



POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2023-11; Order No. 6692]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal Five). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* October 20, 2023.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER**

INFORMATION CONTACT section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On September 15, 2023, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Six.

II. Proposal Six

Background. Proposal Six relates to modifications to the mail processing and destination entry cost models for letter-shaped USPS Marketing Mail pieces to account for recent price structure changes. Petition, Proposal Six at 1. The cost models were last presented in Docket No. ACR2022, Library References USPS-FY22-10 and USPS-FY22-13, respectively. *Id.* If approved, the Postal Service intends to incorporate the requested modifications in the preparation of its the Fiscal Year (FY) 2023 Annual Compliance Review (ACR) and apply new cost avoidances figures in its “July 2024 Market Dominant price change.” *Id.*

As part of Docket No. R2023-2, the Commission approved two new workshare discounts for USPS Marketing Mail letter-shaped pieces prepared on sectional center facility (SCF) pallets: (1) USPS Marketing Mail Automation and Non-automation letters; and (2) USPS Marketing Mail Carrier Route, High Density, High Density Plus and Saturation letters. *Id.* at 1-2.

Proposal. Proposal Six presents four modifications to support the new discounts: (1) the addition of tray sorting cost data to Library Reference USPS-FY22-10, (2) the incorporation of a standalone tray sorting cost avoidance estimate into Library Reference USPS-FY22-10, (3) the reclassification of tray sorting cost pools in Library Reference USPS-FY22-10, and (4) the removal of

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), September 15, 2023 (Petition).

tray sorting costs from Library Reference USPS-FY22-13. *Id.* at 2. The first three modifications are made to the mail processing cost model and the fourth modification is made to the destination entry cost model. *Id.* The Postal Service provided a modified mail processing cost model in the Excel file “USPS-FY22-10.MM.PROP.Six” attached to the Petition. *Id.*

Rationale and impact. As it relates to the modification to tray sorting data, the Postal Service explains that the data cannot be estimated in the current version of the cost model; therefore, additional cost input data have been incorporated into the mail processing cost model to estimate these costs. *Id.* at 2-3.

As it relates to the modification to standalone cost avoidance estimates,² the Postal Service notes that cost model input data, including the new data described above, are used to estimate avoided tray sorting costs and that estimate is included in the mail processing cost model because SCF palletization is a form of presorting. *Id.* at 3. The Postal Service explains that “[t]his methodology is used because detailed letter tray sorting data are not readily available in postal data collection systems,” preventing tray sorting costs from being incorporated into the mail flow models and cost worksheets for all the letter price categories. *Id.* at 3-4. The Postal Service also presents an alternative to the methodology described above, by providing an estimation of the per-piece costs incurred in one outgoing tray sorting operation. *Id.* at 4.

As it relates to the modification for tray sorting cost pools, the Postal Service seeks to reclassify the “MODS 1TRAYSRT” cost pool and the “NDC

² The Postal Service explains that the term “standalone” means the cost avoidance estimate is not used to develop Cost and Revenue Analysis (CRA) adjustment factors and does not affect the magnitude of the CRA proportional adjustment factor and that factor is not applied to the cost avoidance estimate. *Id.* at 3.

TRAYSORT” cost pool as “worksharing-related fixed.” *Id.* at 4-5. Although the Commission previously classified these cost pools as “proportional,” the Postal Service explains that the cost pools should be “worksharing-related fixed because SCF palletization results in some tray sorting costs being avoided” and the modification would prevent tray sorting costs from effecting both the containerization and presort costs estimates.³

Finally, as it relates to the modification to destination entry cost model tray costs, the Postal Service explains that, because a standalone tray sorting cost avoidance estimate will now be included in the letters mail processing cost model, letter tray sorting costs should be removed from the USPS Marketing Mail destination entry cost model. Petition, Proposal Six at 6. The Postal Service notes that it would prevent tray sorting costs from affecting both the presort and destination entry cost avoidance estimates. *Id.*

The impacts of these modifications are presented in Tables 1 through 3 of Proposal Six as well as Excel file “IMPACT.PROP.SIX.xlsx.” See *id.* at 6-9.

III. Notice and Comment

The Commission establishes Docket No. RM2023-11 for consideration of matters raised by the Petition. More information on 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 Six no later than October 20, 2023. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

³ *Id.*; see Docket No. R2006-1, Opinion and Recommended Decision Volume 1, March 14, 2007, at ¶¶ 5159-5161.

It is ordered:

1. The Commission establishes Docket No. RM2023-11 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), filed September 15, 2023.

2. Comments by interested persons in this proceeding are due no later than October 20, 2023.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin 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.

Erica A. Barker,

Secretary.

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