or appear before that Federal program or Federal agency.

* * * * *

(e) The Appeals Council will mail a notice of its decision on the request for reinstatement to the suspended or disqualified person. It will also mail a copy to the General Counsel (or other official the Commissioner may designate), or his or her designee.

* * * * *

PART 422—ORGANIZATION AND PROCEDURES

Subpart C—[Amended]

63. The authority for subpart C of part 422 continues to read as follows:

Authority: Secs. 205, 221, and 702(a)(5) of the Social Security Act (42 U.S.C. 405, 421, and 902(a)(5)); 30 U.S.C. 923(b).

64. Amend § 422.203 by revising paragraph (b)(1) to read as follows:

§ 422.203 Hearings.

* * * * *

(b) *Request for hearing.* (1) A request for a hearing under paragraph (a) of this section may be made on Form HA–501, ''Request for Hearing,'' Form HA–501.1, ''Request for Hearing, part A Hospital Insurance Benefits,'' electronically at the times and in the manner that we prescribe (see §§ 404.933, 404.934, 416.1433, and 416.1434 of this chapter), or by any other writing requesting a hearing. The request must be filed at an office of the Social Security Administration, usually a district office or a branch office, or at the Veterans Administration Regional Office in the Philippines (except in title XVI cases), or at a hearing office of the Office of Disability Adjudication and Review, or with the Appeals Council. A qualified railroad retirement beneficiary may, if (s)he prefers, file a request for a hearing under part A of title XVIII with the Railroad Retirement Board. Form HA–501 may be obtained from any Social Security district office or branch office.

* * * * *

Subpart F—[Amended]

65. The authority citation for subpart F of part 422 continues to read as follows:

Authority: Sec. 1140(a)(2)(A) of the Social Security Act. 42 U.S.C. 1320b–10(a)(2)(A) (Pub. L. 103–296, Sec. 312(a)).

66. Amend § 422.515 by adding a second sentence to the introductory text to read as follows:

§ 422.515 Forms used for withdrawal, reconsideration and other appeals, and appointment of representative.

* * * Prescribed forms include our traditional pre-printed forms, forms completed on computer screens based on information you give us, or SSA-approved forms completed and submitted using SSA's Internet Web site.

* * * * *

[FR Doc. E8–20500 Filed 9–5–08; 8:45 am]

BILLING CODE 4191–02–P

POSTAL REGULATORY COMMISSION

39 CFR Part 3001

[Docket No. RM2008–2; Order Nos. 99 and 102]

Periodic Reporting Rules

AGENCY: Postal Regulatory Commission.

ACTION: Proposed rule; availability of rulemaking petition.

SUMMARY: Under a new law, the Postal Service must file an annual compliance report with the Postal Regulatory Commission on costs, revenues, rates, and quality of service associated with its products. It has filed documents with the Commission to change some of the methods it uses to compile the fiscal year 2008 report. In the Commission's view, these documents constitute a rulemaking petition. Therefore, it has established a rulemaking docket to allow the public to comment on potential changes in periodic reporting rules.

DATES: 1. Technical conference: August 27, 2008 at 10 a.m.

2. Initial comments: September 8, 2008.

3. Reply comments: September 15, 2008.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at *http://www.prc.gov*.

FOR FURTHER INFORMATION CONTACT: Stephen L. Sharfman, General Counsel, 202–789–6820 and *stephen.sharfman@prc.gov*.

SUPPLEMENTARY INFORMATION: On August 11, 2008, the Commission received Request of the United States Postal Service for Commission Order Amending the Established Costing Methodologies for Purposes of Preparing the FY 2008 Annual Compliance Report (Request). In the Request, the Postal Service states that it has eight changes that it would like to make to the methods by which it compiles the FY 2008 version of the annual report that is required by 39 U.S.C. 3652 to provide to the Commission each year. It cites 39 U.S.C. 3652(a)(1), which gives the Commission the responsibility to prescribe methods that are used to produce the information that is compiled in the annual report. Request at 2. Among other things, the information supplied in the annual report is used by the Commission to prepare the Annual Compliance Determination (ACD) that is required by 39 U.S.C. 3653.

The Postal Service references pages 9–10 of the most recent Commission ACD. FY 2008 Annual Compliance Determination, March 27, 2007 (FY 2007 ACD). There, numerous commenters recommended that the Postal Service not change methods for collecting and analyzing cost data unless interested persons have had an opportunity to evaluate and comment on them. The Commission concurred, stating that it intended to issue regulations governing periodic reports generally (including the Postal Service's annual report) that would vet proposed changes in analytical methods through informal rulemakings in advance of the filing of the report. FY 2007 ACD at 10.

