



Postal Regulatory Commission

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Press Release

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PRC Order Gives Guidance to Postal Service on Exigency Rate Case Process

Washington, DC – Today, the Postal Regulatory Commission issued Order No. 864, Docket R2010-4, to clarify how close the causal connection must be between an exigent rate adjustment and the circumstances to which the proposed adjustment is due.

On September 30, 2010, the Commission denied a United States Postal Service request for an average 5.6 percent exigent rate increase because the proposed adjustments were not “due to” extraordinary or exceptional circumstances, Order No. 547, Docket R2010-4. Following a Postal Service appeal of the Commission’s decision, in July of 2011, the U. S. Court of Appeals for the District of Columbia Circuit remanded the case to the Commission. Specifically, the Court required the Commission to determine, “how closely the amount of the adjustments must match the revenue lost as a result of the exigent circumstances.”

The order issued today by the Commission defines the causal nexus of “due to” to mean that:

- (1) Exigent rate adjustments are permitted only if, and to the extent that, they compensate for the net adverse financial impact of the exigent circumstances;
- (2) To quantify the net adverse financial impact of the exigent circumstances, the Postal Service does not have to quantify such impact with absolute precision, but must:
 - (a) Under the circumstances presented, justify its quantification through supportable methods commensurate with the amount of the proposed adjustment; and
 - (b) Demonstrate that the amount of the proposed adjustment does not exceed the net adverse financial impact of the exigent circumstances.

The Commission’s Chairman Ruth Goldway commented, “I thank the Commission’s Vice Chairman Mark Acton for serving as presiding officer and for promptly completing this review. It is gratifying to note that the Commission maintains its strong consensus on the interpretation of the exigency provision of the law.”

In short, the Commission’s interpretation reaffirms that the price cap is the cornerstone of the Postal Accountability and Enhancement Act’s ratemaking system and is intended to provide clear incentives for the Postal Service to improve efficiency and reduce its cost, and that the exigency provision is intended as a narrow exception to it.

For more information, click on www.prc.gov.

The Postal Regulatory Commission is an independent federal agency that provides regulatory oversight over the U.S. Postal Service to ensure the transparency and accountability of the Postal Service and foster a vital and efficient universal mail system. The Commission is comprised of five Presidentially-appointed and Senate-confirmed Commissioners, each serving terms of six years. The Chairman is designated by the President. In addition to Chairman Goldway, the other Commissioners are Vice Chairman Mark Acton, Nanci Langley, and Tony Hammond.