

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Costing Treatment of Retirement Debt Relief

Docket No. RM2023-1

Periodic Reporting (Proposal Eight) (Retire Health
Benefit Normal Costs)

Docket No. RM2023-3

**MOTION FOR RECONSIDERATION OR, IN THE ALTERNATIVE,
PETITION TO INITIATE A PROCEEDING REGARDING
THE APPROPRIATE ANALYTICAL PRINCIPLE
FOR RETIREE HEALTH BENEFIT NORMAL COSTS**

(December 19, 2022)

The National Postal Policy Council, the Alliance of Nonprofit Mailers, the American Catalog Mailers Association, the Association for Postal Commerce, the Major Mailers Association, the National Association of Presort Mailers, and N/MA - The News/Media Alliance (“Mailers”) respectfully submit this motion for reconsideration of Order No. 6363¹ or, in the alternative, petition to change an analytical principle pursuant to 39 C.F.R. §3050.11 to address the proper accounting for FY 2022 retiree health benefit normal costs. Those costs should be treated as accrued in FY 2022 and distributed as attributable or institutional in the same manner as they have been in every year since FY 2008.

Continuing to treat them in this manner is compelled by the causality-based standard for cost attribution in 39 U.S.C. §§ 3622 and 3633 and by the established analytic principles that the Commission has applied for accrual and

¹ Order No. 6363, Docket No. RM2022-3 (Dec. 9, 2023) (Order Granting Petition, In Part, For Reconsideration).

attribution of normal costs since FY 2008. It is also compelled by sound economics and the Postal Service's own accounting principles and policies. Furthermore, no proceeding to change the established methodology has occurred pursuant to 39 U.S.C. §3050.11, nor does the Postal Service Reform Act require any change.

Accordingly, the Mailers ask the Commission to:

1. Reconsider, pursuant to 39 C.F.R. §3010.165, on both procedural and substantive grounds the decision in Order No. 6363 that the Postal Service's proposed exclusion of recurring retiree health benefits (RHB) normal costs from the annual Cost and Revenue Analysis report (CRA) is not a change in analytical principle;
2. Reconsider the related decision to impose the burden on mailers to petition the Commission for a change in analytical treatment, when it is the Postal Service, not mailers, that is proposing the change to exclude RHB normal costs for regulatory costing purposes, as initially proposed in its letter to the Commission dated August 12, 2022;² and
3. Alternatively, initiate a rulemaking to reapply the analytical principle applied in the FY 2021 Annual Compliance Review for RHB normal costs, to the extent that the Commission now interprets the analytical principle to state that there is no RHB normal cost incurrence in FY 2022 because there is no payment due in FY 2022.

I. THE ESTABLISHED ANALYTICAL PRINCIPLE IS THAT RHB NORMAL COSTS ACCRUE IN THE FISCAL YEAR THAT THEY ARE EARNED BY EMPLOYEES WORKING

The normal costs at issue are the costs incurred this year for post-retirement health benefits for current employees. Employees are entitled to those retiree health benefits as provided in the benefits package of their compensation.

² Letter to Erica A. Barker from Richard T. Cooper (Aug. 12, 2022) (USPS Letter) available at <https://www.prc.gov/docs/122/122469/Ltr%20re%20PSRA%20Effects%20ACR%20CRA.pdf>.

Employees in FY 2022 earned those benefits as they performed their daily assignments.³ By definition, those benefits are earned each year as employees work, because it is a benefit for current employees for the year.⁴

A. RHB Normal Costs Have Been Accrued And Attributed In The Year That They Are Earned Every Year Since 2008

The Postal Service uses accrual accounting. See Postal Service Handbook F-1. And it is a basic principle of postal accounting that costs accrue when they are incurred. As the Postal Service's own Handbook F-1 states (at 3, emphasis added): "The accrual basis of accounting dictates that the Postal Service record revenues when earned and *expenses when incurred, regardless of when the related assets and liabilities are collected or paid.*" For FY 2022 normal costs, that would be in FY 2022.