I. Procedural Expedition

The Postal Service notes that it is already preparing its annual report for FY 2008. Given the lead time that is required, it observes that it is unlikely that the regulations that the Commission described in its FY 2007 ACD can be issued, and public scrutiny of particular changes in analytical methods could be completed under those regulations, in time to be incorporated in its FY 2008 annual report. It therefore asks that an alternative, expedited procedure be used to vet its proposed changes in analytical methods.

In the Postal Service's view, none of its proposed methodological changes ''are of sufficient complexity to hinder relatively straightforward evaluation by both the parties and the Commission.'' Request at 2. It therefore proposes that its filing be treated as a rule 21 motion for a Commission order approving its proposed changes to current baseline methods used to analyze costs. *Id.,* n.2. The Postal Service notes that its Request includes the rationale for each of the eight methodological changes that it proposes, and estimates the impact of each change on the costs borne by mail classes. Equipped with this information, it suggests, the public could provide input in the form of answers supporting or opposing the motion. It recognizes, however, that the 7-day period that rule 21 allows for answers to motions should probably be lengthened. The Postal Service notes that if interested parties feel that more elaborate procedures for their input are needed, they can include those suggestions in their answers. *Id.* at 2. As noted, the Postal Service's petition is followed by a description of each proposal, together with its background, objective, and supporting rationale.[1]

Although it does not have all of the changes to baseline analytical methods that it hopes to incorporate in its 2008 annual report ready to submit for public comment, the Postal Service observes that the process should begin. It notes that these proposed changes would be part of the core cost and revenue analysis process, which must be finalized before other changes, such as those from new special studies, can be added to its cost and revenue analysis. It says that other proposed changes will be submitted for public scrutiny as they are developed. *Id.* at 3.

The Commission agrees that the process of vetting proposed changes in the methods by which cost incurrence will be analyzed in the Postal Service's FY 2008 annual report should begin now with those proposals that are sufficiently refined to be submitted for public comment. The Request suggests that it should be procedurally sufficient for the Commission to adopt an order ruling on its proposed methodological changes. The Commission, however, prefers at least initially to interpret the definition of a ''rule'' in the Administrative Procedure Act (APA) to include analytical methods that affect the way costs or revenues are accounted for in a rate setting regulatory regime. The APA requires that notice be given in the **Federal Register** and an opportunity for public comment be provided before substantive rules take effect. *See* 5 U.S.C. 551(4) and 553. For this reason, the Commission will treat the Postal Service's August 11, 2008 filing as a petition to initiate an informal rulemaking consistent with section 553 of the APA.

[1] Time Warner Inc. (Time Warner) has responded with a motion asking that the deadline for answers be extended to September 2, 2008. *See* Motion of Time Warner Inc. to Extend the Period for Response to Request of the United States Postal Service for Commission Order Amending the Established Costing Methodologies for Purposes of Preparing the FY 2008 Annual Compliance Report, August 14, 2008 (Motion). It argues that the substance of these proposals is not sufficiently simple and straightforward to be vetted in 7 days. It argues, further, that it needs more time to examine and comment on the alternative procedures that the Postal Service proposes, particularly if they are to become standard procedures for vetting methodological changes. Motion at 3–4. The rulemaking procedures and extended deadlines authorized in this notice should meet Time Warner's procedural objections.

The Commission hereby grants the Postal Service's petition. Since time is of the essence in vetting these proposed methodological changes, the Commission is tentatively scheduling a technical conference in which Postal Service experts would be available to answer questions related to these proposals. The technical conference will be held on August 27, 2008 at 10 a.m. in the Commission's hearing room. The Postal Service should also arrange for the possibility that a follow-up technical conference could be held on the afternoon of September 3, 2008, if needed. Interested persons may file written comments on the Postal Service's proposals on or before September 8, 2008. Reply Comments may be filed on or before September 15, 2008.

II. Substance of Postal Service Proposals

The Postal Service proposals, *see* Request at 5 *et seq.,* are described below.

Proposal One. Proposed Group Specific Cost Change (Cost Segment 18).

Objective: A methodology change is proposed for the manner in which headquarters Finance Number (FN) Cost Segment 18 costs are categorized in the FY 2008 Cost & Revenue Analysis (CRA) Report.

