

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

Before Commissioners:

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

Periodic Reporting  
(Proposal Two)

Docket No. RM2011-10

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL  
PRINCIPLES USED IN PERIODIC REPORTING  
(PROPOSAL TWO)

(Issued May 12, 2011)

On May 10, 2011, the Postal Service filed a petition pursuant to 39 CFR 3050.11 asking the Commission to initiate an informal rulemaking proceeding to consider changes in the analytical principles approved for use in periodic reporting.<sup>1</sup> Proposal Two is a set of four changes that the Postal Service first presented in its FY 2010 Annual Compliance Report (ACR) modifying the cost models that are used to evaluate Negotiated Service Agreements (NSAs) for competitive products. These cost models were included in USPS-FY10-NP27 in that docket.

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<sup>1</sup> Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal Two), May 10, 2011 (Petition).

The Petition notes that in its FY 2010 Annual Compliance Determination, the Commission made a preliminary determination that these four changes constitute changes to analytical principles that require prior Commission approval before being incorporated in an ACR.<sup>2</sup> The Postal Service notes that the purpose of its Petition is to obtain the Commission's approval of the referenced changes for use in future ACRs, even though some of the changes could be viewed as corrections to its models not requiring advance Commission approval. Petition at 1.

The four changes for which the Postal Service seeks approval are:

1. The addition of a cost avoidance for Priority mailpieces;
2. The inclusion of D-Report adjustments;<sup>3</sup>
3. The incorporation of the CRA adjustment for Alaska Air Priority transportation; and
4. Changes in the distribution of other costs for Parcel Select and Parcel Return Service.

In the material supporting these changes, the Postal Service asserts that including them in the NSA cost models better matches the characteristics of the mail volume for the NSAs in question. It characterizes inclusion of the D-Report and the Alaska Air adjustments as rectifying previous omissions from these models. It notes that the change in the distribution of "Other" costs for Parcel Select is made necessary by the inclusion of the D-Report adjustment.

The Postal Service explains that if the D-Report adjustment is made, it will comprise the majority of "Other" costs. Since the D-Report adjustment is computed as a cost per piece, it contends, "Other" costs should be distributed on a per-piece basis, rather than treated as proportionate to mail processing, transportation, and delivery costs. It says that for consistency, a similar adjustment should be made to the costs of Parcel Return Service. *Id.* at 4.

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<sup>2</sup> See Docket No. ACR2010, FY 2010 Annual Compliance Determination, March 29, 2011, at 141.

<sup>3</sup> The D-Report is one of six reports used to develop the Cost and Revenue Analysis (CRA). In the D-Report, the Postal Service provides attributable, product-specific, and volume variable costs for each product.

More detailed descriptions of the proposed changes can be found in USPS-RM2011-10/NP1, which is filed under seal.

*It is ordered:*

1. The Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal Two), filed May 10, 2011, is granted.
2. The Commission establishes Docket No. RM2011-10 to consider the matters raised by the Postal Service's Petition.
3. Interested persons may submit comments on Proposal Two no later than June 13, 2011.
4. The Commission will determine the need for reply comments after review of the initial comments.
5. John P. Klingenberg is appointed to serve as the Public Representative to represent the interests of the general public in this proceeding.
6. The Secretary shall arrange for publication of this notice in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary