

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman;
Mark Acton;
Tony Hammond; and
Nanci E. Langley

Rate Adjustment Due to Extraordinary
or Exceptional Circumstances

Docket No. R2013-11

NOTICE AND ORDER CONCERNING
EXIGENT REQUEST

(Issued September 30, 2013)

I. INTRODUCTION

On September 26, 2013, the Postal Service filed an exigent rate request with the Commission pursuant to 39 U.S.C. 3622(d)(1)(E) and subpart E of 39 CFR 3010.60 *et seq.*¹ The Exigent Request seeks an “across the board” increase averaging 4.3 percent for market dominant postal products and services, effective January 26, 2014. Exigent Request at 2.

¹ Renewed Exigent Request of the United States Postal Service in Response to Commission Order No. 1059, September 26, 2013 (Exigent Request). See *also* Docket Nos. R2010-4 and R2010-4(R). Subpart E, captioned Rules for Rate Adjustments in Extraordinary and Exceptional Circumstances (Type 3 Adjustments), consists of the set of provisions appearing at 39 CFR 3010.60 *et seq.*

In a related case (a Type 1-A filing), also filed September 26, 2013, the Postal Service proposes an increase, on average, of 1.6 percent for the same set of products and services based on the annual adjustment allowed under 39 U.S.C. 3622(d)(1) and 39 CFR 3010 subpart B.²

This Order provides public notice of the Exigent Request; establishes Docket No. R2013-11 for consideration of the Exigent Request; establishes an expedited procedural schedule consistent with the Commission's intention to issue a determination within 90 days of the Postal Service's filing; provides other information concerning the Exigent Request; and takes related administrative steps.

II. POSTAL SERVICE FILING

Background. The Exigent Request is filed pursuant to 39 U.S.C. 3622(d)(1)(E) and the Commission's rules implementing that section, 39 CFR Part 3010, subpart E.

The Postal Service provides a procedural history leading to the filing of the Exigent Request. Exigent Request at 3-7. It indicates that the Exigent Request, which it characterizes "as a complete update to its original request," is "premised on the recent recession as an exigent event." *Id.* at 1, 2.

In Order No. 1059, the Commission stated:³

If the Postal Service wishes to pursue its Exigent Request, it must complete the submission of its entire case to the Commission. A complete case would include all information, materials, and testimony on which the Postal Service would rely to demonstrate that its Exigent Request satisfies the causal nexus of "due to," as interpreted by the Commission in Order No. 864, as well as the remaining requirements of section 3622(d)(1)(E).

² *Id.* at 7. See Docket No. R2013-10, United States Postal Service Notice of Market-Dominant Price Adjustment, September 26, 2013 (Notice).

³ Docket No. R2010-4R, Order Addressing Motion to Supplement and Related Filing, December 20, 2011, at 6 (Order No. 1059).

The Postal Service represents that “[t]he instant filing is intended to constitute an ‘entire case,’ as contemplated by Order No. 1059.” Exigent Request at 7.

Although the Postal Service captioned the Exigent Request as Docket No. R2010-4R, it indicates that its filing constitutes an entire case as contemplated by Order No. 1059. Because the filing is complete and to avoid any ambiguity about the record concerning the instant Request, the Commission establishes Docket No. R2013-11 for consideration of the Postal Service’s Exigent Request. The Commission concludes that such an approach is appropriate, given the 90-day statutory deadline for its decision, and its need not only to manage this proceeding on an expedited basis, but also in harmony with its need to manage its entire administrative calendar and other responsibilities.⁴

Proposed rates. The Postal Service proposes price increases to recover approximately \$1.78 billion in annual contribution. *Id.* at 2. It characterizes this as “a modest proportion” of the total contribution lost as a result of the recession. *Id.* at 2, 11.

The proposed prices increase, on average, by 4.3 percent and are spread among the classes (and all products) as uniformly as practicable, *i.e.*, in an across-the-board fashion. *Id.* at 2, 12, 35. The Postal Service states that the Governors have determined that this approach represents “a reasonable and equitable way of recovering contribution lost due to the recession . . .” *Id.* at 12.

The average increase by class and product appears in the table below. A full schedule of the proposed increases is provided in Attachment A to the Exigent Request.

⁴ The documents filed by the Postal Service as part of its Exigent Request, will be transferred to and be included in this docket.