Background: In FY 2007, and for years before, almost all Cost Segment 18 costs for headquarters Finance Numbers were treated as institutional costs. With the enactment of the Postal Act of 2006, however, there is a need to define a new category of cost—''group-specific'' cost. Group-specific costs are those costs which cannot be attributed to individual products, but which are caused by either the competitive or market-dominant products as a group. The remaining business sustaining or common fixed costs are ''institutional.'' An example of a competitive product group-specific cost would be a HQ organization unit that only supports competitive products. Pursuant to Commission rule 3015.7(a), the Commission is currently using competitive products' attributable costs, supplemented to include causally related, group-specific costs, to test for cross-subsidies.

Competitive products also must cover an ''appropriate share'' of institutional cost. In addition to the identification of competitive product group-specific costs, the identification of market-dominant group-specific costs is also important, as the value of the institutional cost will be the residual of postal costs that are not attributable to products and are not group-specific to either group. To the extent costs are group-specific costs, the remaining ''institutional cost'' will be a smaller amount than it would be otherwise.

Proposal: The new taxonomy for costs places a new requirement to be able to identify group-specific HQ administrative and program costs for market-dominant and competitive product groups. The Postal Service captures costs for administrative activities and programs using a cost center designation of the ''Finance Number.'' Administrative organization units and programs are assigned a Finance Number and all expenses are charged to the Finance Number. Most Headquarters activities and programs support the entire enterprise or support all products. However, the cost in some Finance Numbers may be associated with either competitive or market-dominant product groups.

To facilitate the identification of group-specific costs in Headquarters, the Postal Service has created a new attribute for Finance Numbers called the Product Activity Attribute. The value of the Product Activity Attribute will indicate which of the following describes the activities and costs of the Headquarters Finance Number:

Market-Dominant—Activity in Finance Number only supports Market-Dominant Products.

Competitive—Activity in Finance Number only supports Competitive Products.

Common/Enterprise Sustaining—Activity in Finance Number supports both groups of products, or supports the Enterprise as a whole.

In the analysis to support the Annual Compliance Report beginning in FY 2008, the Postal Service proposes to use the value of the Product Activity Attribute for Headquarters Finance Numbers to help identify group-specific costs (and possibly some product-specific costs) for competitive and market-dominant products. That is, expenses in Finance Numbers deemed ''Market-Dominant'' would be candidates for market-dominant group-specific costs and expenses in Finance Numbers deemed ''Competitive'' would be candidates for competitive product group-specific costs. Costs in Finance Numbers deemed ''Common/Enterprise Sustaining'' would be candidates for Institutional Cost. The analysis of group-specific costs by Finance Number would not replace, but rather would supplement, existing volume-variable and product-specific analysis of expenses in Headquarters Finance Numbers.

Approach To Determine Value of the Product Activity Attribute

A. Existing Finance Numbers

The Postal Service is conducting a survey of the owners of the Headquarters Finance numbers to obtain information on the type of activity or program performed in the Finance Number. Responses to the survey will be used to help ascertain whether the activity supports a specific product group or is Common/Enterprise Sustaining. The Cost Attribution unit in Corporate Financial Planning will analyze the results of the survey and conduct further research as necessary to determine the appropriate value of the Product Activity Attribute for each Finance Number. The value of the Product Activity Attribute will be populated in the Finance Number Control Master File.

B. New Finance Numbers

The Postal Service will modify its current business process for the creation of new Finance Numbers to include a step for the requestor of the new Finance Number to respond to the Product Activity Survey Questions. The Cost Attribution unit in Corporate Financial Planning will serve as the gate-keeper for review and approval of the value of the Product Activity Attribute in the official Finance Number Control Master File.

Impact: The proposed approach is designed to position the Postal Service to identify group-specific costs as the organization and strategies for Mailing Services (*i.e.*, Market-dominant products) and Shipping Services (*i.e.*, Competitive products) evolve. The Postal Service does not have survey data to estimate the impact of the proposed approach on FY 2007 costs and, because of the substantial amount of HQ organizational restructuring which has taken place this fiscal year, believes that historical information from FY 2007 would have limited value in projecting future group-specific costs. The typical FN at headquarters usually contains several million dollars, however, so depending on the numbers of FNs determined to be Market-Dominant or Competitive Product, something between tens of millions to perhaps as much as several hundreds of millions of dollars would be expected to move out of institutional costs and into group specific costs.

Proposal Two: Proposed Group-Specific Cost Change (Cost Segment 16).

Objective: A methodology change is proposed for the manner in which advertising costs (Cost Segment 16) for Click-N-Ship and Carrier Pickup are assigned in the FY 2008 Cost & Revenue Analysis (CRA) Report.

