

ORDER NO. 740

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

Competitive Product Prices
Parcel Select & Parcel Return Service Contract 2
(MC2009-40)
Negotiated Service Agreement

Docket No. CP2009-61

ORDER CONCERNING CHANGE IN PRICES FOR PARCEL SELECT
& PARCEL RETURN SERVICE CONTRACT 2
NEGOTIATED SERVICE AGREEMENT

(Issued June 1, 2011)

I. INTRODUCTION

The Postal Service proposes to amend prices for Parcel Select & Parcel Return Service Contract 2. For the reasons discussed below, the Commission approves the proposed price Amendment.

II. BACKGROUND

On May 11, 2011, the Postal Service filed notice that prices under Parcel Select & Parcel Return Service Contract 2 in the instant docket have changed in accordance with the original contract provisions for extension of its term.¹ An Amendment incorporating the changes to Parcel Select & Parcel Return Service Contract 2 accompanies the Notice. In Order No. 295, the Commission approved Parcel Select & Parcel Return Service Contract 2.² The Amendment will extend its term to May 31, 2012.

The Postal Service states that the financial documentation filed in compliance with 39 CFR 3015.5 incorporates changes proposed in Docket No. RM2011-10, currently being reviewed by the Commission.³ Notice at 1. Because the Commission's review of the proposed methodology is still pending, the Notice also includes a financial analysis based upon the current methodology approved by the Commission. *Id.*⁴

The Postal Service intends for the Amendment to become effective on the date that the Commission completes its review of the instant filing. Notice at 1.

¹ Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select & Parcel Return Service Contract 2, May 11, 2011 (Notice).

² See Docket Nos. MC2009-40 and CP2009-61, Order Concerning Parcel Select & Parcel Return Service Contract 2 Negotiated Service Agreement, September 4, 2009 (Order No. 295).

³ See Docket No. RM2011-10, Notice of the United States Postal Service of Filing of USPS-RM2011-10/NP1, May 10, 2011.

⁴ See Docket Nos. MC2011-16 and CP2011-53, Order No. 686, Order Approving Parcel Select Contract 1 Negotiated Service Agreement, March 1, 2011. In this order approving Parcel Select Contract 1, the Commission stated that "supporting revenue and cost data for competitive products must also use currently acceptable methodologies." *Id.* at 6.

III. COMMENTS

Comments were filed by the Public Representative.⁵ No other interested person submitted comments. The Public Representative recommends that the Commission analyze the instant contract both on the currently approved methodology and the proposed methodology pending Commission approval in Docket No. RM2011-10. *Id.* at 2. He reports that his review of the supporting documentation filed by the Postal Service indicates that the instant contract satisfies the applicable elements of 39 U.S.C. 3633(a) as a whole or as separate rate categories under the currently approved methodology and the proposed methodology in Docket No. RM2011-10. *Id.* at 2-3. The Public Representative concludes by recommending the contract Amendment be approved. *Id.* at 3.

IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

The Amendment includes changes that extend the term of the Parcel Select & Parcel Return Service Contract 2 based on specific volume requirements negotiated by the parties. The Postal Service states that prices under the instant contract have changed as permitted by the original contract terms. The Amendment, however, expands the contract to allow additional rate categories to be mailed that were not included in the original contract. The Notice does not indicate that the Amendment includes additional rate categories along with the extension of the contract.⁶

Cost considerations. The Commission reviews competitive product prices to ensure that they meet applicable requirements of 39 U.S.C. 3633(a) and 39 CFR

⁵ Public Representative Comments in Response to United States Postal Service Request to Extend Parcel Select & Parcel Return Service Contract 2, May 24, 2011 (PR Comments); see *also* Motion of the Public Representative for Late Acceptance of Comments, May 24, 2011. The motion is granted.

⁶ When, as here, an existing contract is extended by an amendment, the notice filed by the Postal Service should describe changes to the original agreement.

3015.7. Based on a review of the instant contract under the currently approved methodology and the proposed methodology pending in Docket No. RM2011-10, the Commission finds that the contract Amendment comports with the provisions applicable to rates for competitive products in 39 U.S.C. 3633 and 39 CFR 3015.7. Accordingly, the Commission approves the Amendment.

Other considerations. The Postal Service states that the Amendment shall become effective on the date of the Commission's completion of its review. If the effective date should change, it shall promptly notify the Commission of the effective date of the Amendment. The Postal Service shall notify the Commission if Parcel Select & Parcel Return Service Contract 2, as amended, terminates before its scheduled termination date. Within 30 days of the expiration of the instant contract the Postal Service shall file the annual (by contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves the proposed price Amendment to Parcel Select & Parcel Return Service Contract 2.

V. ORDERING PARAGRAPHS

It is ordered:

1. As set forth in the body of this Order, the Commission approves the proposed price Amendment to Parcel Select & Parcel Return Service Contract 2.
2. The Postal Service shall promptly notify the Commission if the effective date of the Amendment changes.
3. The Postal Service shall notify the Commission if the Parcel Select & Parcel Return Service Contract 2, as amended, terminates before its scheduled termination date.

4. Within 30 days after the Parcel Select & Parcel Return Service Contract 2, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the agreement.

By the Commission.

Shoshana M. Grove
Secretary