



POSTAL REGULATORY COMMISSION

39 CFR Part 3050

[Docket No. RM2025-13; Order No. 9228]

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:* November 3, 2025.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://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 30, 2025, 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 a methodology to incorporate mail processing costs for Undeliverable-As-Addressed (UAA) mail into the First-Class Mail and USPS Marketing Mail letter cost models. Petition, Proposal at 1.

II. Proposal

Background. The Postal Service explains that UAA mail is mail that cannot be delivered as addressed and must be forwarded, returned to sender, or treated as waste or dead mail. *Id.* The Postal Service asserts that the processing of UAA mail “create[s] additional costs for the Postal Service and affect[s] the timeliness of mail delivery” because once mail is identified as UAA, it is removed from the general mail processing stream, its original presort characteristics are disregarded, and it is redirected before being returned to the mail processing stream. *Id.* at 1-2. The Postal Service asserts that this is primarily driven by large numbers of customer address changes and resulted in more than 2.5 billion UAA letters in 2024. *Id.* at 1. The Postal Service provides detailed information concerning its handling of UAA mail in the Proposal. *See id.* at 4-7.

The Postal Service states that the current methodology for measuring mail processing unit costs and workshare-related savings does not include UAA activities. *Id.* at 2. As a result, UAA activities are currently “encompassed in the

¹ Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles, September 30, 2025 (Petition). The proposed change is attached to the Petition (Proposal).

numerator of the Cost and Revenue Analysis (CRA) adjustment factor[,]" which "assumes that UAA activities are proportional to the presort levels within a mail category." *Id.* The Postal Service asserts that this assumption is problematic because the level of presortation of a mailpiece is independent of whether mail recipients have changed addresses and UAA handling costs are "not impacted by the presort discount given to the piece." *Id.* at 2-3. The Postal Service claims that "the current proportionality assumption inflates the measure of presort cost avoidances, distorts price signals, and generates economic inefficiencies." *Id.* at 3.

Proposal. The Postal Service proposes to include UAA costs, where such costs are independent of presort level, in the denominator of the CRA proportional adjustment factor calculation. *Id.* at 4. This change would reduce the CRA proportional adjustment factor for each affected mail category and reduce the avoided costs associated with presortation. *Id.* The Postal Service provides two model workbooks demonstrating the UAA letter-model framework for Fiscal Year 2024 First-Class Mail and USPS Marketing Mail, respectively, which it asserts contain all cost calculations with links to supplementary workbooks containing essential data elements.² In the Proposal, the Postal Service further describes the essential data elements, how they are calculated, and how they are applied in the framework to calculate UAA unit costs. Petition, Proposal at 7-19.

Impact. The Postal Service evaluates the Proposal's impact by identifying the changes in the CRA adjustment factor and the resulting changes in avoided

² *Id.* at 7; ZIP file "UAA Letter Cost Models.zip," September 30, 2025, Excel files "UAA FCM Letter Costs FY24.xlsx" and "UA MM Letter Costs FY24.xlsx." The supplementary workbooks are contained in ZIP file "UAA Letter Cost Models.zip" and described in the Proposal. Petition, Proposal at 19-20.

costs as compared to the current approach. *Id.* at 20. The Postal Service states that including UAA costs would reduce the CRA proportional adjustment factor compared to the current approach. *Id.* at 21. The proposed framework would also result in new CRA unit costs that vary for each presort category, which the Postal Service presents in tables in the Proposal. *Id.* at 21, 24-25 (Tables 8 and 9).

With respect to changes in avoided costs, the Postal Service provides calculations of the impacts on avoided costs in ZIP file “UAA Letter Cost Models.zip,” Excel file “UAA Avoided Cost Impacts FY24.xlsx.” *Id.* at 22. The Postal Service states that incorporating UAA processing activities would result in a decrease in cost avoidance of \$134 million or 8.1 percent for First-Class Mail and of \$14 million or 1.0 percent for USPS Marketing Mail. *Id.* at 23, 26 (Table 10). The Postal Service also presents the current workshare discounts, avoided costs, and passthroughs for First-Class Mail and USPS Marketing Mail letters in two tables and illustrates how the avoided costs and passthroughs would be changed by the Proposal. *Id.* at 23, 27-28 (Tables 11 and 12). The Postal Service acknowledges that the Proposal would cause some workshare discounts to fall out of compliance with 39 CFR part 3030, subpart J and represents that it will correct any noncompliance in future rate adjustment proceedings if the Commission approves the Proposal. *Id.* at 23.

III. Notice and Comment

The Commission establishes Docket No. RM2025-13 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 persons may submit comments on the Petition and the Proposal no later than November 3, 2025. Pursuant to 39 U.S.C. 505, Katalin Clendenin is designated

as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding. The Public Representative does not represent any individual person, entity or particular point of view, and, when Commission attorneys are appointed, no attorney-client relationship is established.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2025-13 for consideration of the matters raised by the Petition of the United States Postal Service to Initiate a Proceeding to Change Analytical Principles, filed September 30, 2025.

2. Comments by interested persons in this proceeding are due no later than November 3, 2025.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin 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 the publication of this order in the

Federal Register.

By the Commission.

Erica A. Barker,

Secretary.

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