

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FOUR)

Docket No. RM2022-10

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL FOUR)
(July 11, 2022)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, to improve and streamline ICRA methodology, is labeled Proposal Four and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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To Use International Negotiated Service Agreement (NSA) SIRVO Data to Weight Product Rate Groups and Introduce Enhancements to Update and Streamline the ICRA model

Proposal:

The proposal consists of a set of five changes to improve and streamline the ICRA model which, in terms of their percentage impacts (generally less than two percent), are all relatively minor. Specifically, the Postal Service proposes to:

- use Outbound International Service Agreement (NSA) SIRVO data to more accurately attribute outbound settlement expenses and international transportation expenses to NSA products. Currently, SIRVO data are used to weight flows of the various product rate groups for all products. The proposal would add a second step and a new workbook to weight the various NSA product rate groups using NSA-specific SIRVO data, including the calculations of conveyance and international transportation expenses. The proposal would allow for the simplification of the competitive B-Pages of Reports (Unified)¹ by condensing or eliminating portions of the staging area and by applying similarly weighted NSA-specific groups directly to international transportation cost and settlement calculations. Furthermore, the proposal would eliminate the ISAL / IPA

¹ The Postal Service is dropping “(Unified)” from the Reports and NSA Summary files because the identifier is no longer needed. The “(Unified)” identifier was introduced to distinguish between the old Booked and Imputed versions of the ICRA and the “Unified” version intended to replace them, as proposed in Docket No. RM2015-10, Proposal Two. The Commission approved Proposal Two with Order No. 2695 (September 3, 2015) in that docket, and since then, there is only one version of the ICRA that needs no additional identification.

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table by rate group on the competitive B-Pages tab, as this table only applies to NSA flows. That step would eliminate the rate group calculations on the competitive B-Pages, as well as the need for staging costs on the tab Pivot4.

- add all countries to the outbound piece of the ICRA database, thus, eliminating the 999X countries. This would involve changes to the Outbound Calcs file and the Reports (Unified) ICRA Database and Intermediate Calcs tabs, which will simplify many of the later calculations.
- use the Settlement Workbooks file as the source for outbound settlement calculations. Currently, rates are manually entered into the USPS-FY21-NP2 Core Files ICRA Inputs file. The settlement workbooks would allow the process to be automated, thus, avoiding human error than can occur while manually entering rates. The settlement workbooks include tracking expenses (i.e. PRIME, Interconnect) as part of the final rates, which would eliminate the additional tracking calculations in the ICRA.
- remove obsolete sections of the ICRA model identified in the response to Chairman's Information Request No. 14 (February 18, 2022), Questions 3 and 4 in Docket No. ACR2021. The Postal Service responses explained that the cells and calculations referred to in the questions were remnants of calculations that are no longer used. The Postal Service is using this proposal to eliminate cells and calculations that are no longer used to clarify and streamline the ICRA model.

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- replace IAB country numbers with ISO codes. The Postal Service and the UPU use ISO codes, and relying solely on ISO codes would eliminate the need for some calculations to move back and forth between the different country identifiers.

Rationale:

USPS-FY21-NP5 FY 2021 ICRA Overview/Technical Description, Part II, Chapter 5, Development of Settlement Charges describes the calculation of individual country settlement expenses as “applying the international charge rates for the mail category in question to the corresponding mail volume on a country-by-country basis.” Then, the “individual country results are subsequently aggregated into the country groups used in the ICRA report.”

The proposed change described in the first bullet above would extend the aggregation by adding a second aggregation step solely for NSA products. Excel file SIRVO_Processed.xlsx in the Supporting Files folder of USPS-FY21-NP2 includes data for NSA activity, and those data will be used to weight the various rate groups for NSA activity similar to the first step in the process that weights the various rate groups for all outbound activity.

Adding the second NSA step to the settlement process improves ICRA cost estimates by using actual NSA activity to weight the product rate groups for NSA attribution, thus, refining the cost estimates for both NSA and non-NSA products.

