

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 Three)

Docket No. RM2011-11

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

(Issued May 23, 2011)

On May 18, 2011, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting the Commission to initiate an informal rulemaking proceeding to consider changes in the analytical methods approved for use in periodic reporting.¹ Proposal Three would revise the method by which unused stamp and meter revenue reflected in the Postal Service's financial accounts are allocated to single-piece First-Class, Priority, and other mail in its Revenue, Pieces, and Weight (RPW) report.

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytic Principles (Proposal Three), May 18, 2011 (Petition).

The Postal Service's Trial Balance revenue accounts are set up to identify revenue by source. One of the sources of revenue that those accounts identify is method of payment (by stamp or by meter). Stamp and meter revenue are generated by single-piece First-Class Mail and Priority Mail and, to a small extent, other products. Since the amount of stamp and metered postage purchased is always greater than the amount used, the unused portion is accounted for as a liability. Changes in the amount of this liability are tracked by revenue adjustment accounts labeled "Postage-in-the-Hands-of-the-Public" (PIHOP). There is a PIHOP for stamp revenue and another for meter revenue. The Postal Service currently distributes PIHOP stamp and PIHOP meter revenue adjustments to First-Class Mail and Priority Mail in proportion to total ODIS-RPW sampling revenue. Petition, Supporting Material, at 3-6.

The Postal Service believes that this method over-allocates the PIHOP revenue adjustment to Priority Mail and under-allocates it to single-piece First-Class Mail. *Id.* at 3. It also believes that there is an over-allocation of the meter PIHOP, although to a much lesser degree. *Id.* at 6-7. It estimates that in the Q2 FY 2011 RPW report, the current misallocation of PIHOP results in an underestimate of domestic Priority Mail revenue by \$35 million and an overestimate of single-piece First-Class letter mail revenue by \$63 million. *Id.* at 13.

The Postal Service proposes to remedy this misallocation of stamp and meter revenue to products by distributing PIHOP stamp adjustments in proportion to ODIS-RPW sampling stamp revenue and PIHOP meter adjustments in proportion to ODIS-RPW sampling meter revenue. *Id.* at 9. The details of the rather intricate process by which this revised distribution would be accomplished are described at pages 10 and 11 of the material supporting the Petition. The Postal Service asserts that, if approved, Proposal Three could be implemented immediately. *Id.* at 12.

The Petition and spreadsheets illustrating the proposed method are available for review on the Commission's website, <http://www.prc.gov>.

Pursuant to 39 U.S.C. 505, Curtis Kidd is designated as Public Representative to represent the interests of the general public in this proceeding. Comments are due no later than June 23, 2011.

It is ordered:

1. The Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytic Principles (Proposal Three), filed May 18, 2011, is granted.
2. The Commission establishes Docket No. RM2011-11 to consider the matters raised by the Postal Service's Petition.
3. Interested persons may submit comments on Proposal Three no later than June 23, 2011.
4. The Commission will determine the need for reply comments after review of the initial comments.
5. Curtis Kidd 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