

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

Before Commissioners:

Dan G. Blair, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Tony L. Hammond

Modification of Costing Methods 2008—
Postal Service Proposal Twelve

Docket No. RM2009-1

NOTICE OF PROPOSED RULEMAKING ON COSTING
METHODS USED IN PERIODIC REPORTING
(PROPOSAL TWELVE)

(Issued November 7, 2008)

On November 4, 2008, the Postal Service filed a petition to initiate an informal rulemaking proceeding to change accepted costing methods for purposes of periodic reporting.¹ The informal rulemaking procedures proposed would be comparable to those followed in Docket Nos. RM2008-2 and RM2008-6. In Docket No. RM2008-2, nine numbered proposals were the subject of notice and comment rulemaking procedures. In Docket No. RM2008-6, the Postal Service proposed two additional proposals to change costing methods, numbered ten and eleven. The costing proposals in these dockets were evaluated in Order No. 115 (October 10, 2008), and Order No. 118 (October 22, 2008), respectively. The Postal Service refers to the change in accepted cost methods that it proposes in this docket as Proposal Twelve.

¹ 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 (Petition).

Labeling it Proposal Twelve indicates that the proposal is sequential to, but distinguishable from, the proposals in the two earlier dockets. See Petition at 1.

Substance of the Postal Service's proposal. Proposal Twelve is a proposal to use data recently gathered in the field to update inputs used in the cost avoidance models for flats generally, and for Periodicals flats, in particular. Some new parameters for these models are proposed as well. Proposal Twelve continues the work of updating the Periodicals cost avoidance models that were first presented by the Postal Service in the FY 2007 Annual Compliance Report (ACR) and evaluated by the Commission in the FY 2007 Annual Compliance Determination (ACD). The petition explains that the Postal Service will soon provide similar updates of the First-Class and Standard Mail flats cost avoidance models.

The petition is accompanied by electronic attachments that contain the new input data, the sample designs used in their collection, and the instructions to the data collectors. The petition explains the background, objectives, and rationale for Proposal Twelve, and how the impact in FY 2008 of each proposed change in input data or parameters can be identified from the attachments provided.

Procedural expedition. The same factors that led the Commission to expedite review of the eleven proposals disposed of in Docket Nos. RM2008-2 and RM2008-6 apply here. The set of changes that make up Proposal Twelve, however, appears to be more substantial and more complex than many of those evaluated in Docket Nos. RM2008-2 and RM2008-6. A countervailing consideration is that the time remaining before the FY 2008 ACR is due is much shorter than in those earlier dockets. Balancing these conflicting considerations will be difficult, given the rapidly approaching holidays and year-end convergence of numerous regulatory deadlines.

The Postal Service explains that any technical conference deemed necessary to further explain Proposal Twelve would require it to bring consultants in from out of town. Therefore, it requests that a technical conference not be scheduled ahead of time until the need for it is confirmed. *Id.* at 2. The Postal Service should reserve November 21, 2008 for a technical conference to take place if the Commission is ultimately persuaded

that a technical conference is needed to expedite evaluation of Proposal Twelve. To allow for the possibility of a technical conference and, if held, to provide time for the information gained at such a conference to be reflected in public comments, comments on Proposal Twelve are due on or before December 1, 2008. Reply comments are due on December 10, 2008. This schedule may make it difficult to issue a final order in time to have these proposals reflected in the FY 2008 ACR, which is due on December 29, 2008, but at least that goal would remain a possibility.

It is Ordered:

1. The Commission establishes Docket No. RM2009-1 to consider the 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), filed November 4, 2008.
2. Interested persons may submit initial comments on or before December 1, 2008.
3. Reply comments may be submitted on or before December 10, 2008.
4. William C. Miller is designated as the Public Representative representing the interests of the general public in this proceeding.
5. The Secretary shall arrange for publication of this Notice in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary