

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

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2013-11

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING BIWEEKLY
SURCHARGE REVENUE REPORT**
(February 1, 2016)

In accordance with Order No. 3030, issued on January 15, 2016,¹ the Postal Service hereby submits its first biweekly estimate of the incremental and cumulative surcharge revenue collected (“Biweekly Report”). As shown in the attached spreadsheet,² the Postal Service estimates that it has collected \$4.257 billion in cumulative surcharge revenue since implementation of the exigent surcharge, as of January 31, 2016, amounting to an increase of \$736.3 million since the close of Quarter 4 Fiscal Year (“FY”) 2015.³

In order to comply with Order No. 2075’s requirement that it file quarterly surcharge revenue collection reports (“collection reports”),⁴ the Postal Service computes the cumulative and incremental revenues collected using updated billing determinants and Special Weight reports, both of which become available more than a month after

¹ Order No. 3030, Second Order on Surcharge Revenue Reporting, PRC Docket No. R2013-11 (Jan. 15, 2016), at 2. See also Order No. 2623, Order Resolving Issues on Remand, PRC Docket No. R2013-11R (July 29, 2015), at 63; Order No. 2319, Order on Exigent Surcharge Removal, PRC Docket No. R2013-11 (Jan. 12, 2015), at 7, 15 (initially mandating that the Postal Service file biweekly estimates “once it reaches the quarter in which it estimates the threshold will be reached”).

² The Biweekly Report is being filed with this pleading as ExigSrchgBIWEEKLY1(2Q14-1Q16_Jan16).xls. Supporting workpapers are being filed as ExigSrchgRev1Q16.xls and ExigSrchgRev2Q16(Jan16).xls.

³ See Notice of the United States Postal Service of Filing Revenue Collection Report for Quarter 4 of Fiscal Year 2015, PRC Docket No. R2013-11 (Nov. 16, 2015) (reporting \$3.520 billion collected in cumulative revenue as of the close of Quarter 4 FY 2015).

⁴ Order No 2075, Order Denying Stay and Establishing Schedule for Reporting Requirements, PRC Docket No. R2013-11 (May 2, 2014), at 11.

the close of each quarter.⁵ The billing determinants and Special Weight reports for Quarter 1 of FY 2016 are not yet available.⁶ Consequently, the Postal Service used the following methodologies to estimate the cumulative and incremental revenue collected from the exigent surcharge as of January 31, 2016.

Estimated Exigent Surcharge Revenue Collection for Quarter 1 FY 2016 (October 2015 – December 2015)

First, using preliminary RPW reports (without the benefit of updated billing determinants and Special Weight reports), the revenues collected from the exigent surcharge for Quarter 1 of FY 2016 were computed by multiplying the preliminary Quarter 1 estimated volumes by the exigent surcharge at the RPW Report level.⁷ Next, to correct for misestimates because of the lack of more detailed data for Quarter 1, the Postal Service computed adjustment factors by class of mail using Quarter 4 FY 2015 data as follows: first, revenues from the exigent surcharge were computed using the RPW Report level volumes; then, these figures were compared to the revenues from the exigent surcharge using the detailed billing determinants and Special Weight reports, the adjustment factor being the difference between the figures expressed as a percentage. Lastly, the Postal Service adjusted the estimated revenue calculated from

⁵ See 39 C.F.R. § 3050.25(e) (mandating that the Postal Service provide “[b]illing determinants within 40 days of the close of the quarter.”). In Order No. 2075, the Commission, recognizing the timeline that updated billing determinants become available, extended the Postal Service’s deadline to submit its quarterly surcharge revenue collection reports to 45 days after the close of each quarter. Order No 2075 at 10.

⁶ The revenue collection report for Quarter 1 FY 2016 and second Biweekly Report will estimate the cumulative and incremental exigent surcharge revenue collected as of the close of their respective reporting periods with greater accuracy because the revenue calculation for Quarter 1 will reflect the updated billing determinants and Special Weight reports. Because Monday, February 15 is a federal holiday, the Postal Service plans to file the collection report and Biweekly Report on Tuesday, February 16.

⁷ Because the updated billing determinants and Special Weight reports are not yet available, unlike in the collection reports, the Postal Service was not able to break down RPW volumes to the billing determinant level. However, as with the collection reports, Forever Stamps sold was substituted for the estimated First-Class Mail Single Piece preliminary estimated stamped letters volume in the calculation.

the preliminary RPW reports by using the adjustment factor. Employing this methodology, the Postal Service estimates that it collected \$572.5 million in exigent surcharge revenue in Quarter 1 FY 2016.

Estimated Exigent Surcharge Revenue Collection for January 2016

The Postal Service could not use the method described above to estimate the revenue collected in January 2016 because even the RPW level volume data are not available. To estimate the revenue collected from the exigent surcharge in January 2016, the Postal Service relied on historical exigent surcharge collection data. The revenues collected in Quarter 2 FY 2015 were used as a starting point to reflect seasonality; the Quarter 2 FY 2015 revenues for each mail class were divided by the number of retail days⁸ in Quarter 2 FY 2015 to obtain the revenue collection per retail day. This per retail day collection was adjusted based on the Quarter 1 FY 2016 RPW volume growth compared to the same period last year.⁹ Finally, the Postal Service multiplied the adjusted revenue per retail day for each mail class by the number of retail days in January 2016.¹⁰ Accordingly, the Postal Service estimates that it collected \$163.8 million in exigent surcharge revenue in January 2016.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

⁸ Retail days were calculated using a weighted value of 0.25 for Saturday and a weighted value of 0.0 for Sunday and Federal holidays; there were 64.25 retail days in Quarter 2 FY 2015.

⁹ The growth for Standard Mail was adjusted upwards because the downward trend reflected political mail volume in Quarter 1 FY 2015, which should not affect Quarter 2 FY 2016. The growth for Special Service was adjusted downwards because most of the growth came from USPS Tracking transactions for which there was no exigent surcharge.

¹⁰ There were 20.25 retail days in January 2016.

Kara C. Marcello
David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986, Fax -6187
February 1, 2016