This is not novel. In fact, this is precisely the established costing methodology for normal costs that the Commission and Postal Service have applied consistently in every year since 2008. As shown in Table 1 below (which is drawn from Attachment I hereto), retiree health benefit normal costs have been treated as accrued costs in the year in which they were incurred throughout the entire time since enactment of the Postal Enhancement and Accountability Act in 2006, including just last year in its Annual Compliance Report for FY 2021:

³ Similarly, annual leave is accrued when it is earned, not when it is taken.

⁴ Order No. 6363 also addresses amortization, which the established methodology classifies as institutional -- which the undersigned mailers do not seek to change.

Table 1: Retiree Health Benefits Normal Costs

Fiscal Year	Normal Costs (\$000s)		% Attributable
	Attributable	Total	
FY 2008	\$2,893,912	\$4,789,923	60.4%
FY 2009	\$2,508,684	\$4,190,487	59.9%
FY 2010	\$2,405,455	\$4,095,064	58.7%
FY 2011	\$2,208,733	\$3,804,822	58.1%
FY 2012	\$2,025,233	\$3,534,097	57.3%
FY 2013	\$1,870,005	\$3,318,883	56.3%
FY 2014	\$1,772,889	\$3,153,037	56.2%
FY 2015	\$1,870,872	\$3,333,811	56.1%
FY 2016	\$1,775,528	\$3,177,847	55.9%
FY 2017	\$1,921,565	\$3,305,155	58.1%
FY 2018	\$2,133,963	\$3,666,008	58.2%
FY 2019	\$2,212,535	\$3,775,270	58.6%
FY 2020	\$2,246,423	\$3,849,643	58.4%
FY 2021	\$2,456,203	\$4,203,124	58.4%

Note: Prior to FY 2016, the Cost Segments & Components and Trial Balance library references included CSRS normal costs and RHB normal costs in the same component. Consistent with this treatment, amounts in this table for FY 2015 and prior years include both costs.

As the Commission knows, accrued costs as reflected in the trial balance (submitted in each ACR and therefore an analytical principle) form the basis of costs by cost segments and components. The accrual in each segment in the trial balance matches exactly the segment cost in the cost segments and components (CSCs). This information forms the basis of the CRA and ACR upon which the Commission bases its annual compliance determinations. The relevant Summary Description of USPS Development of Costs by Segments and Components show accrued costs and their source with references to the corresponding entries in the trial balance and the CSCs.

In particular, the FY2021 cost segment 18 summary description stated as follows:

18.3.6.1 Retiree Health Benefits (Current Year) – Component 202

Description: This component contains the normal cost of the retirement health benefits of active employees.

Accrued Costs: Costs in this component are obtained from accounts in component 202 of USPS-FY21-5, tab “seg 18”.

Volume Variable Costs: Costs in this component are considered volume variable to the same degree as all other personnel-related costs. Thus, the costs associated with retiree health benefits expenses are considered to be variable to the same degree as composite labor costs.

Distribution of Costs: The volume variable current year annuitant health benefits costs are distributed to products in the same proportions as composite labor costs.⁵

The Commission relied on this component in its Annual Compliance Determination. A failure to accrue and attribute RHB normal costs in FY 2022 would constitute a change in the distribution of normal costs among attributable and institutional costs. Any other reallocation of this nature would appropriately be considered a change in analytical principle. Allowing the Postal Service to circumvent this process by categorically “omitting” these costs from the Trial Balance would circumvent this institutional safeguard on the integrity of the cost models.

The Commission’s rules require the Postal Service to adhere to established accepted analytical principles in its Annual Compliance Report. 39 C.F.R. §3050.10. Commission rule 39 C.F.R. §3050.1(a) defines the “Accepted analytical principle” as one that was applied by the Commission in its most recent Annual Compliance Determination unless a different analytical principle subsequently was accepted by the Commission in a final rule. The Commission

⁵ *Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2021 (July 1, 2022), CS18-21.docx at 18-19.*

has not adopted a rule changing the treatment of normal costs, nor has the Postal Service initiated any rulemaking proceeding to do so at any time either before or after enactment of the Postal Service Reform Act.⁶

Therefore, the Commission's rules require the Postal Service to accrue in FY 2022 the normal costs of retiree health benefits that were earned in FY 2022, just as it has in each of the past 14 years. Thus, mailers logically believe that they are not seeking to change the established methodology. It is the Postal Service's proposal in its August 12, 2022, letter and Order No. 6363 that have abandoned the established methodology. Mailers are merely asking that the Postal Service and Commission continue to apply the established principle.

