

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

Before Commissioners:

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

Market Test of Experimental Product-  
Customized Delivery

Docket No. MT2014-1

NOTICE AND ORDER CONCERNING REQUEST FOR EXEMPTION FROM  
REVENUE LIMITATION FOR CUSTOMIZED DELIVERY MARKET TEST

(Issued April 5, 2017)

On April 4, 2017, the Postal Service filed a request, pursuant to 39 U.S.C. § 3641(e)(2), for an exemption from the \$10 million annual revenue limitation for the Customized Delivery market test.<sup>1</sup> The Commission authorized the market test to proceed in Order No. 2224 and authorized the extension of the market test in Order No. 3543 until October 31, 2017.<sup>2</sup>

The Postal Service states that “Customized Delivery is an experimental package delivery service that offers delivery of groceries and other prepackaged goods within a

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<sup>1</sup> Request of the United States Postal Service for Exemption from Revenue Limitation on Market Test of Experimental Product – Customized Delivery, with Portions Filed Under Seal, April 4, 2017 (Request).

<sup>2</sup> See Order Authorizing Customized Delivery Market Test, October 23, 2014 (Order No. 2224); *see also* Order Authorizing Extension of Customized Delivery Market Test and Updating Data Collection Plan, September 28, 2016 (Order No. 3543).

customized delivery window.” Request at 4. The Postal Service states that the purpose of the market test is to test and develop a long-term, scalable solution to facilitate expansion to additional markets. *Id.*

Total revenues anticipated or received by the Postal Service from the Customized Delivery market test must not exceed \$10 million in any year unless the Commission exempts the market test from that limit.<sup>3</sup> If the Commission grants an exemption, total revenues anticipated or received by the Postal Service from Customized Delivery may not exceed \$50 million in any year, adjusted for inflation. *Id.* §§ 3641(e)(2), (g). In its initial notice for the Customized Delivery market test, the Postal Service requested an exemption from the \$10 million revenue limitation based on then-current projections of expected revenue.<sup>4</sup> The Commission denied the request for exemption as premature, but noted that the Postal Service may resubmit its request “once it collects sufficient data to calculate the total revenue received and estimate the additional revenue anticipated for each fiscal year of the market test.” Order No. 2224 at 18.

The Postal Service asserts that it now has the data available to make the calculations requested by the Commission. Request at 3. The Postal Service states that if current demand for Customized Delivery continues, it anticipates reaching the inflation adjusted \$10 million revenue limitation for FY 2017 in early June 2017.<sup>5</sup>

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<sup>3</sup> See 39 U.S.C. § 3641(e). The \$10 million annual limitation is adjusted by the change in the consumer price index for all urban consumers (CPI-U). *Id.* § 3641(g).

<sup>4</sup> Notice of the United States Postal Service of Market Test of Experimental Product – Customized Delivery, September 23, 2014, at 7.

<sup>5</sup> *Id.* The Postal Service calculates an inflation adjusted revenue limitation of \$11,170,163. *Id.* at 2.

The Commission shall approve the request for exemption if it determines that: (1) the product is likely to benefit the public and meet an expected demand; (2) the product is likely to contribute to the financial stability of the Postal Service; and (3) the product is unlikely to result in unfair or otherwise inappropriate competition. 39 U.S.C. § 3641(e)(2). In its Request, the Postal Service discusses how the Customized Delivery market test benefits the public and meets an expected demand, contributes to the Postal Service's financial stability, and is unlikely to result in unfair or inappropriate competition. Request at 5-7. The Commission's regulations require the Postal Service to file cost and revenue information with its request for exemption. 39 C.F.R. § 3035.16(f). The Postal Service asserts that the financial documentation and workpapers submitted under seal show actual and expected revenue and costs for the market test. Request at 1, 4.

The Commission invites comments on whether the Request complies with applicable statutory and regulatory requirements, including 39 U.S.C. § 3641, 39 CFR part 3035, Order No. 2224, and Order No. 3543. Comments are due no later than April 26, 2017. The public portions of these filings can be accessed via the Commission's website (<http://www.prc.gov>).

39 U.S.C. 505 requires the Commission to designate an officer of the Commission to represent the interests of the general public in all public proceedings (Public Representative). The Commission previously appointed Lauren A. D'Agostino to serve as the Public Representative in this proceeding. She remains appointed to serve as the Public Representative.

*It is ordered:*

1. The Commission invites comments on the Request of the United States Postal Service for Exemption from Revenue Limitation on Market Test of Experimental Product – Customized Delivery, with Portions Filed Under Seal, filed April 4, 2017.
2. Pursuant to 39 U.S.C. § 505, Lauren A. D'Agostino remains appointed to serve as the Public Representative in this proceeding.
3. Comments by interested persons are due no later than April 26, 2017.

4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams  
Acting Secretary