Postal Service's Proposed Exigent Price Increases

Product or Service	Percent Change
First Class Mail	
Single-Piece Letters & Cards	4.276 %
Presort Letters & Cards	4.291 %
Flats	4.627 %
Parcels	4.349 %
First-Class Mail International	2.393 %
Total First-Class Mail	4.281 %
Standard Mail	
Letters	4.259 %
Flats	4.283 %
Parcels	4.335 %
High Density and Saturation Letters	4.212 %
High Density and Saturation Flats/Parcels	4.261 %
Carrier Route	4.288 %
EDDM – Retail	4.167 %
Total Standard Mail	4.264 %
Periodicals	
Outside County	4.297 %
Within County	4.306 %
Total Periodicals	4.297 %
Package Services	
Alaska Bypass	4.232 %
Bound Printed Matter Flats	4.626 %
Bound Printed Matter Parcels	4.484 %
Media Mail / Library Mail	4.304 %
Inbound Surface Parcel Post (at UPU Prices)	0.000 %
Total Package Services	4.303 %
Special Services	
Total Ancillary Services	4.372 %
International Ancillary Services	4.188 %
Address Management Services	3.542 %
Caller Service	4.329 %
Credit Card Authentication	5.000 %
International Business Reply Mail Service	2.819 %
Money Orders	4.042 %
Post Office Box Service	4.177 %
Customized Postage	4.308 %
Stamp Fulfillment Services	5.005 %
Total Special Services	4.318 %

Id. at 7-8 (adapted from Table 1).

Contents. The Exigent Request includes an introduction summarizing the filing (Part I); a procedural history (Part II); a table of percentage rate changes (Part III); a discussion addressing the requirements of subpart E of part 3010 (Parts IV through IX); and a description of attachments (Part X). *Id.* at 9 through 45. The discussion in Parts IV through IX addresses extraordinary or exceptional circumstances (Part IV); the necessity of the requested contribution (Part V); honest, efficient, and economical management (Part VI); reasonable and equitable (Part VII); harmonization of exigent increases with past market dominant increases (Part VIII); and the timing of the Exigent Request (Part IX). *Id.* at 9 through 45.

In support of its Exigent Request, the Postal Service filed statements by Thomas E. Thress, Stephen J. Nickerson, and Altaf Taufique. The Postal Service states that the Thress statement is an update to his statement of November 2011, and estimates the effect of the recession on mail volumes. *Id.* at 3. It states that the Nickerson statement calculates the amount of contribution lost due to those volume losses, explains why the exigent price increases are necessary, and describes actions the Postal Service has taken to save costs. *Id.* It states that the Taufique statement presents the proposed price increases and explains why they are reasonable and equitable. *Id.*

The Exigent Request also includes thirteen supporting library references (of which ten are public and three are non-public); and two attachments. *Id.* Attachment A, captioned Changes to Mail Classification Schedule, is presented in legislative format and includes rate schedules and classification changes. Attachment B, captioned List of Supporting Materials, identifies three statements referred to above and the public and non-public library references. The library references include:

USPS-R2010-4R/2	First-Class Mail Worksheets
USPS-R2010-4R/3	Standard Mail Worksheets
USPS-R2010-4R/4	Periodicals Worksheets
USPS-R2010-4R/5	Package Services Worksheets
USPS-R2010-4R/6	Special Services Worksheets
USPS-R2010-4R/7	Product Cost & Contribution Estimation Model (Public Version)

USPS-R2010-4R/8	Cost Factor Development (Public Version)
USPS-R2010-4R/9	Revenue and Volume Forecast Materials (Public Version)
USPS-R2010-4R/10	Decomposition of Mail Volume Into Sources of Change
USPS-R2010-4R/11	Calculation of Contribution Lost from Recession-Related Volume Losses
USPS-R2010-4R/NP1	Product Cost & Contribution Estimation Model (Non-Public Version)
USPS-R2010-4R/NP2	Cost Factor Development (Non-Public Version)
USPS-R2010-4R/NP3	Revenue and Volume Forecast Materials (Non-Public Version)

Confidential treatment. In Attachment B, the Postal Service incorporates by reference the Application of the United States Postal Service for Nonpublic Treatment of Materials filed as Attachment D to its Docket No. R2010-4 Request (July 6, 2010).

III. SUBSEQUENT PROCEDURAL STEPS

Additional information. The Commission may require the Postal Service to provide clarification of its request or to provide information to gain a better understanding of the request or the justification for specific rate adjustments. 39 CFR 3010.62.

Public hearing. The Commission will hold a public hearing on the request. 39 CFR 3010.65(b). The Commission preliminarily allocates three days for public hearings (October 30, October 31, and November 1, 2013); however, the actual number of days will depend on the nature of the circumstances giving rise to the request and the clarity and completeness of the supporting materials the Postal Service provides with its request. 39 CFR 3010.65(d).