That normal costs are accrued in this way was resolved in Docket No. RM2007-1, as the Commission implemented the Postal Accountability and Enhancement Act. Prior to 2007, retiree health benefit costs had been accrued pursuant to the payment schedules for these costs. *See Initial Comments of the United States Postal Service On The Second Advance Notice of Proposed Rulemaking*, Docket No. RM2007-1, at 29 (June 18, 2007). However, the PAEA enacted a definition of attributable costs as "the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships."⁷ When this definition was applied to Retiree Health Benefit normal

⁶ The August 12, 2022, letter from the Postal Service to the Commission Secretary did not even purport to be a petition for rulemaking. Nor did the Commission follow the procedures required by 39 C.F.R. §3050.11 to conduct a rulemaking to change established costing methodologies.

⁷ 39 U.S.C. §3622(c)(2); *see also* 39 U.S.C. §3631(b).

costs, the Postal Service stated that the PAEA had broken “any perceived link between the payment schedule and how the costs are incurred.” *Id.* at 29.

Instead, reassessing the treatment of RHB normal costs in light of the PAEA’s focus on reliably identified causal relationships, the Postal Service continued: “As such, attributing those pension and health costs based upon the payment schedule, as done in the past, is clearly inconsistent with reflecting the ‘economic costs’ associated with the handling of the mail, due to the accelerated payments and the new information on actual costs incurred.” *Id.*

And the Postal Service’s approach for treatment of normal cost fully accorded with GAO’s longstanding view on this issue. In fact, GAO (at the time, the General Accounting Office) recognized that accounting principles did not preclude the use of the accepted economic approach to accruing and attributing RHB normal costs and went on to urge the use of accounting principles with the accepted economic approach. As early as 1992, 14 years before the enactment of the PAEA, GAO issued a report urging the Postal Service to report the full amount of the accrued employee postretirement health benefit costs to improve regulatory compliance, among other functions.⁸ In 2002, GAO revisited the issue, again urging the Postal Service to adopt accrual accounting for RHB costs.⁹ GAO noted specifically that its further review confirmed that the

⁸ United States General Accounting Office, *Accounting for the Postal Service’s Postretirement Health Care Costs* (May 1992), GAO/AFMD-92-32, available at <https://www.gao.gov/assets/afmd-92-32.pdf>.

⁹ United States General Accounting Office, Letter to Mr. John E. Potter, Postmaster General, GAO-02-916R Postal Service Postretirement Health Obligations (September 12, 2002), available at <https://www.gao.gov/assets/gao-02-916r.pdf>.

recognized exemption from accrual accounting for multiemployer plans was not suited to the Postal Service's unique characteristics and that the Postal Service's failure to adopt accrual accounting for RHB costs frustrated transparency and accountability – touchstones of the PAEA and the Postal Service Reform Act.¹⁰

Therefore, following the enactment of the PAEA, the Postal Service agreed that consistent with the causation principle enshrined in the PAEA, the “more practical, moderate approach focuses on how those costs are earned as opposed to the payment schedule.” *Id.*, at 30. In particular, the Postal Service:

[E]mployees accrue eligibility for health care coverage after retirement. These earned benefits form the foundation of economic costs. In other words, the salary and the earned benefits are the true costs incurred by the Postal Service when postal employees are working. . . . The same rules of attribution used for the salary can also be used for benefits. *Id.*

The Commission agreed and, as noted above, the normal costs of retiree health benefits have been accrued in that manner ever since in every annual compliance review proceeding since FY 2008.

B. The Approach Authorized In Order No. 6363 Would Have Harmful Real-World Consequences

Finally, failing to accrue the RHB normal costs in the year that they are earned would have real world negative consequences. Most importantly, failing to do so would violate economic principles of cost causation embodied in the PAEA. Economic costs are the foundation of postal cost accounting, and the economic costs of postal workers include RHB normal costs.

¹⁰ *Id.*

Omitting an earned and accrued cost from postal accounting would mean that the costs do not accurately reflect economic costs. That in turn would lead to inefficient rates. This is particularly relevant for worksharing discounts, for which efficient costing and pricing requires the use of economic costs. Omitting a portion of the direct and indirect labor costs from the calculation of avoided costs would unavoidably result in underestimates of cost avoidances, which in turn would lead to inefficiently priced workshare discounts. It could also result in erroneous conclusions that some discounts exceed their avoided costs, triggering rate adjustments that would result in much less efficient rates.

The resulting harm would be lasting. It could not be mitigated even if the treatment of normal costs were to be corrected in a future year. Under the workshare rules, current discounts are used as inputs in establishing subsequent discounts. Distortions in current discounts, even if temporary, would thus result in future distortions, notwithstanding any correction of the treatment of normal costs in the future.

II. THE POSTAL SERVICE, NOT MAILERS, IS THE PROPONENT OF THE CHANGE AND HAS THE BURDEN OF PROOF

Although the established methodology unquestionably accrues RHB normal costs as a cost in the year in which they are incurred, the Postal Service contended, in its August 12, 2022, letter, that the Postal Service Reform Act necessitates exclusion of RHB normal costs from the CRA. As discussed below, that is incorrect.

But the Postal Service's assertion itself was a proposal to change the quality, accuracy, and completeness of its periodic reports. In prior years, RHB

normal costs were accrued and attributed to a substantial degree; the August 12 letter stated the Postal Service's intent not to accrue those same costs in FY 2022.

That was an admission that the USPS position was a change in costing methodology – based on a “one-time” legislative act -- but the letter was neither styled nor considered as one. Instead, in Order No. 6363, the Commission accepted the Postal Service's argument that the PSRA requires this change, but somehow simultaneously held that there is no change in the underlying analytical principle and that therefore *mailers* must initiate a proposed change (that merely would restore the *status quo ante*). It is illogical and unreasonable both to accept a changed treatment and say that the principle has not changed.

The Postal Service has not sought to initiate a proceeding to address normal costs after the PSRA under 39 C.F.R. §3050.11 and none has occurred. By the Commission regulations, the accepted analytical principle has not changed since FY 2021. And nothing about the accepted principle requires that the Postal Service receive an invoice from OPM or actually fund the RHB. Nor, as explained below, did the PSRA direct a change in how normal RHB costs are treated in the CRA. The burden of proof, therefore, should be on the Postal Service to explain why the PSRA justifies changing the CRA in the manner it has proposed.

Order No. 6363 errs, therefore, in both (i) approving a change in the treatment of RHB normal costs in the CRA without adhering to the procedures required by 39 C.F.R. §3050.11; and (ii) requiring mailers – not the Postal

Service – to initiate a proceeding to address RHB normal costs. The Mailers urge the Commission to reconsider and reverse those decisions made in Order No. 6363 and assign the burden of proof to the Postal Service.

III. THE POSTAL SERVICE REFORM ACT PROVIDES NO BASIS FOR ABANDONING THE PRINCIPLE THAT RHB NORMAL COSTS ARE ACCRUED WHEN EARNED BY EMPLOYEES

As discussed above, ever since implementation of the PAEA, normal costs have been treated as accrued in the fiscal year in which they were earned. Notably, the preceding discussion contains no discussion of when or how those costs are to be funded. That is because, as the Postal Service itself noted in 2007, the timing of funding is irrelevant to accrual accounting.

Nevertheless, both the Postal Service and Order No. 6363 contend that the Postal Service Reform Act changed postal cost accounting. It did not. Nothing in the PSRA modifies the existing labor agreements or any other contracted retiree health benefits. Instead, as Order No. 6363 (at 10) notes, the legislation simply “amended how the Postal Service’s retiree health benefits are *funded*” (emphasis added).

Order No. 6363 addressed the normal cost issue in a scant two paragraphs, only one of which provided any analysis of the issue. The Postal Service’s approach, as endorsed by Order No. 6363, is that Section 102 of the PSRA, by relieving it of an obligation to make a payment to fund RHB normal costs in FY 2022, somehow eliminated that cost for regulatory purposes. Nothing in the PSRA does so. Section 102 of the PSRA replaced the amortization and normal cost payments required by the former PAEA provision

with “a new requirement that the Postal Service pay into the Postal Service Retiree Health Benefit Fund (PSRHBF) for current retiree health care costs equal to premiums minus the cost of annual claims paid.” Order No. 6363 at 10. In other words, the PSRA provided that the PSRHBF would fund annuitant premiums until it is exhausted, and that no later than FY 2026 the Postal Service may be required to make annual “top-up” payments to the PSRHBF.

However, Order No. 6363 goes astray when it states that the Postal Service “will not incur retiree health benefit costs until either OPM’s annual calculation results in a top-up payment (Sec 102(b)(1)), or the PSRHBF is exhausted, and it is required to make contributions to OPM for annuitant premiums.” *Id.* On the contrary, the Postal Service will incur (and accrue) retiree health benefit costs, as described above, daily as postal employees do their work, just as in past years.

But, as the Postal Service acknowledged and as noted above, the PAEA’s enshrinement of causality as the basis for cost attribution severed “any perceived link between the payment schedule and how the costs are incurred.” See *Initial Comments of the United States Postal Service On The Second Advance Notice of Proposed Rulemaking*, Docket No. RM2007-1, at 29. Nothing in the PSRA changed the statutory definition of attributable costs or the statutory requirement that products cover their attributable costs based on reliably identified causal relationships.

Again, for the past 14 years, (including two years in which Congress reduced and deferred RHB payments¹¹ and 10 years when the Postal Service defaulted on them¹²), the Commission has treated RHB normal costs as accrued and attributed them to specific products to the same “degree as composite labor costs.”¹³ If Order No. 6363 stands, those same costs will not be accrued and attributed in the FY2022 ACR even though the benefits are still being earned and the costs incurred in the very same way. This result will not improve the quality, accuracy or completeness of the periodic reports; it will degrade transparency and accountability by introducing arbitrary cost distinctions. Costs that are incurred annually in the normal course of operations do not flip from accrued to non-accrued and back, like a traffic signal switching from red to green, depending on whether OPM deems an invoice necessary.

Moreover, the Postal Service’s proposed treatment, approved in Order No. 6363, conflicts with the treatment of *legislative changes to the RHB payment schedule made in two previous years* in which Congress, since PAEA, reduced or deferred the funding requirement. In Fiscal Years 2009 and 2011, the required RHB payments were reduced by Congress, but the RHB normal cost was calculated in the exact same way as in other years, by estimating the value

¹¹ *Summary Description of USPS Development of Costs by Segments and Components Fiscal Year 2009* (July 14, 2010), CS18-09.DOC at 18-8; *Summary Description of USPS Development of Costs by Segments and Components Fiscal Year 2011* (July 2, 2012), CS18-11.DOC at 18-8, n.6.

¹² United States Postal Service, 2021 Report on Form 10-K at 48, n.8.

¹³ *Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2021* (July 1, 2022), CS18-21.docx at 18-19.

of future benefits earned by postal employees in that year. See *Postal Regulatory Commission Annual Compliance Determination, FY 2011*, at 21 n.1 (Mar. 28, 2012) (summarizing legislation) & Pub. L. 111-68, Section 164.¹⁴

Based upon the correct established method, the reduced payments, on the other hand, did affect the size of the prior year RHB costs in those years, which is calculated as the difference between the payment due that year and the RHB normal cost.

In fact, the reduced payment resulted in prior year RHB costs being negative in both of those fiscal years. Using the established and correct method, the same will be true this year (even before accounting for the \$57 billion reversal of past due payments). With no payment due this year and a \$4.4 billion RHB normal cost, FY 2022's prior year RHB cost will be negative \$4.4 billion (\$0 payment minus \$4.4 billion normal cost) and treated as institutional. Of course, the reversal of the \$57 billion will increase this negative prior year RHB institutional cost to \$61-\$62 billion.

