

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2013-11

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO ORDER NO. 2075
(May 15, 2014)

The Postal Service continues to maintain that the filing of revenue collection reports with regard to the exigent price increase is unwarranted and premature, for the reasons set forth in its Motion for Stay.¹ All interested parties would be better served by concentrating their efforts on growing the postal business instead of wasting valuable resources on regulatory reporting that may never be necessary, and that is certainly not necessary now.² Nevertheless, pursuant to Order No. 2075, issued on May 2, 2014, the Postal Service hereby submits its initial report on the amount of exigent surcharge revenue collected for the quarter ending March 31, 2014 (“Revenue Collection Report”).³ As set forth in the Revenue Collection Report, filed with this pleading as *ExigSrchgRevREPORT(2Q14).xls*, the Postal Service collected \$347.4 million in exigent surcharge revenue.⁴

¹ See, Docket No R2013-11, Motion of the United States Postal Service Requesting the Stay of Certain Reporting Requirements from the Commission’s Order Granting Exigent Rate Increase, at 1 (April 23, 2013).

² In that regard, in addition to the existence of the appeal of the Commission’s exigent rate decision, we also note that both the postal reform bill proposed by our Senate oversight committee and the President’s Budget Proposal seek to make the exigent price increase permanent. Similarly, the bill that is being considered for mark-up by our House oversight committee is likewise considering permanence for the exigent price increase.

³ Docket No. R2013-11, Order No 2075: Order Denying Stay and Establishing Schedule for Reporting Requirements, at 11 (May 2, 2014).

⁴ The Revenue Collection Report is supported by workpapers, which are also being filed with this pleading as *ExigSrchgRevFCM(2Q14).xls*; *ExigSrchgRevSTM(2Q14).xls*;

This Revenue Collection Report employs the methodology outlined by the Commission in Order No. 1926, issued on December 24, 2013,⁵ rationally adjusted (consistent with the Commission’s methodology) to reflect the effect of Postage In the Hands Of the Public (“PIHOP Adjustment” or “Adjustment”).⁶ This Adjustment is shown in the First-Class Mail workpapers filed with this pleading.⁷ The Postal Service believes that the PIHOP Adjustment is necessary to accurately implement the Commission’s collection method because some volume mailed during the most recent fiscal quarter was sent using Forever stamps purchased prior to the effective date of the exigent surcharge. The Postal Service receives no exigent surcharge revenue when these Forever stamps are used to pay postage at the current First-Class Mail exigent rate (49-cents). Using the Commission’s methodology from Order No. 1926 (which did not explicitly consider the need for a PIHOP Adjustment) the Postal Service estimates that exigent surcharge revenues would be over-reported by \$119.39 million.⁸

For the above reasons, and as reflected in the attached workpapers, the Postal Service is accounting for the \$119.39 million Adjustment by evenly dividing it across the

ExigSrchgRevPER(2Q14).xls; ExigSrchgRevSPEC-SERV(2Q14).xlsx; and ExigSrchgRevPACK-SERV(2Q14).xls.

⁵ See, Docket No. R2013-11, Order No 1926: Order Granting Exigent Price Increase, at 180-185 (December 24, 2013).

⁶ PIHOP is an estimate of postage that has been sold, but has not yet been used by customers. Revenue for these stamps is recognized only when services are rendered. Because payments for postage are collected in advance of services being performed, revenue is deferred and reflected in the Postal Service’s balance sheets as deferred revenue.

⁷ Although the Postal Service is not proposing an alternative collection method at this time, we reserve our right to do so in the event we obtain further information or data concerning the impact of the exigent price increase, which reveals that a different, improved collection method is more accurate and preferable.

⁸ To arrive at the PIHOP Adjustment amount, the Postal Service used its estimate of the number of Forever stamps purchased before January 26, 2014 (at prices below 49 cents), and not yet used. That estimate is 5,969,565,000. (It is important to note that the stamps which are anticipated to *never* be used have already been deducted from this estimate.) This number of Forever stamps is then multiplied by \$0.02, which is the value of the Exigent surcharge assuming that the Forever stamps are used for First-Class Mail single-piece mailpieces. The result is \$119,391,300.

six fiscal quarters during which the exigent surcharge is expected to remain in effect.⁹
Accordingly, in this Revenue Collection Report, the PIHOP Adjustment is shown as
\$19.89 million.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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⁹ Should the exigent surcharge be collected at a faster rate than anticipated, the Postal Service would include the remaining value of the \$119.39 million PIHOP Adjustment in the final Revenue Collection Report filed with the commission.