

ORDER NO. 303

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

Before Commissioners:

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

Amendment to the System of
Ratemaking Regulations

Docket No. RM2009-8

ORDER AMENDING THE CAP
CALCULATION IN THE SYSTEM OF RATEMAKING

(Issued September 22, 2009)

This Order adopts the amendments proposed to the inflation-based price cap calculation as set forth in Order No. 246.¹ The amendments allow the Commission to calculate the price cap using three decimal places, as opposed to one decimal place. *Id.* at 2-3.

Order No. 246 explains that previously data limitations only allowed for the use of one decimal place. *Id.* at 2. Order No. 246 also sets forth the developments that make three decimal places more appropriate, including small rate adjustments proposed by the Postal Service, which require a greater degree of precision from the cap; the

¹ PRC Order No. 246, Notice of Proposed Rulemaking to Amend the Cap Calculation in the System of Ratemaking, July 10, 2009 (Order No. 246).

availability of data that allows the cap to be calculated to three decimal places; and consistency with the Postal Service's unused rate adjustment authority (bank), which is calculated to three decimal places. *Id.* at 2-3.

The Commission amends the last sentence in rules 3010.21(a) and 3010.22(b) to read, "The result is expressed as a percentage, rounded to three decimal places." The amendment also corrects an inadvertent error in the current heading for part 3010 from "Regulation of Rules for Market Dominant Products" to "Regulation of Rates for Market Dominant Products". *Id.* at 3.

Only two comments were submitted in response to Order No. 246. The Postal Service and the Public Representative both filed comments in support of the proposed change.²

It is ordered:

1. The Commission adopts the referenced amendments as final rules revising the price cap calculation in 39 CFR part 3010 and the part heading for 39 CFR part 3010. The part heading and sections affected by these revisions are set forth in their entirety, following the Secretary's signature, to provide context and clarity.
2. These rules shall take effect 30 days after publication in the *Federal Register*.

² Initial Comments of the United States Postal Service, July 30, 2009; Public Representative Comments, August 21, 2009.

3. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary

PART 3010—REGULATION OF RATES FOR MARKET DOMINANT PRODUCTS

§ 3010.21 Calculation of annual limitation.

(a) The calculation of an annual limitation involves three steps. First, a simple average CPI-U index is calculated by summing the most recently available 12 monthly CPI-U values from the date the Postal Service files its notice of rate adjustment and dividing the sum by 12 (Recent Average). Then, a second simple average CPI-U index is similarly calculated by summing the 12 monthly CPI-U values immediately preceding the Recent Average and dividing the sum by 12 (Base Average). Finally, the annual limitation is calculated by dividing the Recent Average by the Base Average and subtracting 1 from the quotient. The result is expressed as a percentage, rounded to three decimal places.

(b) The formula for calculating an annual limitation is as follows: Annual Limitation = (Recent Average/Base Average) - 1.

§ 3010.22 Calculation of less than annual limitation.

(a) If a notice of rate adjustment is filed less than 1 year after the last Type 1-A or Type 1-B notice of rate adjustment applicable to an affected class of mail, then the annual limitation will recognize the rate increases that have occurred during the preceding 12 months. When the effects of those increases are removed, the remaining partial year limitation is the applicable restriction on rate increases.

(b) The applicable partial year limitation is calculated in two steps. First, a simple average CPI-U index is calculated by summing the 12 most recently available monthly CPI-U values from the date the Postal Service files its notice of rate adjustment and dividing the sum by 12 (Recent Average). The partial year limitation is then calculated by dividing the Recent Average by the Recent Average from the most recent previous notice of rate adjustment (Previous Recent Average) applicable to each affected class of mail and subtracting 1 from the quotient. The result is expressed as a percentage, rounded to three decimal places.

(c) The formula for calculating the partial year limitation for a notice of rate adjustment filed less than 1 year after the last notice is as follows: Partial Year Limitation = (Recent Average/Previous Recent Average) – 1.