Under the Postal Service's theory as endorsed by Order No. 6363, no retiree health benefit normal costs were accrued in FY 2022, nor will any be accrued until the Service receives a "top-up" request from the Office of Personnel Management. That is incorrect. Under that theory, no postal employee accrued additional retiree health benefits in FY 2022. That is simply not true, as RHB normal costs are part of postal employee compensation.

¹⁴ In FY 2009, Congress reduced the payment by \$4 billion. But that reduction did not cause the Service to report a reduced retiree health benefit accrued costs in the ACR for that year

And that is confirmed by the Postal Service’s own recent financial reporting. The Postal Service’s FY2022 Form 10-K, reports – at the same time the Postal Service is contending before this Commission there are no costs to accrue (or attribute) for regulatory purposes – that it accrued \$4.4 billion in FY2022 RHB normal costs in its actuarial liability – as determined by OPM and as shown in the table below from the FY2022 Form 10-K:¹⁵

<i>(in billions)</i>	2022	2021
Beginning actuarial liability at October 1	\$ 120.4	\$ 116.6
- Plan amendments*	(61.2)	—
+ Actuarial gain	(3.8)	(0.2)
+ Normal costs	4.4	4.0
+ Interest at 4.8% and 4.4%, respectively	3.9	4.0
Subtotal net periodic costs	\$ (56.7)	\$ 7.8
- Premium payments	(4.2)	(4.0)
Actuarial liability at September 30	\$ 59.5	\$ 120.4
- Fund balance at September 30	(35.8)	(96.1)
+ Amounts past due	\$ —	57.0
Unfunded obligations at September 30	\$ 23.7	\$ 81.3

The Postal Service’s contention before this Commission that no RHB normal costs were accrued is contradicted by its own Form 10-K, which reports \$4.4 billion of such costs.

The notion that RHB normal costs that have been accrued, and attributed, every year consistently since FY 2008 should somehow not be treated as such in FY 2022 due to a statutory provision that addresses funding, not causality or the incurrence of economic cost, is meritless and inconsistent with past practice. In contrast, the longstanding approach of accruing and attributing RHB normal costs simultaneously complies with both the accounting rules and the statutory causation-based costing requirements.

¹⁵ United States Postal Service, 2022 Report on Form 10-K at 32.

IV. ALTERNATIVELY, TO THE EXTENT THE COMMISSION INTERPRETS THE ESTABLISHED COSTING METHODOLOGY TO EXCLUDE CATEGORICALLY FROM “INCURRED COSTS” THOSE RHB NORMAL COSTS THAT HAVE ACCRUED BUT FOR WHICH THERE IS NO REQUIRED CURRENT YEAR PAYMENT, THE COMMISSION SHOULD CHANGE THE ANALYTICAL PRINCIPLE

As the foregoing demonstrates, the Mailers’ position is that they are asking merely that the Commission and Postal Service continue to apply the same established methodological principle to FY 2022 normal costs that has been consistently applied since FY 2007, including as recently as the Annual Compliance Determination for FY 2021. However, to the extent the Order No. 6363 interprets the principle as not requiring attribution of accrued RHB normal costs when the Postal Service is under no immediate obligation to pay, the mailers hereby would petition, pursuant to 39 C.F.R. §3050.11, to change that principle.

Treating earned RHB normal costs as accrued in the year that they are earned, and accordingly attributing them through the CRA process as in previous years would improve the quality, accuracy, and completeness of the data in the Postal Service’s periodic reports when compared to the approach urged by the Postal Service and endorsed by Order No. 6363.

First, accruing and attributing RHB normal costs in the year in which they were earned is consistent with economic cost accounting. The RHB normal costs are a component of the economic cost of postal work. In practical terms, excluding RHB costs would result in inaccurate and understated cost avoidance estimates. And it is readily foreseeable that erroneously understated costs avoided will result in inaccurate compliance findings with respect to prevailing

workshare discounts, resulting in rate adjustments that may frustrate rather than further the Commission's stated goals of pricing and operational efficiency.

