

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

Before Commissioners:

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

Periodic Reporting
(Proposal One)

Docket No. RM2015-9

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

(Issued June 18, 2015)

I. INTRODUCTION

On June 12, 2015, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate an informal rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ Text attached to the Petition identifies the proposed analytical method changes filed in this docket as Proposal One, Proposed Change in RPW Methodology for Forever Stamp Usage,

¹ Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), June 12, 2015 (Petition).

Stamp Breakage, and PIHOP. *Id.* Attachment at 1. The Postal Service concurrently filed a non-public library reference, along with an application for nonpublic treatment.²

II. SUMMARY OF PROPOSAL

The Petition requests a change in methodology for the treatment of revenue, pieces, and weight (RPW) associated with forever stamp usage, breakage, and Postage-in-the-Hands-of-the-Public (PIHOP). Stamp breakage refers to the forever stamps that have been sold by the Postal Service but will never be used due to factors such as lost or damaged stamps and collectables. *Id.* at 3. PIHOP refers to forever stamps that are being held by purchasers for future use. *Id.*

The Postal Service currently estimates forever stamp breakage by assigning stamps a category and an issue year, known as a layer. *Id.* at 3-4. When a layer of stamps is no longer available for sale and is determined to be at the end of its life cycle, as measured by the Origin Destination Information System (ODIS)-RPW system, the difference between cumulative sales and cumulative usage (calculated as a percentage) is deemed to be breakage and recognized as revenue for the Postal Service. *Id.* at 4. This breakage percentage is applied to forever stamp sales for that layer and all remaining open forever stamp layers, until the remaining layers expire and become the new basis for estimating the breakage percentage. *Id.*

Forever stamp usage is collected by ODIS-RPW data collectors and expanded to national totals. *Id.* A separate process calculates the value of the layer used, based on the different prices at which it was originally sold. *Id.* at 5. The estimated forever stamp usage is included in the current Book Revenue Adjustment Factor (BRAAF) calculation. *Id.* at 7. The Postal Service currently estimates PIHOP liability at the end of each

² Notice of Filing of USPS-RM2015-9/NP1 and Application for Nonpublic Treatment, June 12, 2015 (Notice). The library reference is USPS-RM2015-9/NP1, Non-Public Material Relating to Proposal One. The Notice incorporates by reference the Application for Non-Public Treatment of Materials contained in Attachment Two to the December 29, 2014, United States Postal Service Fiscal Year 2014 Annual Compliance Report. Notice at 1. See 39 CFR part 3007 for information on access to non-public material.

accounting period. *Id.* at 5. PIHOP liability is calculated by subtracting the stamp breakage and stamp usage from stamp sales. *Id.*

The proposed changes include using the ODIS-RPW estimates for forever stamps usage directly in the RPW Report. *Id.* at 9. Under the proposal, two changes would occur in the BRAF formulation: forever stamp usage would be removed from the ODIS-RPW Single-Piece Sampling Revenue and forever stamp usage and forever stamp and non-forever stamp breakage would be removed from the residual total balance. *Id.* at 10. In addition, breakage from both forever and non-forever stamps would be assigned to Market Dominant Other Revenue in the RPW Report and PIHOP revenues, including meter PIHOP, will no longer be allocated directly to products. *Id.* at 11.

RPW reporting impacts. The Postal Service provides three tables that assess the impact of its proposal. *Id.* Table 1 shows the BRAF calculations for FY 2014 for current and proposed methodologies; Table 2 shows the FY 2014 RPW report for the current proposed methodologies; and Table 3 shows the same information for Quarter 2 Year-to-Date FY 2015. *Id.* at 11-12. Library Reference USPS-FY2015-9/NP1 contains non-public versions of Tables 2 and 3. *Id.* at 12.

III. INITIAL COMMISSION ACTION

The Commission establishes Docket No. RM2015-9 for consideration of matters raised by the Petition. Additional information concerning the Petition may be accessed via the Commission's website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal One no later than July 23, 2015. Reply comments are due no later than August 3, 2015. Pursuant to 39 U.S.C. 505, Anne C. O'Connor is designated as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2015-9 for consideration of the matters raised by the Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal One), filed June 12, 2015.
2. Comments are due no later than July 23, 2015. Reply comments are due no later than August 3, 2015.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Anne C. O'Connor to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary