

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

PERIODIC REPORTING

Docket No. RM2008-__

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION
OF A PROCEEDING TO CONSIDER FURTHER PROPOSED METHODOLOGY
CHANGES FOR THE FY 2008 ACR (Proposal Twelve)
(November 4, 2008)

On August 11, 2008, the Postal Service filed a motion regarding eight proposed changes in costing methodology for the FY08 ACR. That pleading resulted in the initiation of Docket No. RM2008-2, and the establishment of procedures to consider the Postal Service's proposals. Order No. 99 (August 18, 2008). Proposal Nine was subsequently added to that docket, and Proposals Ten and Eleven were the subject of Docket No. RM2008-6. Order No. 102 (August 21, 2008); Order No. 108 (Sept. 18, 2008). The Postal Service hereby requests initiation of a comparable proceeding to consider another set of proposed changes. To avoid potential confusion between these matters and those which already have been the subject of the previous two dockets, the numbering for this proposal (Proposal Twelve) starts after the last number used in the earlier rulemakings (Proposal Eleven).

Proposal Twelve consists of a series of proposed improvements to the flats models generally, and the Periodicals model in particular. As such, it builds on work which was done by the Postal Service in the preparation of the FY 2007 ACR, and which was subsequently the topic of much discussion and two technical conferences

during the ACR docket. That work was also the subject of a significant portion of the Commission's Compliance Report. FY 2007 ACD (March 27, 2008) at 70-86. In order to address some of the matters raised in those contexts, the Postal Service and its consultants have done a large amount of field work to investigate the relevant topics and to collect appropriate data. It is hoped that the substantial resources expended are justified by improved understanding of flat handling operations, and improved ability to reflect those operations in new or updated model inputs.

The Postal Service is attempting to provide all necessary documentation with this proposal. In the event that the Commission nonetheless believes that a technical conference on this material would be helpful, the Postal Service notes that such a conference would involve travel to Washington by out-of-town postal consultants (as well as, possibly, consultants for others). For that reason, if such a conference is deemed necessary, the Postal Service would prefer a single conference long enough to address all of the issues at once, rather than, for example, two conferences separated by an interval of some days.

The details of Proposal Twelve are shown on the attached pages, and in a variety of materials attached electronically. Specifically, attached are the following electronic files (followed by a brief description):

Appendix A – Study Instructions.doc: Field Study instructions for data team.

Field Study – 2008.doc: Document summarizing the field study and results.

Periodicals Cost Model Modifications.doc: Document describing changes in PER Model.

ACR2007_Periodicals_OC_Flats_Model Modified SP mod.xls: PRC-ACR2007-LR4 with all the proposed changes.

Facility Study.xls: Raw data from the field.

There are two additional items which may be useful for persons reviewing this proposal, but which have not yet been completed. Those are the First-Class Mail and the Standard Mail flats models, each with the proposed changes incorporated. The Postal Service plans to provide those shortly in a supplemental filing, but it seemed neither necessary nor prudent to delay filing the entire proposal merely on account of the temporary absence of such supplemental material.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 4, 2008

Proposal Twelve

UPDATE AND DEVELOPMENT OF COST PARAMETERS FOR FLATS MODELS

OBJECTIVE:

Update old parameters and develop new parameters for the flats cost models through field studies, modifications of existing cost inputs, and development of new cost inputs.

BACKGROUND:

The First-Class Mail, Periodicals, and Standard Mail flats cost models (USPS-FY07-11) filed in Docket No. ACR2007 use a variety of inputs for estimating costs of flat-shaped mail. Certain inputs are updated periodically from data received from subject-matter experts, while others are taken from library references in past dockets. This proposal presents results of new input data collected in the field and from other data systems.

RATIONALE:

The new data either replace the old input data in the cost models or introduce new parameters for more accurate cost estimation, based on models of current operations. Results from the recent field study performed at 15 mail processing plants and other modifications are discussed in greater detail in the documents titled "Field Study – 2008", "Appendix A – Study Instructions", and "Periodicals Mail Cost Model Modifications". The document titled "Field Study – 2008" explains in detail the selection of sample sites, describes the data collection in each operation, and summarizes results. The document titled "Appendix A – Study Instructions" provides detailed instructions used by the data collection team. The document titled "Periodicals Mail Cost Model Modifications" lists modifications in the Periodicals cost model and provides a description of each modification.

IMPACT:

The cost model spreadsheets accompanying the documents contain the results of the cost models when the new inputs are applied to FY07 data. The Periodicals mail cost model has been set-up with toggle switches for each modification and update discussed in the documents to allow maximum transparency of the impact of the changes made. In the tab 'ACR 2008 MODIFICATIONS' each modification can be turned ON or OFF in column D. Turning all modifications OFF will revert the model back to PRC-ACR2007-LR4 spreadsheets filed in Docket No. ACR2007. Each modification number listed in column B corresponds to the modification listed in the Word document.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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