



POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2025-6; Order No. 8459]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

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

DATES: *Comments are due:* February 27, 2025.

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 December 19, 2024, 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 presents an updated facility rental analysis used to distribute space provision costs to individual products in the *Annual Compliance Report*. Petition at 1.

II. Proposal

Background. The Postal Service explains that the recent facility rental analysis, which was completed in 1992, was based on Facility Management System (FMS) data. *Id.* Proposal at 1 (citing Docket No. R94-1, USPS LR-G-120, Section IV.). This analysis relied on a sampling approach to estimate rental values for 18 facility groupings over a study period of November 30, 1981, to November 30, 1991. Petition, Proposal at 2. The Postal Service notes that the adjusted results from this analysis were last used to distribute space provision costs in Docket No. ACR2023, Library Reference USPS-FY23-8. *Id.* at 1. The Postal Service explains that there are two analyses in the facility portion of Library Reference USPS-FY23-8. *Id.*

The first consists of the results from an updated Facility Space Usage Study (FSUS), which was approved by the Commission via Proposal Nine in August 2020.² The results from that analysis are used to distribute both space support and space provision costs. Petition, Proposal at 2.

¹ Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles and Notice of Filing Non-Public Materials, December 19, 2024 (Petition). The proposed change is attached to the Petition (Proposal).

² *Id.* at 1-2 (citing Docket No. RM2020-1, Order on Analytical Principles Used in Periodic Reporting (Proposal Nine), August 17, 2020 (Order No. 5637)).

The second analysis concerns rental costs and was listed as a near-term study in response to the Commission's request for possible data improvements.³ The results from this analysis are used to distribute the space provision costs only. Petition, Proposal at 2. The Postal Service identifies the affected cost segments in Table 1. *Id.*

The Postal Service identifies three key limitations of the 1992 rental value analysis. *Id.* at 4-5. First, the Postal Service observes the apparent absence of a definitive source for nationwide cap rates, which are used to evaluate real estate investments that can be calculated by dividing the net income from a property (i.e., rent) by its current market value. *Id.* at 4. Second, the Postal Service notes that the FMS "building cost" (construction costs for the facility at the time the facility was built or the acquisition costs at the time the facility was acquired) and "land cost" (purchase price for the land at the time the property was acquired) fields contain cost data that were incurred at different points in time. *Id.* at 4-5. Third, the Postal Service explains that the definition of "new" buildings covered a 10-year period (over which fair market value can change significantly) and that "new owned" data were used to impute rental values for "old owned" facilities and were applied to all "old" properties even though some facilities were decades older than other facilities. *Id.* at 5.

Proposal. Based on the discussion above, the Postal Service states that it proposes a simplified and more representative analysis in which the rental cost distribution by operation and function is estimated using Fiscal Year (FY) 2019 eFMS rental cost data for all active facilities included in Proposal Nine. *Id.* This

³ *Id.* (citing Docket No. RM2022-1, Notice and Order of Proposed Rulemaking on Periodic Reporting, October 8, 2021 (Order No. 6004); Docket No. RM2022-1, Initial Comments of the United States Postal Service, March 25, 2022, at 10).

proposal does not use sampling methods. *Id.* The Postal Service describes the proposed data sources, organization of the inputs and outputs, methodology, and modifications to the facility file appearing in Library Reference USPS-FY23-8. *Id.* at 6-10.

Impact. The Postal Service asserts that using postal data rather than sampling would mean that “subjective inputs, such as capitalization rates and rent change factors, are no longer needed.” *Id.* at 1. The Postal Service contends that its proposal would “more accurately represent[] market value rental rates for each operation and function.” *Id.* at 10. The Postal Service states that the “previous methodology may have overstated the market value rental rates for plants” *Id.* The Postal Service presents Table 2, which summarizes the 2019 rental cost distribution by operation and function (component) that would be generated by adopting the proposal. *Id.* at 10, 12. The Postal Service presents Table 3, which summarizes the impact that applying this proposal would have had on the overall (i.e., across all cost segments) volume-variable and product-specific costs for each product in FY 2023.⁴ Under the proposal, the Postal Service estimates that attributable costs for Market Dominant products and Competitive products would decrease 2.12 percent and 1.53 percent, respectively. *Id.*

III. Notice and Comment

The Commission establishes Docket No. RM2025-6 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s website at <https://www.prc.gov>. Interested

⁴ *Id.* at 10, 13. The Postal Service states that a more comprehensive version of Table 3, which includes disaggregated rows for individual Competitive Products, is provided under seal. *Id.* at 11.

persons may submit comments on the Petition and the proposal by February 27, 2025. Pursuant to 39 U.S.C. 505, Almaroof Agoro is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Information Request

On December 23, 2024, Pitney Bowes filed a motion seeking issuance of an information request to the Postal Service.⁵ Because the response to the proposed question is likely to aid evaluation of the Petition, the Motion is granted. The Postal Service shall respond to the following question by January 7, 2025: Please provide modified versions of Library Reference USPS-FY23-24: FY 2023 Non-Operation Specific Piggyback Factors (Public Portion) and Library Reference USPS-FY23-25: FY 2023 Mail Processing Piggyback Factors (Operation Specific) that incorporate the impact of the proposed changes to analytical principles.

V. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2025-6 for consideration of the matters raised by the Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles and Notice of Filing Non-Public Materials, filed December 19, 2024.
2. Comments by interested persons in this proceeding are due February 27, 2025.
3. The Motion of Pitney Bowes Inc. for Issuance of Information Request, filed December 23, 2024, is granted.

⁵ Motion of Pitney Bowes Inc. for Issuance of Information Request, December 23, 2024 (Motion).

4. The Postal Service shall respond to the following question by January 7, 2025, and provide modified versions of Library Reference USPS-FY23-24: FY 2023 Non-Operation Specific Piggyback Factors (Public Portion) and Library Reference USPS-FY23-25: FY 2023 Mail Processing Piggyback Factors (Operation Specific) that incorporate the impact of the proposed changes to analytical principles.

5. Pursuant to 39 U.S.C. 505, the Commission appoints Almaroof Agoro to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

6. The Secretary shall arrange for the publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

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