Furthermore, accruing the RHB normal costs is fully consistent with the legal standard that attributable costs are "the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships."¹⁶ Earned RHB costs plainly satisfy that standard, and attributing them improves the quality of postal accounting by making it more consistent with statutory requirements.

Additionally, the categorical exclusion of select costs would also erode the accuracy of the Commission's compliance findings with respect to whether competitive products were operating in full compliance with the causation-based statutory costing requirements.

The harm resulting from not properly attributing RHB normal costs in FY 2022 would not be mitigated if the treatment of normal costs were to be corrected in a future year. Under the workshare rules, current discounts are used as inputs in establishing subsequent discounts. Distortions in current discounts, even if temporary, would thus result in future distortions, notwithstanding any correction of the treatment of normal costs in the future.

According to the Postal Service's FY 2022 10-K, RHB normal costs totaled \$4.4 billion. As shown in Table 2, proper treatment of these costs would increase attributable costs by approximately \$2.6 billion compared to the approach in Order No. 6363 to a level consistent with attribution levels in recent years.

¹⁶ 39 U.S.C. §3622(c)(2); *see also* 39 U.S.C. §3631(b).

Nothing in this proposal would affect how those costs are currently attributed to particular postal classes or products:

Table 2: FY 2021 & FY 2022 RHB Normal Costs

(in billions)		Normal (10-K)	Accrued	Attributable
		[a]	[b]	[c]
FY 2021	[1]	\$4.0	\$4.2	\$2.5
FY 2022				
USPS Approach	[2]	\$4.4	\$ -	\$ -
Mailer Approach	[3]	\$4.4	\$4.4	\$2.6

[a] United States Postal Service, 2022 Report on Form 10-K at 32

[1][b] Docket No. ACR2021, USPS-FY21-2, FY21Public Cost Segs and Comps.xlsx, "CS18", cells AC60 & AC58

[1][c] *Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2021* (July 1, 2022), CS18-21.docx at 18-2

[2][b]:[2][c] USPS Approach

[3][b] = [3][a]

[3][c] = [3][b] * [1][c] / [1][b] (Approximated using the FY 2021 attributable percentage.)

For all of these reasons, reversing the Postal Service's approach, as approved in Order No. 6363, would improve the "quality, accuracy, or completeness" of the costing models. Accordingly, the Mailers urge the Commission again to require the inclusion of RHB normal costs in the CRA and Annual Compliance Report.

V. CONCLUSION

Accordingly, the National Postal Policy Council, the Alliance of Nonprofit Mailers, the American Catalog Mailers Association, the Association for Postal Commerce, the Major Mailers Association, the National Association of Presort Mailers, and N/MA - The News/Media Alliance respectfully urge the Commission to again hold that normal costs accrued in FY 2022, as they have in every year since FY 2008, that such accrual was unaffected by the Postal Service Reform

Act, and those normal costs should be distributed to attributable costs in the same manner as in past years.

As explained, the Mailers do not believe that this requires a change in the established costing methodology, but rather a correct application of that methodology. However, if the Commission disagrees, it should adopt and apply a costing methodology that requires retiree health benefit economic costs to be accrued in the fiscal year in which they are earned.

Respectfully submitted,

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Attachment 1

Retiree Health Benefits Normal Costs

Fiscal Year		Normal Costs (\$000s)		% Attributable
		Attributable	Total*	
		[a]	[b]	
FY 2008	[1]	\$2,893,912	\$4,789,923	60.4%
FY 2009	[2]	\$2,508,684	\$4,190,487	59.9%
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FY 2012	[5]	\$2,025,233	\$3,534,097	57.3%
FY 2013	[6]	\$1,870,005	\$3,318,883	56.3%
FY 2014	[7]	\$1,772,889	\$3,153,037	56.2%
FY 2015	[8]	\$1,870,872	\$3,333,811	56.1%
FY 2016	[9]	\$1,775,528	\$3,177,847	55.9%
FY 2017	[10]	\$1,921,565	\$3,305,155	58.1%
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FY 2019	[12]	\$2,212,535	\$3,775,270	58.6%
FY 2020	[13]	\$2,246,423	\$3,849,643	58.4%
FY 2021	[14]	\$2,456,203	\$4,203,124	58.4%

* Prior to FY 2016, the Cost Segments & Components and Trial Balance library references included CSRS normal costs and RHB normal costs in the same component. Consistent with this treatment, amounts in this table for FY 2015 and prior years include both costs.