The other four proposed changes, which are more along the lines of housekeeping and maintenance improvements, take advantage of additional data sources available to the ICRA and eliminate sections that are no longer used or serve

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no purpose. Data for all countries are now available and incorporating all countries into the ICRA database eliminates using 999X countries. 999X countries are countries that are not sampled in SIRVO, but with the Foreign Payment System (FPS), individual country data are available for use in the ICRA. Thus, the group of 999X countries is refined to the individual countries.

Settlement workbooks are routinely filed with International NSA financial workpapers, and using the settlement workbooks as ICRA inputs will minimize possible inconsistencies between the financial workpapers and the ICRA. Additionally, automating the inputs from the settlement workbooks replaces the current method of manual inputs that risks data entry errors.

The Commission's questions raised in Chairman's Information Request No. 14, Questions 3 and 4 in Docket No. ACR2021 identified a need to review the ICRA model to delete calculations and sections that are no longer used. The changes streamline the model, allowing preparers to focus only on what is currently used in the model and minimizing the time reviewers might spend with irrelevant sections.

ISO codes are the standard identification used by the Universal Postal Union and in some sections of the ICRA. Replacing the use of IAB country numbers is more consistent and allows for streamlining the model.

Impact:

Two non-public attachments accompanying this proposal show the impact, and both are filed under seal as part of USPS-RM2022-10-NP1. Non-public Attachment 1.xlsx is a comparison between the Summary, Market Dominant and Competitive pages filed as part of USPS-FY21-NP2 and the Summary, Market Dominant and Competitive

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pages that would have been generated for FY2021 under this proposal. The USPS-FY21-NP2 tabs are shown in green, the proposal tabs are shown in brown, and the differences are shown in pink.

The pink A Pages Summary Diff tab displays the impact on total Market Dominant and total Competitive products, yielding a net impact of zero on total costs. (The difference of 1 for revenue is the result of rounding.) The pages that follow display the detailed impacts on Market Dominant products and Competitive products.

Non-public Attachment 2.xlsx is a comparison between the NSA summary results filed as part of the NSA Summary (Unified) workbook under USPS-FY21-NP2 ICM Costing and the NSA summary results for FY2021 that would have been generated under this proposal. The USPS-FY21-NP2 amounts are shown on the second tab, the proposal amounts are shown on the third tab and the differences are shown on the first tab. The change in Total Volume Variable and Product Specific Cost on the Summary (diffs) tab of Attachment 2.xlsx reflect the International NSA differences on the pink A Pages Summary Diff tab of Attachment 1.xlsx.

For FY 2021, the proposal would not have caused any positive contribution products to turn negative or any negative products to turn positive. There would have been no impact on Inbound NSAs, and all Outbound NSAs would have remained positive.

Mechanics:

The mechanics to implement this proposal are arranged into four general categories:

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1. Changes related to adding calculations for all US Origin countries (Foreign Origin already has a complete listing of countries) and converting to ISO codes, and
2. The elimination of inputs and calculations related to Foreign Origin mail flows that have become unnecessary with the data provided by the FPS system, and
3. The streamlining US Origin input preparation by linking directly to settlements data provided by International Accounting which is also filed with the Commission in the NSA proposals, and
4. The use of NSA product flows from SIRVO to develop Pricing Group weighted average international costs for the ICM Costing Modules.

By adding all US Origin countries, there is no longer the need for grouped country aggregates designated by the SIRVO group codes 990 through 993. In addition, there were numerous calculations needed to develop average costs for these groups and those calculations are eliminated. At the same time, the SIRVO number codes are no longer the common country labeling convention across Postal Service data systems, and they are replaced with the ISO Codes common to the UPU. SIRVO numbers have been converted to ISO codes throughout the model and are not enumerated separately in the following discussion.

Several tabs of Inputs.xlsm are no longer in use. These relate to Foreign Origin Rates that are superseded by settlement data from the FPS_Inbound Inputs.xlsm file. These tabs are removed in this proposal.

A more automated approach to developing settlement costs is now available by linking Inputs.xlsm to ICRA_Settlement_Rates.xlsx. This file is developed based on a

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new set of workbooks under the sub-folders of the new Supporting Files folder named Settlement Workbooks.

