

NATIONAL POSTAL POLICY COUNCIL

June 1, 2023

Postal Regulatory Report

William B. Baker

Topics



Rates



Annual Compliance Determination FY 2022



Delivering for America Plan, PI2023-4



Service measurement/dashboard



Challenges to new system for rates for market-dominant products



Other

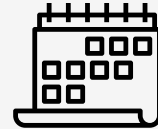
I. Rates



**R2023-2
Rate Case**



**Next rate case
(October 2023)?**



**April 2024
rate case?**

R2023-2 Rate Case

- Filed April 10
 - Sum for First-Class Mail = 5.373%
- NPPC filed comments May 10
 - Adverse effects of multiple rate increases in past 2 years
 - Addressed improved workshare discounts, except 5-Digit
 - Supported promotions and encouraged making permanent
- PRC order May 31
- Rates take effect July 9

Future rate cases

- Next case most likely will be filed in October
- Inflation only
 - SLS currently forecasting range 1.7 to 2.3%
 - Sharon Owens at NPF: 2%
- If April 2024 filing (effective July)
 - CPI range (Owens at NPF: 1%)
 - Density range 3.4 to 3.9%
 - Retirement authority range (Owens: 1.7%)

Market-Dominant Promotions Price Cap Treatment, RM2020-5

- When can USPS offset promotional discounts by raising other rates?
- After two losses in Court of Appeals, PRC issued new NPRM Nov. 14:
 - Would allow offset when incentive is “rate of general applicability”
 - A generally applicable rate incentive cannot be based on past mail volumes or prior mailer participation in an incentive.
- NPPC filed comments generally opposing basing eligibility on historical volumes consistent with its position stated in previous comments and encouraged USPS to convert promotions into permanent products
- Docket remains pending

II. Annual Compliance Determination for FY 2022

- PRC issued ACD on March 29:
 - Generally found USPS complied with law in FY22
 - Agreed w/NPPC that the omission of RHB NC distorted cost comparisons and w/s passthroughs, but applied new costing
 - Agreed w/NPPC that FCM service performance not directly comparable to FY2021 due to N2021-1 changes. Urged USPS:
 - To develop a way to analyze impacts of changes in service standards or measurement on performance
 - To give more clarity regarding purpose of changes in service targets
 - Will continue to monitor effectiveness of w/s passthrough rules
- PRC issued Financial Analysis on May 17

III. Delivering for America Plan, PI2023-4

01

PRC on April 30 initiated public inquiry regarding DFAP. Text focused on S&DCs

02

On May 5, USPS moved to kill proceeding, stating that PRC has no jurisdiction to review strategic plans

03

NPPC and other mailers opposed USPS motion on May 12, stating that PRC has authority relating to its regulatory responsibilities and that USPS objections are premature

04

PRC action on USPS motion to come

IV. Service Performance, Measurement & "Dashboard" – Docket No. RM2022-7

PRC adopted rules on Order 6439 (Feb. 9) requiring:

- Average actual days to delivery & dispersion at District, Postal Administrative Area, and National
- Quarterly & annual reports on mail (& IMb mail) excluded from measurement
- ZIP code lookup on dashboard (down to District data)
- Reporting of Reply Mail service on dashboard

USPS Dashboard initial launch in mid-May

V. Costing/Data Proceedings

RM2022-1: Future Data Collection Priorities

- In Comments filed March 25, 2022, NPPC urged the Commission to research the use of “nominal” instead of “real” (inflation-adjusted) postal rates in USPS demand models
- NPPC expects that using nominal rates would produce a more accurate estimate of price elasticity of demand
- Awaiting Commission action

PI2023-2: Cost Attribution

PSRA directed PRC to review certain cost attribution regulations to determine whether any revisions to those regulations or analytical principles are appropriate

Comments due June 14; replies July 14

VI. Market-Dominant Rate System

Mailer “second look” petitions

Service Performance Incentive (RM2021-2)

Mailer “Second Look” Petitions

Two joint petitions filed on April 11, 2022

ANM/PostCom (RM2022-5) petition for rulemaking asks PRC to revisit new regulations authorizing above-CPI increases because that PSRA’s erasure of RHB funding requirement eliminates foundation for Order 4257, which empowered PRC to modify system

GCA/AFPA (RM2022-6) ask PRC to vacate Order 5763 and conduct **ab initio** new 10-year review

NPPC has filed its “stakeholder inquiry” comments in both proceedings and referred to these proceedings in the filings on the proposed PAEA accounting

Awaiting Commission action

Performance Incentive Mechanism, RM2021-2

ANPRM issued Jan. 15, 2021

- Revisiting “service performance” supplemental authority proposal that PRC did not adopt in 10-year review
- Asks whether new rules needed to promote
 - Financial stability
 - Increased efficiency
 - High quality service standards

On July 2, 2021, PRC held this proceeding in abeyance during pendency of NPPC v. PRC

Still in abeyance

VII. Other Proceedings



PI2020-1 Postal Monopolies Inquiry



PI2021-1 USO Valuation Methodology

VII. Other Proceedings



**PI2020-1 Postal
Monopolies Inquiry**



**PI2021-1 USO
Valuation Methodology**

Postal Monopolies Inquiry, PI2020-1

Inquiry re updating how to calculate value of the postal monopolies (Private Express Statutes & Mailbox Rule)

NPPC

- Supported the monopolies as a means to finance universal service
- Urged Commission to consider qualitative values to mailers and recipients,
- Asked Commission to affirm that the current methodology does not identify a maximum value.

ChIR issued June 9, 2022, re certain carrier cost details

No deadline

USO Valuation Methodology, PI2021-1

PRC initiated proceeding to revisit its methodology for estimating the cost of the USPS's universal service obligation

On April 4, 2023, PRC asked the USPS to update certain inputs based on FY2022 data

Questions