Background: In the FY 2007 CRA, the advertising costs for Click-N-Ship and Carrier Pickup were treated as institutional, even though these costs related to specific products (Express Mail, Priority Mail, International packages, International Express Mail, and International Priority Mail), all of which are Competitive Products.

Proposal: In FY 2008, it is proposed that advertising costs for Click-N-Ship and Carrier pickup be assigned as a group-specific cost to competitive products, as the advertising for these services relates specifically to products that are competitive.

Impact: In FY 2007, approximately $40 million was spent on advertising for Click-N-Ship and Carrier Pickup, together. Therefore, a similar amount of group-specific costs to competitive products might be expected in FY 2008.

Proposal Three: Proposed In-Office Cost System (IOCS) Mixed Mail. Coding Changes. Objective: changes are proposed to the IOCS coding of mixed mail that better support shape-based costing by the Postal Service.

Background: Currently, readings observed on employees handling wheeled containers, pallets, and empty containers are assigned mixed mail activity codes that depend only on the operation where the sampled employee was assigned. While this approach works well for employees in operations that handle a single shape of mail, it is fairly imprecise for allied operations such as platform.

Proposal: For FY 2008, it is proposed to use additional information on the shape (letter, flat, or parcel) of the contents in a wheeled container or pallet when assigning IOCS mixed mail codes. If the contents are all of the same shape (for example, all loose letter-shaped mail and letter trays), it is proposed to assign the mixed mail code to the corresponding shape. For empty equipment, it is proposed to assign a shape-based mixed mail code that corresponds to the equipment type; for example, empty letter trays would be assigned a letter-shape code. Containers that contain multiple shapes or no shape information would continue to be assigned as they are now.

Impact: There would be a decrease in the IOCS dollar-weighted tallies associated with IOCS activity codes for mixed mail all shapes and empty equipment of approximately 28 percent, and a corresponding increase in shape-specific mixed mail codes of 86 percent. These changes, when incorporated in the mail processing model, would slightly increase unit costs for parcel-shape mail, slightly decrease them for letter-shape mail, and leave costs for flat-shape almost unchanged.

Proposal Four: Proposed City Carrier Collection Cost Change. Objective: A change is proposed to identify an additional $60 million of First-Class Mail product specific cost in collection costs for city delivery carriers.

Background: In the FY 2007 CRA, the Postal Service attributed the non-volume variable portion ($60 million) of the city carrier time, associated with picking up mail in blue collection boxes, to First-Class single-piece letters. However, in the Commission's FY 2007 Annual Compliance Determination Report, the Commission rejected this treatment.

Proposal: For FY 2008, the Postal Service again proposes that this $60 million be attributed to First-Class single-piece letters. These costs represent a portion of the labor costs for collecting mail at ''blue'' collection boxes. The Commission correctly noted in its FY 2007 Annual Compliance Determination that the boxes do not state that their use is solely for the collection of First-Class single-piece letters. Still, over 90 percent of collection box mail is First-Class single-piece letters. (Moreover, in the new regime, single-piece letters and single-piece cards are now both components of the same Mail Classification Schedule ''product'' to which these costs will be treated as product specific, which is a change from the old regime in which cards and letters were separate subclasses.) Collection boxes are put into service for collecting First-Class single-piece letters, though a small amount of other products are sometimes deposited there. Furthermore, as of July 2007, the Postal Service prohibited stamped mail over 13 ounces from being deposited in these collection boxes, for security reasons. This would exclude some classes of mail that would have been there previously. Finally, with Carrier Pickup, competitive products such as Express and Priority Mail now have an alternative to using collection boxes. Therefore, the non-volume variable labor costs of sweeping collection boxes are reasonably treated as product specific to First-Class single-piece letters. Of course, to the limited extent that other types of mail are deposited in collection boxes, they will continue to get a proportionate distribution of the volume-variable costs, based on the existing distribution key.

Impact: The impact is $60 million of attributable cost for First-Class single-piece letters, which would be institutional otherwise.

Proposal Five: Proposed Express Mail Processing Changes. Objective: The purpose of this document is to propose addressing and implementing the changes recommended in the Commission's FY 2007 Annual Compliance Determination Report for (1) the distribution key for the costs of the mail processing activity called ''out of office, delivering Express Mail,'' and (2) the treatment of the non-volume variable portion of the cost for the same mail processing activity.

