



POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Office of the General Counsel

October 12, 2010

R. Andrew German
475 L'Enfant Plaza SW Room 6616
Washington DC 20260-1137

Dear Mr. German:

By letter dated October 6, 2010, you requested advice on the applicability of Commission Rule 3010.26, Calculation of Unused Rate Adjustment Authority. You note that more than 12 months have elapsed since the Postal Service last adjusted rates pursuant to the price cap, and you ask whether under these circumstances, Rule 3010.26 must be applied, and if so how should it be applied.

The Commission has made it a practice to offer informal advice on the interpretation of its Rules and consistent with that practice let me offer the following guidance.

Commission Rule 3010.2(a) establishes Type 1-A rate filings to allow the Postal Service to adjust rates within the annual price cap limitation established in 39 U.S.C. 3622(d)(1)(A). That limitation is the change in CPI "over the most recent available 12-month period preceding the date the Postal Service files notice of its intention to increase rates". The annual limitation that applies in Type 1-A rate filings is computed in accordance with Rule 3010.21. The current limitation is updated monthly and published on the Commission website, www.prc.gov, at *CPI(PDF)*.

Commission Rule 3010.2(a) also establishes Type 1-B rate filings to allow the Postal Service to use its discretionary authority under 39 U.S.C. 3622(d)(2)(C)(ii). Rule 3010.26 describes how to compute unused rate adjustment authority should the Postal Service seek to utilize any "banked" authority.

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These rules were developed in Docket No. RM2007-1. The record in that proceeding indicates that little attention was given to the possibility that during periods of deflation, the Postal Service might accrue negative rate authority. The rules reflect the generally shared expectation that if the Postal Service chose to defer an annual rate adjustment, the result would be that it would bank positive rate adjustment authority. In fact, following the rate adjustment approved in Docket R2009-2 some negative rate adjustment authority accrued. This unexpected event does not alter the calculation of the annual limitation applicable to a Type 1-A rate adjustment.

Sincerely,



Stephen L. Skarfman
General Counsel