

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 REMOVAL OF THE EXIGENT SURCHARGE**  
(February 25, 2016)

In accordance with Order No. 1926, issued on December 24, 2013,<sup>1</sup> the Postal Service hereby submits notice that it intends to remove the exigent surcharge on Sunday, April 10, 2016, absent action by Congress or the courts to make the existing exigent surcharge for Market Dominant Products and Services part of the rate base or to otherwise extend it. As of February 14, 2016, the Postal Service estimates that it has collected \$4.347 billion in cumulative surcharge revenue.<sup>2</sup> In Order No. 2623, the Commission set the exigent surcharge revenue limitation at \$4.634 billion.<sup>3</sup>

In order to estimate the exigent surcharge revenue that it will collect in the second half of February, all of March, and the beginning of April, the Postal Service relied on the methodology it used in its second Biweekly Report to estimate exigent

---

<sup>1</sup> Order No. 1926, Order Granting Exigent Price Increase, PRC Docket No. R2013-11 (Dec. 24, 2013), at 185. See also Order No. 2319, Order on Exigent Surcharge Removal, PRC Docket No. R2013-11 (Jan. 12, 2015) (affirming 45 day notice requirement).

<sup>2</sup> United States Postal Service, Notice of the United States Postal Service of Filing Biweekly Surcharge Revenue Report, PRC Docket No. R2013-11 (Feb. 16, 2016). As the Biweekly Report explains, the \$4.347 billion figure includes the \$4.090 billion in cumulative revenue collected through Quarter 1 of Fiscal Year 2016. See Revenue Collection Report, United States Postal Service, Notice of the United States Postal Service of Filing Revenue Collection Report for Quarter 1 of Fiscal Year 2016, PRC Docket No. R2013-11 (Feb. 16, 2016). This amount also includes the estimated surcharge revenue that the Postal Service will recover from Post Office Box service after the exigent rollback. See United States Postal Service, Responses of the United States Postal Service to Questions 1-7 of Presiding Officer's Information Request No. 14 (Sept. 2, 2014), at Question 4 ("[A]s we get closer to the roll back date, the Postal Service will derive an estimate of the surcharge revenue that will be received during the surcharge period, but would otherwise be accrued after the exigent rollback.")

<sup>3</sup> See Order No. 2623, Order Resolving Issues on Remand, PRC Docket No. R2013-11R (July 29, 2015), at 62.

collection after the close of Quarter 1 of Fiscal Year 2016.<sup>4</sup> Accordingly, the revenues collected in Quarter 2 FY 2015 were allocated to each month based on volumes in each month of the quarter and used as a starting point to reflect seasonality. Next, for each of the three months, the revenues for each mail class were divided by the number of retail days in each month to obtain the revenue collection per retail day. The per retail day collection for each month was adjusted based on the Quarter 1 FY 2016 volume growth compared to the same period last year. Then, the adjusted revenue per retail day for each mail class was multiplied by the number of retail days in each month. In addition, the Postal Service adjusted the data based on past mailer behavior before and after two recent price changes (the implementation of the exigent surcharge on January 26, 2014,<sup>5</sup> and the Docket No. R2015-4 price change implemented on May 31, 2015<sup>6</sup>). As the historical data and common sense support, the Postal Service anticipates that mailers will alter their mailing patterns after the removal of the exigent surcharge is announced in order to take advantage of the impending lower prices. Accordingly, while the Postal Service recognizes that daily revenue fluctuations could result in a one or two day variation on when the revenue limitation is reached, our current estimate is that the revenue limitation will be reached some time on Saturday, April 9, 2016. The Postal Service therefore will implement the surcharge removal on Sunday, April 10, 2016.

---

<sup>4</sup> See United States Postal Service, Notice of the United States Postal Service of Filing Biweekly Surcharge Revenue Report, PRC Docket No. R2013-11 (Feb. 16, 2016), at 2.

<sup>5</sup> See Order No. 1926, Order Granting Exigent Price Increase, PRC Docket No. R2013-11 (Dec. 24, 2013), at 193 (approving the exigent surcharge for implementation on January 26, 2014); United States Postal Service, Renewed Exigent Request of the United States Postal Service in Response to Commission Order No. 1059, PRC Docket No. R2010-4R/R2013-11 (Sept. 26, 2013), at 2 (stating that if approved, the exigent price increase would be implemented on January 26, 2014).

<sup>6</sup> United States Postal Service, Response of the United States Postal Service to Order No. 2398, PRC Docket No. R2015-4 (April 16, 2015), at 3 (notifying the Commission that the Governors authorized the price adjustment to take effect on May 31, 2015).

The Postal Service's plan to remove the exigent surcharge on Sunday, April 10 also satisfies external and internal system concerns. To execute a price change, each Postal Service software deployment group deploys updates in multiple steps. If a deployment issue arises (such as incorrect prices being used), Postal Service and mailer systems could shut down for a period of time, which negatively affects the Postal Service's customers and disrupts mailer operations.

The Postal Service has implemented every price change since the PAEA took effect in 2008 on a Sunday. Prior to the PAEA, most rate changes have been implemented on Sunday. The Postal Service has deployed price changes on Sundays in order to minimize the risks associated with the transition to new prices. Because Sunday is one of the lightest mailing days, and mailer and consumer usage of Postal Service systems is reduced, there is minimal pressure on Postal Service and mailer systems to perform at optimal levels.<sup>7</sup> If any issues arise during the deployment, recovery time is very short and few, if any, customers are affected. Additionally, if a system shutdown occurs, a Sunday deployment allows the Postal Service to mitigate its negative impacts because recovery time is built into the deployment schedule. In contrast, irrespective of a deployment issue arising, implementing a price change during the week disrupts customer traffic over various systems. The occurrence of a deployment issue, especially a shutdown, amplifies the disruption. Moreover, many in the mailing business have expressed hope that the Postal Service will implement any roll back of the exigent surcharge on a Sunday.

---

<sup>7</sup> These systems include PostalOne!, FAST, the Business Customer Gateway, Click-N-Ship, the Rate Engine, usps.com and multiple retail systems.

Once a date is set, the Postal Service and mailers coordinate various activities around the deployment.<sup>8</sup> Any sudden changes in deployment schedule increases the risk of inadequate system testing and deployment problems.

Attachment A updates the Market Dominant section of the Mail Classification Schedule with the prices, approved by the Commission in Docket No. R2015-4, that will take effect upon removal of the exigent surcharge. These prices were made available to mailers on Postal Explorer and RIBBS on February 5, 2016.<sup>9</sup>

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

---

Kara C. Marcello  
David H. Rubin  
Ashley S. Silberhorn

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-4031, Fax -6187  
February 25, 2016

---

<sup>8</sup> The activities that must occur before the deployment of a price change include scheduled blackouts of network and software monitoring systems, bridge call scheduling for technical support teams, staging efforts to push software and database updates to various environments in advance of the deployment and push of security patches.

<sup>9</sup> See Spring 2016 Rollback Pricing Files, Postal Explorer, <http://pe.usps.com/> (last visited Feb. 23, 2016); April 2016 Release Overview, RIBBS, [https://ribbs.usps.gov/intelligentmail\\_schedule2016/releases/apr2016/docs/April2016ReleaseOverview.pdf](https://ribbs.usps.gov/intelligentmail_schedule2016/releases/apr2016/docs/April2016ReleaseOverview.pdf) (last visited Feb. 23, 2016).