The ICRA has traditionally relied on unit costs developed for the non-NSA product flows and costs for the international cost components of Cost Segment 14. These costs were developed in the ICRA calculations and adjusted for variations in per item weights. This proposal bases the NSA unit costs directly on SIRVO data for NSAs resulting in more targeted calculations of NSA costs. These calculations are developed in two workbooks organized in a new International Costs for NSAs sub-folder of the SIRVO Inputs folder. This sub-folder contains weighted-average calculations for Pricing Groups based on 2020 and 2021 group definitions. Supporting these calculations is another new workbook that filters the SIRVO dataset to isolate the NSA flows.

Included in this filing under seal as part of USPS-RM2022-10-NP1 is a complete set of revised and unrevised USPS-FY21-NP2 files, corresponding to those submitted in Docket No. ACR2021. In addition, for the new NSA-weighted calculations, three new files have been included. Also, there are ten new files that are used to stage and link outbound settlement rates to Inputs.xlsm, further streamlining its development. The table below lists all the files and a general listing of the nature of changes that were made.

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File Name	Changes
ICM Costing - NG.xlsm	Incorporating New Settlements Approach
ICM Costing - OG.xlsm	Incorporating New Settlements Approach
ICM Costing Combined.xlsx	Incorporating New Settlements Approach
NSA Summary.xlsx	Incorporating New Settlements Approach
CS14-NP-FY21.xlsx	Unchanged
Domestic Tran Calcs.xlsx	Benchmarking factor updated
Reports.xlsm	Updated ISO Codes, All Countries, Cleanup and New Settlements Approach
Inputs.xlsm	Updated ISO Codes, All Countries, Cleanup and New Settlements Approach
EMS & GXG Calcs.xlsx	Updated ISO Codes, All Countries, Cleanup and New Settlements Approach
Inbound Calcs.xlsx	Updated ISO Codes, All Countries, Cleanup and New Settlements Approach
Outbound Calcs.xlsx	Updated ISO Codes, All Countries, Cleanup and New Settlements Approach
FPS_Inbound_Inputs.xlsm	Updated ISO Codes
Processed Air Transportation Data 2021.xlsm	Updated ISO Codes
ICRA_Settlement_Rates.xlsx	New File Directly Links to Inputs for Settlement Rates
SettlementBook_CY2.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook_FY.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook_PQ1.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook_PQ2.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook_PQ3.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook_PQ4.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook_Special.xlsx	New File Supports Links to Inputs for Settlement Rates
SettlementBook.xlsx	New File Supports Links to Inputs for Settlement Rates
Used Ranges 2.xlsx	New File Supports Links to Inputs for Settlement Rates
SIRVO_Pieces.xlsx	Updated ISO Codes
SIRVO_NetLbs.xlsx	Updated ISO Codes
SIRVO_RevenueUSD.xlsx	Updated ISO Codes
SIRVO_GrossLbs.xlsx	Updated ISO Codes
SIRVO_Processed.xlsx	Updated ISO Codes
SIRVO NSA Weighted International Costs - FY21 CY1.xlsx	Incorporating New Settlements Approach
SIRVO NSA Weighted International Costs - FY21 CY2.xlsx	Incorporating New Settlements Approach
SIRVO NSA Data - FY21.xlsm	Incorporating New Settlements Approach

Steps to Add All Countries to the ICRA Database of Reports and the Elimination of the Need for the “SIRVO Aggregate” Groups and Supporting Calculations

The changes to expand the US Origin countries and eliminate the SIRVO aggregate group calculations affected many of the modules and tabs that make up the ICRA. What follows is a description of the affected tabs organized by workbook.

Changes to Inputs.xlsm

- Eliminated from Inputs (RPW Revenue, RPW Volume, RPW Net Weight, and RPW Gross Weight) and downstream files the fractional SIRVO groups that

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were first installed for shape-based settlements before the UPU adopted them.