Submission of questions. Interested persons may submit to the Commission suggested relevant questions that might be posed during the public hearing.⁵ 39 CFR

⁵ The procedures the Commission has established in subpart E do not include any provision for formal intervention. Interested persons submitting questions for the hearing and/or comments are to follow the procedures discussed in this Order and codified in 39 CFR 3001.9 (method of filing); 39 CFR 3010.65.

3010.65(c). These questions, and any explanatory materials submitted to clarify the purpose of the questions, are to be filed in accordance with section 3001.9 no later than October 24, 2013, and will become part of the administrative record of this proceeding. 39 CFR 3010.65(c).

Post-hearing participation—initial and reply comments. Following the conclusion of public hearings and submission of any supplementary materials, interested persons may submit written comments, no later than November 6, 2013, on: (1) the sufficiency of the justification for an exigent rate adjustment; (2) the adequacy of the justification for adjustments in the amounts requested by the Postal Service; and (3) whether the specific rate adjustments requested are reasonable and equitable. 39 CFR 3010.65(f)(1) through 3010.65(f)(3). Reply comments may be filed by the Postal Service and other interested persons no later than November 20, 2013. 39 CFR 3010.65(g).

Filing method. To ensure inclusion in the formal docket, all submissions from interested persons in this proceeding must be filed online as provided by rule 9 of the Commission's rules of practice, unless a waiver is obtained. 39 CFR 3001.9. Submissions that do not conform to the rules of practice for online filings and do not obtain a waiver from the online filing requirements will be treated as informal statements of views and shall be placed in a separate file to be maintained by the Secretary as provided in 39 CFR 3001.20b.

Public Representative. Pursuant to 39 U.S.C. 505, the Commission hereby appoints James Waclawski to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding. Neither Mr. Waclawski nor any staff member assigned to assist him shall participate in or provide any advice on any Commission decision in this proceeding other than in their designated capacity.

Schedule. A schedule appears as an attachment to this Order. Among other things, three technical conferences are scheduled to provide interested persons an opportunity to develop a better understanding of the Postal Service's proposal. The first

technical conference will be held October 9, 2013 and be devoted to consideration of the Taufique statement. The second technical conference will be held October 17, 2013 and be devoted to consideration of the Thress statement. This conference will begin at 10:30 a.m. The third technical conference will be held October 18, 2013 and be devoted to consideration of the Nickerson statement. The Postal Service should have on hand sufficient, knowledgeable personnel to address interested persons' questions. Absent specific notice to the contrary, all technical conferences and hearings (other than the October 17th conference) will convene at 9:30 a.m., eastern daylight time in the Commission's hearing room in Suite 200, 901 New York Avenue, N.W., Washington, DC 20268-0001.

Developments may warrant adoption of additional procedural dates and/or requirements. If so, the Commission will issue further procedural orders as it deems advisable or necessary to ensure timely completion of its review. All such rulings will be published on the Commission website: (<http://www.prc.gov>). The technical conferences and public hearings, which are scheduled for October 30, 31, and November 1, 2013, will be webcast.

Posting of request; posting of other documents. The Commission has posted the public version of the Exigent Request on its website (<http://www.prc.gov>). 39 CFR 3010.65(a). The Commission encourages interested persons to review the Exigent Request to determine its impact on their concerns.

Access to nonpublic material. Information on the Commission practices with respect to material filed under seal, including how to obtain access to such material, appears in 39 CFR part 3007.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. R2013-11 to consider matters raised in the Postal Service's September 26, 2013 Exigent Request.

2. The Commission adopts the procedural schedule in the Attachment to this Order, subject to further developments.
3. The Commission will sit *en banc* in this proceeding.
4. Comments by interested persons are due no later than November 6, 2013.
5. Reply comments may be filed by the Postal Service and other interested persons are due no later than November 20, 2013.
6. Pursuant to 39 U.S.C. 505, the Commission appoints James Waclawski to represent the interests of the general public in this proceeding.
7. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary

Docket No. R2013-11 Schedule

(All dates refer to 2013)

Date	Action
Thursday, September 26	Filing of Exigent Request.
Wednesday, October 9	First Technical Conference Taufique.
Thursday, October 17 (starting at 10:30 a.m.)	Second Technical Conference* Thress.
Friday, October 18	Third Technical Conference* Nickerson
Thursday, October 24	Deadline for filing suggested questions to be asked of the Postal Service during the public hearing (39 CFR 3010.65(c)).
Wednesday—Friday Oct. 30, Oct. 31, Nov. 1	Public Hearings* (39 CFR 3010.65(b)).
Wednesday, November 6	Deadline for filing initial comments (39 CFR 3010.65(f)).
Wednesday, November 20	Deadline for filing reply comments (39 CFR 3010.65(g)).
Wednesday, December 25	90 th day following filing of the Exigent Request.