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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Edward J. Gleiman, Chairman;  
George A. Omas, Vice Chairman;  
Dana B. Covington; Ruth Y. Goldway;  
and W.H. "Trey" LeBlanc III

Postal Rate and Fee Changes

Docket No. R2000-1

NOTICE OF REQUEST FOR RECONSIDERATION  
AND ORDER ESTABLISHING PROCEDURES

(Issued December 11, 2000)

On December 5, 2000 the Governors of the United States Postal Service issued two decisions on the Commission's November 13, 2000 Opinion and Recommended Decision in Docket No. R2000-1. The Postal Service provided separate Notices with these two decisions indicating that they had been mailed to the service list in Docket No. R2000-1.

The Decision of the Governors of the United States Postal Service on the Recommended Decision of the Postal Rate Commission on Postal Rate and Fee Changes, Docket No. R2000-1 (Decision of the Governors), states at 1, "we allow the Recommended Decision to take effect, under protest, and return it to the Commission for reconsideration and a further recommended decision as expeditiously as possible." By this Order, the Commission initiates action to reconsider the Postal Service Request in this docket, consistent with 39 U.S.C. § 3624.<sup>1</sup>

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<sup>1</sup> A separate Decision of the Governors of the United States Postal Service on the Recommended Decisions of the Postal Rate Commission on Select Mail Classification Matters, Docket No. R2000-1 did not request reconsideration of any issue, and thus is not before the Commission except as it impacts on test year after rates revenues.

Participants in Docket No. R2000-1 will be accorded a reasonable opportunity to provide their views on each of the issues on which reconsideration is sought. These issues include the rates that would be recommended should the Commission, on reconsideration, determine that it should adjust its findings on the issues identified by the Governors.

The Decision of the Governors notes at 2, that the Commission directed the Postal Service to provide updated cost information during the course of hearings in this proceeding, and that the information provided by the Service "suggested that the projected test year revenue requirement had increased to over \$69.8 billion." The Governors' subsequent finding "that the revenue requirement is \$69.832 billion[.]" *id.* at 12, evidently relies on the updated costs used in the Commission's Recommended Decision of November 13, as does their determination of a \$1.695 billion contingency amount, versus the \$1,680 billion originally requested. The rates recommended by the Commission produce \$68.819 billion, a difference of more than one billion dollars.

The Governors have advised that the test year revenue requirement for the Postal Service should be increased by including the \$200 million field reserve, adding \$97 million in supervisor costs, and increasing the provision for contingencies by \$687 million.<sup>2</sup> The Governors also protest that rates should be increased to recover the purported cost consequences of increased volumes of heavier First-Class Mail, to correct a perceived error in the computation of Bound Printed Matter rates, to offset revenues lost if nonprofit Standard Mail rates are reduced to conform better with amended 39 U.S.C. § 3626 and, possibly, to allow for a reduction in certain parcel post surcharges.

The Commission will review the evidentiary record and the applicable legal standards applicable to each of these seven issues. The first step in this process will be to call upon the Postal Service to provide detailed statements on each of these

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<sup>2</sup> The \$687 million is derived by subtracting the \$1.012 figure allowed in the Commission Opinion and Recommended Decision from the \$1.695 figure shown in the Decision of the Governors at 12.

issues, setting out evidentiary and legal support for the outcomes deemed proper by the Governors. Other participants, having been fully informed of the rationales underlying the Decision of the Governors will then have an opportunity to provide their views. Finally, the Postal Service will be given a last opportunity to respond to arguments presented by other participants.

Throughout the proceeding to this point the Postal Service has indicated that it sought "only the revenue goals embodied in its Request." Postal Service Brief at I-13. Consistent with this position, it urged the Commission to recommend the rate and fee proposals embodied in the Postal Service Request of January 12, 2000.<sup>3</sup> Id. at I-14. In its initial submission in response to this Order, the Postal Service is to present its views on the appropriate portions of total revenues that each subclass and service should contribute toward collecting sufficient test year revenues in light of the Governors' revenue requirement finding. The Service may also suggest specific rates that would achieve these subclass and service specific revenue goals.

Participants may also comment on how to recognize other matters referred to in the Decision of the Governors. For example, the Governors apparently view their rejection of the proposed Priority Mail flat rate envelope classification change and the final FY 2000 deficit as altering the perceived test year revenue deficiency.

The Governors have requested that the reconsideration process be conducted as expeditiously as possible. Nonetheless, this process will be most effective if all participants have adequate time to prepare thoughtful, carefully reasoned presentations. Therefore, the Commission will allow at least three weeks for the submission of views from each participant. Recognizing that the year-end holiday season is rapidly approaching, the deadline for the submission of initial Postal Service comments will be extended further, until January 3, 2001. Other participants'

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<sup>3</sup> The Postal Service did support lower rates for Periodicals and rates for preferred mail that conform with 39 U.S.C. § 3626.

comments are to be submitted by January 24, 2001, and the final Postal Service response will be due on January 31, 2001.

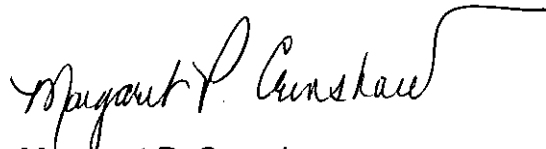
It is of course quite possible that the Postal Service already prepared much of the analysis needed for the initial Postal Service comments during the process of assisting the Governors. If the Postal Service provides its initial comments on or before December 20, 2000, then the date for participant comments shall be January 12, 2001, and the date for the final Postal Service response will be January 19, 2001.

It is ordered:

The Postal Service and other participants shall provide their views on the Decision of the Governors requesting Reconsideration in accordance with the schedule set out in the body of this order.

By the Commission.

(SEAL)

A handwritten signature in black ink, reading "Margaret P. Crenshaw". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Margaret P. Crenshaw  
Secretary