[1] Docket No. ACR2008

[a] USPS-FY08-2, FY08PubSeg&CompRpt.xlsx, "CS18", cell U59

[b] USPS-FY08-5, RealTB08.xls, "seg 18", cell K1042

[2] Docket No. ACR2009

[a] USPS-FY09-2, FY09 Public CS&C Rpt.xlsx, "CS18", cell U59

[b] USPS-FY09-5, RealTB09P.xls, "seg 18", cell K1046

[3] Docket No. ACR2010

[a] USPS-FY10-2, FY10 Public CS&C Rpt.xlsx, "CS18", cell U60

[b] USPS-FY20-5, trial_balanceredacted_2010.xls, "seg 18", cell L1043

[4] Docket No. ACR2011

[a] USPS-FY11-2, FY11Public CS&CRpt.xlsx, "CS18", cell U60

[b] USPS-FY11-5, RealTB11-5.xls, "seg 18", cell K1052

[5] Docket No. ACR2012

[a] USPS-FY12-2, FY12.Public CS&CRpt.xlsx, "CS18", cell U60

[b] USPS-FY12-5, RealTB12 QTR 4 YTD Redacted 121812.xls, "seg 18", cell K1054

[6] Docket No. ACR2013

[a] USPS-FY13-2, FY13.Public CS&CRpt.Revised.xlsx, "CS18", cell U61

[b] USPS-FY13-5, realthb13 usps-fy13-5 redacted.xlsm, "seg 18", cell K1059

[7] Docket No. ACR2014

[a] USPS-FY14-2, fy14.2.public cost segs and comp.xlsx, "CS18", cell U61

[b] USPS-FY14-5, realtb14 usps-fy-14-5 redacted.xlsm, "seg 18", cell K1070

[8] Docket No. ACR2015

[a] USPS-FY15-2, fy15.public cost segs and comps.xlsx, "CS18", cell U59

[b] USPS-FY15-5, fy15.5.realtb15 redacted.xlsm, "seg 18", cell K1072

[9] Docket No. ACR2016

[a] USPS-FY16-2, fy16public cost segs and comps.xlsx, "CS18", cell AC59

[b] USPS-FY16-5, fy16.5 realtb.fy16 public.redacted.xlsm, "seg 18", cell K1080

[10] Docket No. ACR2017

[a] Rule 39 C.F.R. Section 3050.60(f) Report for FY 2017 (Summary Descriptions) (July 2, 2018), CS18-17.docx, p. 18-2

[b] USPS-FY17-5, FY17.5.RealTB_2017 Redacted Public. Xlsm, "seg 18", cell K1089

[11] Docket No. ACR2018

[a] Rule 39 C.F.R. Section 3050.60(f) Report for FY 2018 (Summary Descriptions) (July 1, 2019), CS18-18.docx, p. 18-2

[b] USPS-FY18-5, RealTB18 QTR 4 YTD Redacted. Public. xlsm, "seg 18", cell K1090

[12] Docket No. ACR2019

[a] Rule 39 C.F.R. Section 3050.60(f) Report for FY 2019 (Summary Descriptions) (July 1, 2020), CS18-19.docx, p. 18-2"

[b] USPS-FY19-5, fy19.5 realtb.public.redacted.xlsm, "seg18", cell K1094

[13] Docket No. ACR2020

[a] Summary Description, Costs by Segments and Components, FY 2020 (July 1, 2021), CS18-20.docx, p. 18-2

[b] USPS-FY20-5, fy20.5 realtb.public.redacted.xlsm, "seg 18", cell K1095

[14] Docket No. ACR2021

[a] Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2021 (July 1, 2022), CS18-21.docx, p. 18-2

[b] USPS-FY21-5, FY21.5 RealTB.Public.Redacted.xlsm, "seg 18", cell K1095

[c] = [a] / [b]