

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

Before Commissioners:

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

Modification of Analytical Principles in
Periodic Reporting
(Proposal Thirty)

Docket No. RM2010-7

ORDER ACCEPTING ANALYTICAL PRINCIPLE IN PERIODIC REPORTING
(PROPOSAL THIRTY)

(Issued January 22, 2010)

I. BACKGROUND

On December 22, 2009, the Postal Service filed a petition pursuant to 39 CFR 3050.11 to initiate an informal rulemaking proceeding to consider a change in the analytical methods approved for use in periodic reporting.¹ The change proposed (Proposal Thirty) would apportion the FY 2009 Parcel Select Nonpresort billing determinant volume data between the former Inter-BMC and Intra-BMC price categories. *Id.*, Proposal Thirty, at 1. In May 2009, the Postal Service eliminated the price distinction between Inter-BMC and Intra-BMC within the Parcel Select Nonpresort

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytic Principles (Proposal Thirty), December 22, 2009 (Petition). Supporting materials are attached to the Petition which addresses the background, rationale and impact of the proposal.

rate structure. As a result, the Postal Service stopped collecting separate Inter-BMC and Intra-BMC volume data after the rate structure change in May. Thus, the first three quarters reflect separated data, while the subsequent data do not. However, Parcel Select/PRS mail processing and transportation cost models require the disaggregated Inter-BMC and Intra-BMC billing determinants to apportion certain costs. The Postal Service proposes to apportion Quarter 4 Nonpresort billing determinants to reflect the former rate structure as follows:

- Zones 6 through 8 will be assigned to Inter-BMC;
- Zones 1 through 5 will be assigned to Inter-BMC and Intra-BMC categories in the same proportion as FY 2009 Quarters 1 through 3; and
- OBMC and BMC presort will be assigned to Inter-BMC.

Id., at 1-2.

Using the disaggregated volume distribution of Quarters 1 through 3 to reconfigure Quarter 4 will approximately annualize the results of the classification structure that prevailed during most of FY 2009. The Postal Service will only use these constructed billing determinants as inputs to the Parcel Select/PRS mail processing and transportation cost models provided most recently as USPS-FY09-NP15, USPS-FY09-NP16, and USPS-FY09NP-17. The Postal Service notes that the overall effect of Parcel Select results will be small because the Inter-BMC and Intra-BMC categories account for a very small proportion of total FY 2009 Parcel Select volume. *Id.*

Participant comments. The Public Representative was the only participant to comment on Proposal Thirty. He encourages the Commission to approve it, but notes that the Annual Compliance Report proceeding lacks any data that would make it possible to verify that the methodology is implemented correctly. He suggests that the Postal Service show how it calculated the adjustment in the Annual Compliance Report proceeding.² *Id.* at 2.

² Comments of the Public Representative in Response to Order No. 372, January 8, 2010.

Commission analysis. The Commission agrees with the Postal Service that the restructuring of the Nonpresort Parcel Select prices removes essential inputs for the Parcel Select/PRS mail processing and transportation cost models. The Commission believes the Postal Service's adjustment is an appropriate way to reconstruct these inputs for FY 2009, and, therefore, approves Proposal Thirty. The Commission assumes that the Postal Service will adjust these cost models in FY 2010 to reflect the aggregated Nonpresort price structure. Additionally, the Commission agrees with the Public Representative that hardcoded data in the Postal Service's FY 2009 Parcel Select/PRS mail processing and transportation documentation in the FY 2009 Annual Compliance Report proceeding prevents the verification of this volume adjustment. The Commission will address this issue in that proceeding.

It is ordered:

For purposes of periodic reporting to the Commission, the Commission accepts the change in analytical principles proposed by the Postal Service in the Petition of the United States Postal Service.

By the Commission.

Shoshana M. Grove
Secretary