- Extended countries on the Air Conveyance Exclusions tab.
- Eliminated factors at the end of the RPW sheets that have been set to 1.0 for a number of years and are unnecessary.
- Adjusted tabs UPU Rates CY1 and UPU Rates CY2 that include US Origin and Foreign Origin settlement rates. The Foreign Origin rates are unused and have been deleted.
- Adjusted staging data in PRIME_Enhanced_Payments tab to eliminate the 990 – 993 SIRVO group calculations.

Changes to Outbound Calcs.xlsx

- Eliminated tabs tdu and tdu rates as they were related to developing SIRVO group 990-993 rates and are no longer needed.
- Deleted cols j-z of aircon tab related to developing SIRVO aggregate group results.
- Deleted rows for report group 12 on the trnadj tab that were unused.
- Deleted columns after Q in Outbound Calcs ACP Rate tab that are now unused.
- Eliminated fractional SIRVO groups relating to mail shape on the Final RPW tab as these are no longer utilized.
- Adjusted calculations on tabs, tdu1p, tdu2p, tdu1w, and tdu2w, in columns AF through AY, rows 3 through 30 to compress the calculations that were related to the fractional SIRVO groups.

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Changes to Reports.xlsm

- Eliminated from SIRVO Processed as well as in Inputs and downstream files the fractional SIRVO groups that were first installed for shape-based settlements before the UPU adopted them.
- Extended the ICRA Database and Intermediate tabs to include all countries. As a result, numerous calculations throughout the model that supported developing and using weighted average calculations for the SIRVO 990 - 993 groups are removed.

Changes to the EMS & GXG Calcs.xlsx

Added rows on Consolidated OB sheet to accommodate all countries.

Changes to Inbound Calcs.xlsx

Adjusted data to replace SIRVO numbers with ISO Codes. Eliminated reference to Transit tab (not present in ACR 21) on the Table of Contents tab.

Changes to the SIRVO Files in the Supporting Files sub-folder, SIRVO Inputs

Eliminated fractional groups in the four files derived from SIRVO_Processed: SIRVO_RevenueUSD.xlsx, SIRVO_Pieces.xlsx, SIRVO_NetLbs.xlsx, and SIRVO_GrossLbs.xlsx. At the same time, parallel adjustments to Inputs.xlsm tabs (RPW Revenue, RPW Volume, RPW Net Weight, and RPW Gross Weight) that depend on these workbooks were made.

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NSA Weighting for Settlements and International Transportation

The ICRA has traditionally relied on unit costs for international cost components of Cost Segment 14 (settlements and international transportation) developed from the non-NSA product flows and costs developed in the ICRA (as calculated on the B Pages (c) and the Pivot4 tab of the Reports.xlsm file). This proposal bases the unit cost development directly on SIRVO data for NSAs. This increases the accuracy in developing Pricing Group averages for the ICM Costing Modules by weighting the actual NSA product flows by country within each Pricing Group, thus resulting in more targeted calculations of NSA costs.

The proposed calculations are developed in a new sub-folder of the SIRVO Inputs named "International Costs for NSAs." This sub-folder now contains weighted-average calculations Pricing Groups based on 2020 and 2021 group definitions (named SIRVO NSA Weighted International Costs - FY21 CY1.xlsx and SIRVO NSA Weighted International Costs - FY21 CY2.xlsx, respectively). Supporting these calculations is a new workbook of SIRVO data filtered to isolate the NSA flows, SIRVO NSA Data - FY21.xlsm. The table below shows the new files and their organization in the ICRA modeling system.