Background: In the FY 2007 CRA, the distribution key used for the costs of the mail processing activity called ''out of office, delivering Express Mail'' were the costs of the mail processing activities that the clerks were performing when they were ''in office.'' However, in the Commission's FY 2007 Annual Compliance Determination Report, the Commission suggested using Revenue, Pieces, and Weight (RPW) volumes of domestic and international Express to distribute the ''out of office, delivering Express Mail'' costs. Thus, the Postal Service is proposing adoption of the Commission's suggestion.

In the FY 2007 CRA, the non-volume variable portion (57 percent) of the costs for the ''out of office, delivering Express Mail'' activity was treated as institutional. In the Commission's FY 2007 Annual Compliance Determination Report, the Commission suggested the Postal Service review this variability/treatment and return with further suggestions.

Proposal: For FY 2008, the Postal Service proposes adopting the Commission's suggestion to use the relative RPW volumes of domestic and international Express Mail to form the distribution key.

For FY 2008, since the Postal Service does not have a new study to update the variability, it is proposing continuing with the 43 percent variability (with the remaining 57 percent non-volume variable), and also proposing to treat the 57 percent non-volume variable amount as group-specific to Competitive Products, as these costs are solely for domestic and international Express Mail, which are both Competitive Products.

Impact: Using the RPW volume of domestic and international Express Mail shifts about $4.346 million away from domestic Express Mail and into international Express Mail (using FY 2007 cost information in C/S 3.1 inputs to the spreadsheets).

Treating the 57 percent non-volume variable costs as Group Specific to Competitive Products shifts about $33.882 million from Institutional Costs to Attributable Competitive Group Specific (using FY 2007 cost information).

Proposal Six: Proposed Change to Distribution of Empty Equipment Costs

Objective: For FY 2008, the Postal Service proposes a change in the methodology by which attributable empty equipment Cost Segment 14 (Purchased Transportation) costs are distributed to products.

Background: Accrued purchased transportation empty equipment costs are contained in two general ledger accounts, 53191 and 53192, for highway and rail empty equipment costs, respectively. Empty equipment costs are generally incurred when empty equipment items, i.e. letter trays, flat tubs, sacks, rolling stock, etc., are transported between mail processing facilities and Mail Transport Equipment Service Centers (MTESC), or from MTESC directly to large mailers.

The attributable costs are computed by applying the variability factor to the accrued costs. The variability for transporting empty equipment by highway is the average cost weighted variability from all contracted highway transportation (approximately 80 percent). The variability for transporting empty equipment by rail is equal to the freight rail variability (approximately 99 percent). The Postal Service is not proposing any change in the variability factor applied to either highway or rail accrued empty equipment costs.

Currently, after the highway and rail attributable empty equipment costs are computed, they are distributed to products in the same proportions as the aggregate of all non-amphibious (that is, with the exception of inland and offshore water) Cost Segment 14 costs, using a simple three-step process. First, all other attributable Cost Segment 14 costs are distributed to products based on the distribution keys and distribution factors for the various other Cost Segment 14 components. Second, based on the results of the first step, the cumulative proportion of all non-amphibious Cost Segment 14 costs that have been distributed to each product is calculated. Third, each product then receives the same proportion of empty equipment costs as it received of total of all non-amphibious Cost Segment 14 costs. This methodology has been utilized in PRC versions of the CRA since FY 2000.

Proposal: In the second step of the distribution process described above, the Postal Service is proposing to exclude a portion of Cost Segment 14 costs mapped to component 828 (Total International) when calculating the cumulative distribution factors used to distribute highway and rail empty equipment attributable costs to products. Specifically, it proposes to exclude costs from accounts 53261, 53262, 53263, and 53268 before calculating the distribution key that attributes empty equipment costs to products. In FY07, those four accounts totaled $472.4 million.

Rationale: The Postal Service believes the current method of allocating attributable empty equipment costs to products should be refined to compute the distribution factors after excluding the portion of costs mapped to component 828 (Total International) that are not transportation related. The accounts recommended to be excluded from the distribution factor calculation are for terminal dues (accounts 53262, 53263, 53268) and for internal conveyance charges (account 53261). These costs are largely the result of settling foreign postal transactions, and are not transportation related. Since there is no apparent causal relationship between variations in non-transportation component 828 costs and empty equipment costs, these non-transportation costs should be eliminated from the distribution factor calculation.

