Since then, modifications were made each fiscal year to reflect facility space usage changes. *Id.* The Postal Service proposes that the results of a new FSUS be incorporated into future ACR dockets as a modified version of what was filed as USPS-FY18-8. *Id.*

### III. SUMMARY OF PROPOSAL NINE

The timeframe for the FSUS was 18 months, starting in early 2018. Petition at 3. The sample frame included 11 mail processing strata and six delivery and retail facility strata. *Id.* Space data from the layouts representing 103 mail processing facility groupings and 150 delivery and retail units were collected and disaggregated into space by operation and function. *Id.* “The sample statistics were used to inflate the space data into population estimates using “combined ratio” estimation.” *Id.* The population estimates were used to distribute Cost and Revenue Analysis (CRA) facility-related costs including rents (component 15.1), building and leasehold depreciation (20.3), and interest expense (20.5), custodial personnel (component 11.1.1), contract cleaners (11.1.2), plant and building equipment maintenance (11.3), fuel (15.2.1), utilities (15.2.2), custodial and building supplies and services (16.3.1), and USPS security force (18.1.4.1) to products.

### IV. COMMENTS

The Public Representative reviewed the Postal Service’s filing including materials under seal. The Public Representative finds that network and operational changes since the 1999 Study are more accurately reflected in facility-related costs developed in Proposal Nine, than the methodology relied on in the Docket No. ACR2018.<sup>4</sup> That methodology was developed based on the 1999 Study, modified annually to account for changes that have occurred. However, those modifications reflected approximations and were added in a piecemeal fashion. And, the changes since the 1999 Study were

---

<sup>4</sup> See Docket No. ACR2018, Library Reference USPS-FY18-8, December 28, 2018.

extensive. As the Postal Service noted, several types of mail processing equipment were added while others were removed from use, mail processing operations were consolidated, bin capacity increased, network distribution centers were activated, and delivery network changes including machine deployment and other sortation related changes were implemented. *Id.* at 2. Proposal Nine represents a much needed overhaul of facility-related cost attribution.

The Postal Service's workpapers appear to accurately reflect the changes described in the Petition. Thus, the Public Representative finds that Proposal Nine improves the accuracy of the Postal Service's periodic reporting. Specifically, the Public Representative finds that Proposal Nine improves the accuracy of facility-related cost attribution.

Due to the availability of new data sources, better processes, the FSUS presented in the present docket generally improves the inputs to the facility-related cost analysis compared with the 1999 Study. For the operations and functions to which large amounts of space is allocated, the coefficient of variation (CV) estimates are within a respectable range<sup>5</sup>. However, some of the estimated CVs are exceedingly high, in many cases, higher than those in the 1999 Study. And, that outcome is despite the fact that some of the variation that existed in the 1999 Study was likely due to differences in how field personnel completed the surveys, a process that was replaced with more reliable data collection efforts in the FSUS in Proposal Nine. In future studies, the Postal Service should aim to improve CVs for smaller categories.

---

<sup>5</sup> See 2019 Facility Space Usage Study at 31.

V. CONCLUSION

For the reasons discussed above, the Public Representative supports Proposal Nine and recommends its approval. The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

---

Katalin K. Clendenin  
Public Representative

901 New York Ave., N.W. Suite 200  
Washington, D.C. 20268-0001  
(202) 789-6860; Fax (202) 789-6891  
[katalin.clendenin@prc.gov](mailto:katalin.clendenin@prc.gov)