

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

PERIODIC REPORTING

Docket No. RM2009-2

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION  
OF A PROCEEDING TO CONSIDER FURTHER PROPOSED METHODOLOGY  
CHANGES FOR THE FY 2008 ACR (Proposal Thirteen)  
(November 19, 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). Subsequent proposals have been the subjects of Docket Nos. RM2008-6 and RM2009-1. See, Order No. 108 (Sept. 18, 2008); Order No. 130 (November 7, 2008). Continuing its efforts to keep the Commission apprised of changes necessary for the cost models to comply with the new configuration of products, the Postal Service hereby requests initiation of a comparable proceeding to consider another set of proposed changes. As done before, to avoid potential confusion between these matters and those which already have been the subject of the previous dockets, the numbering for this proposal (Proposal Thirteen) starts after the last number used in the earlier rulemakings (Proposal Twelve).

Proposal Thirteen consists of proposed changes to the mail processing and transportation cost models for single-piece Parcel Post that contain cost estimates for the Inter-BMC and Intra-BMC price categories. As such, it builds on the changes

resulting from Proposal Ten. Proposal Ten indicated that the Postal Service would develop costs for single-piece Parcel Post, Parcel Select, and Parcel Return Service (PRS) separately in FY 2008 using In-Office Cost System (IOCS), Carrier Cost System (CCS), and Transportation Cost System (TRACS) data. The Postal Service proposed, and the Commission accepted, the use of IOCS, CCCS, and TRACS data to develop “bottom up” mail processing, transportation, and delivery costs for these products, and to display each as a separate row in the CRA. See, Order No. 118 (Oct. 22, 2008).

This change in the development of the three products previously combined as Parcel Post necessitates changes to the cost models used to divide mail processing and transportation costs among the rate categories within Parcel Post. Until now, the cost models incorporated aggregate data among all of the rate categories of Parcel Post as it developed “top down” cost relationships based on the worksharing concepts. The development of three sets of costs for the three products which formerly comprised Parcel Post necessitates that the integrated Parcel Post model be replaced.

The Postal Service is attempting to provide all necessary documentation with this proposal. Those familiar with the Parcel Post cost models for mail processing and transportation as they were presented in rate proceedings and in the FY 2007 ACR will recognize the models as essentially unchanged in the conceptual approach and mechanical relationships of data elements, assumptions and analytical techniques presented in the attached models. Indeed, the Postal Service represents that the models remain the same, but now must be replicated individually for the data inputs that will be obtained from the CRA for each of the three products which formerly collectively represented Parcel Post. Presentation now of the single-piece Parcel Post model may

be unnecessary, given the small number of changes, but in the interest of facilitating ease of use once the FY 2008 ACR is delivered to the Commission, the Postal Service is providing the single-piece model so that interested parties may review the means by which the cost models have been cosmetically altered to permit the individual analyses of the parcel products and rate categories.

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

Parcel Post Single-Piece Trans.xls: Cost model showing transportation costs allocated to Inter- and Intra-BMC single-piece Parcel Post (replacing portions of USPS-FY07-16)

Parcel Post Single-Piece MP.xls: Cost model showing mail processing costs allocated to Inter- and Intra-BMC single-piece Parcel Post (replacing portions of USPS-FY07-15)

Parcel Post Cost Model Modifications.doc: Document describing modifications made to the Parcel Post mail processing and transportation cost models (formerly portions of USPS-FY07-15 and USPS-FY07-16) to accommodate new reporting methods in the CRA for single-piece Parcel Post

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 19, 2008

## Proposal Thirteen

### DEVELOPMENT OF SINGLE-PIECE PARCEL POST MAIL PROCESSING AND TRANSPORTATION COST MODELS

#### **OBJECTIVE:**

Develop single-piece Parcel Post mail processing and transportation cost models that contain cost estimates for the Inter-BMC and Intra-BMC price categories.

#### **BACKGROUND:**

Parcel Post mail processing (USPS-FY07-15) and transportation (USPS-FY07-16) cost models were filed in Docket No. ACR2007. These cost models were used to derive cost estimates for all the Parcel Post price categories using a single set of cost model parameters. This methodology was relied upon because some parameters were only available in aggregate form. For example, an aggregate mail processing unit cost by shape estimate (USPS-FY07-26) was all that was available at that time.

#### **RATIONALE:**

As the Commission discussed in Order No. 118, the Postal Service is now able to provide separate mail processing and transportation cost data for single-piece Parcel Post, Parcel Select, and Parcel Return Service for Fiscal Year 2008. It is therefore now possible to develop separate single-piece Parcel Post mail processing and transportation cost models. The document titled "Parcel Post Cost Model Modifications" lists the modifications required to develop single-piece Parcel Post mail processing and transportation cost models, using the cost models that were filed in USPS-FY07-15 and USPS-FY07-16, respectively, as starting points.

#### **IMPACT:**

In Docket No. ACR2007, single-piece Parcel Post mail processing and transportation cost estimates for the Inter-BMC and Intra-BMC price categories were not developed for the reasons described above. The fact that several cells on page 1 of the proposed mail processing model contain values of zero is not an indication that there is a problem with the model. These values merely indicate that the USPS-FY07-15 aggregate cost by shape estimate was removed from the model, given that it is not comparable to the single-piece estimate that should be used and is not yet available. The results that appear on page 1 of the proposed transportation cost model are also not meaningful as they were calculated using cost segment 8 and 14 data that represent all of Parcel Post, rather than the more narrowly defined category of single-piece Parcel Post. The single-piece transportation cost data are not yet available. Once all the Fiscal Year 2008 cost data are available and incorporated into the proposed cost models it will only be possible to compare the single-piece Inter-BMC and Intra-BMC mail processing and transportation cost estimates to the aggregate (single-piece and bulk-entered) Inter-

BMC and Intra-BMC cost estimates derived in USPS-FY07-15 and USPS-FY07-16, respectively.

## **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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