File Name	Full Path
SIRVO NSA Weighted International Costs - FY21 CY1.xlsx	G:\ICRA22\Proposal\Supporting Files\SIRVO Inputs\International Costs for NSAs\
SIRVO NSA Weighted International Costs - FY21 CY2.xlsx	G:\ICRA22\Proposal\Supporting Files\SIRVO Inputs\International Costs for NSAs\
SIRVO NSA Data - FY21.xlsm	G:\ICRA22\Proposal\Supporting Files\SIRVO Inputs\International Costs for NSAs\

The proposed calculations have an additional benefit of eliminating a number of pivot tables and staging calculations to prepare costs for the NSAs that are organized on the Unit_Cost_Staging tab of Reports.xlsm. Along with the addition of modeling all US Origin countries directly (i.e., eliminating the SIRVO groups 990-993), all of the

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calculations below the first two pages of the B Pages for competitive products are eliminated. This has the further benefit of eliminating numerous pivot tables that were used to serve data to the prior calculations. The Pivot4 tab of Reports.xlsm is also removed. In addition, the Group RPW tab of EMS & GXG Calcs.xlsx that supported the B Pages (c) calculations is removed. Also, in Outbound Calcs.xlsx, on the airin tab, columns AJ through CC, and on the isal tab, columns Y through AL, all of which organized data by Pricing Group, as well as SIRVO aggregate groups for the B Pages (c) calculations, are eliminated.

The prior approach relied on a “RefreshICMUnitCostData” macro that sequentially removed piece-based and weight-based settlement components staged in columns BI through CC of the ICRA Database tab of Reports.xlsm. This sequential process involved several full recalculations of the model to develop the piece and weight settlement components and added significant processing time to the development of costs for NSAs.

The proposed procedure no longer requires that a macro be run as the Pricing Group data developed in the two new international cost workbooks are staged (columns AF through AU of Unit_Cost_Staging) along with with a selector switch to use costs from the appropriate Pricing Group regime for the proper ICM Costing Module.

Finally, only unit costs currently being utilized in the ICM Costing Modules are calculated, resulting in several columns of calculations being deleted. These columns are currently maintained as blank cells to preserve the alignment with the ICRA filed for the 2021 ACR.

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Eliminating Unused Inputs and Calculations

There were several tabs in various workbooks that were no longer being actively used and this step makes the modeling more transparent.

Inputs.xlsm

- Deleted EMS Inbound Rates PQ1 – PQ4 that is no longer needed
- Inbound ePk KG CY1 and Inbound ePk KG CY2 are no longer separately identified as these are now Letter Post tracked packets
- CP Rate Exceptions CY1 and CP Rate Exceptions CY2 – these were inbound rates and bilateral charges that are now obtained from FPS_Inbound_Inputs
- Eliminated inbound piece of Air Conveyance Exclusions tab by deleting rows with data through row 236

FPS_Inbound_Inputs.xlsx

- Deleted the ten tabs for Transit SCP and ePackets that had no data, and adjusted Inputs and Inbound Calcs for these deletions.

Linking Settlement Rates to a Central Workbook Based on Information Routinely Provided to the PRC

There are a series of workbooks added to provide a more automated approach to updating the ICRA for settlement rates. The workbook ICRA_Settlement_Rates.xlsx links directly to Inputs.xlsm. In support of the ICRA_Settlement_Rates.xlsx workbook are nine additional workbooks that organize the data quarterly and by calendar year.

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File Name	Full Path
ICRA_Settlement_Rates.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\
SettlementBook_CY2.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\CY2\
SettlementBook_FY.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\FY\
SettlementBook_PQ1.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\PQ1\
SettlementBook_PQ2.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\PQ2\
SettlementBook_PQ3.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\PQ3\
SettlementBook_PQ4.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\PQ4\
SettlementBook_Special.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\Special\
SettlementBook.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\Structure Analysis\
Used Ranges 2.xlsx	G:\ICRA22\Proposal\Supporting Files\Settlements Workbooks\Structure Analysis\

The workbook Inputs.xlsm now links directly to the settlement workbook ICRA_Settlement_Rates.xlsx. After formatting this workbook appropriately, copies of the Settlement Rates workbook are placed into subfolders with standardized names in the seven directories below and change their “Contract Periods” to the corresponding necessary time intervals: PQ1, PQ2, PQ3, Pq4, CY2, FY, and “Special” for circumstances needed to handle special considerations, such as rates that only apply in January, etc.

When everything is opened, the ICRA_Settlement_Rates workbook is updated and ready for ICRA usage, including ultimate linkages. The ranges for linking are already named and include support for lookups by ISO code.