In the current domestic Cost Segment 14 model, all component 828 costs are mapped to the International Mail product group. As a result, including all component 828 costs (transportation and non-transportation) in computing the empty equipment distribution factors causes International Products to be assigned an inequitable proportion of empty equipment costs. Computing the distribution factors after excluding the non-transportation related portion of component 828 costs will result in a fairer distribution of highway and rail empty equipment costs to products. Of course, international mail products are sampled as they travel via the various modes of domestic transportation, and they will therefore continue to be assigned an appropriate share of empty equipment costs on that basis.

Impact: The following table which shows the impact of the proposed change on products (using FY07 mail categories and costs). The proposed methodology results in International Products receiving $9 million less in empty equipment costs, while First Class Mail and Priority Mail each receive $3 million in additional highway and rail empty equipment costs, respectively.

IMPACT OF PROPOSED CHANGES

Class, subclass, or special service	FY 2007 Highway empty equipment costs	FY 2007 Proposed highway empty equipment costs	Highway difference (proposed-current)	FY 2007 Rail empty equipment costs	FY 2007 Proposed rail empty equipment costs	Rail difference (proposed-current)	Highway + rail difference (proposed-current)
First-Class Mail:							
Single-Piece Letters	$10,259	$11,193	934	$4,839	$5,272	433	1,368
Presort Letters	9,863	10,750	887	4,676	5,090	414	1,301
Single-Piece Cards	126	137	11	61	66	5	16
Presort Cards	297	324	27	143	156	13	40
Total First-Class	20,545	22,405	1,860	9,719	10,584	865	2,725
Priority Mail	24,157	26,393	2,236	11,156	12,169	1,012	3,248
Express Mail	1,799	1,964	165	837	912	75	240
Periodicals:							
Within County	2	2	0	1	1	0	0
Outside County	3,633	3,963	330	1,716	1,870	153	483
Total Periodicals	3,635	3,965	330	1,717	1,870	153	484
Standard Mail:							
Enhanced Carrier Route	1,361	1,485	124	636	693	57	181
Regular	6,591	7,183	593	3,125	3,402	277	869
Total Standard Mail	7,951	8,668	717	3,761	4,094	334	1,050
Package Services:							
Parcel Post	5,045	5,508	462	2,355	2,567	212	674
Bound Printed Matter	1,197	1,305	108	568	618	50	159
Media Mail	1,695	1,849	154	806	878	72	226
Total Package Services	7,938	8,662	724	3,729	4,064	334	1,059
U.S. Postal Service	567	620	53	265	289	24	77
Free Mail	79	86	7	38	41	3	10
International Mail	14,409	8,31	(6,091)	6,73	3,930	(2,802)	(8,893)
Total Volume Variable	81,079	81,079	(0)	37,953	37,953	(0)	(0)

Proposal Seven: Proposed Change in Distribution Key for Vehicle Service Driver (VSD) Costs.

Objective: A methodology change is proposed for FY 2008 in the distribution key for Cost Segment 8 (Vehicle Service Drivers) costs.

Background: Cost Segment 8 includes the salaries, benefits, and related costs of vehicle service driver (VSD) labor. VSD workload involves transporting mail using postal-owned and leased vehicles. Transportation runs are made between post offices, branches, Processing and Distribution Centers/Facilities, Air Mail Centers/Air Mail Facilities, Bulk Mail Centers, depots, and certain customer locations.

The attributable costs are calculated by applying the variability factor of 60.44 percent to the accrued costs (approximately $660 million in FY 2007). The volume variability factor was developed in R97–1 (USPS–T–20, Exhibit 2 Revised, page 22). This proposal does not address changing the volume variability factor. In FY 2007, there were approximately $400 million in VSD attributable costs. Currently, after the attributable costs are calculated, they are distributed to products in the same proportions as cubic feet of originating mail obtained from Revenue, Pieces and Weight (RPW) Statistics.

Proposal: The Postal Service is proposing to distribute the attributable costs to products in the same proportions as the estimated cubic-foot miles of mail sampled on Intra-SCF routes. The relevant proportions are developed through the Transportation Cost System (TRACS).

Rationale: The Postal Service submits that the current method of distributing attributable costs to products incorrectly assigns Vehicle Service Driver labor costs to mail that originates at the Destination Delivery Unit (DDU). Presumably, this mail is entered at the DDU for delivery on routes from that office, and thus avoids VSD costs. The current methodology, however, treats all originating mail, regardless of entry point, as incurring the same amount of these labor costs. Absent a specific VSD distribution key, the Postal Service takes the view that a distribution key consisting of the cubic-foot-mile proportions on Intra-SCF runs provides a reasonable proxy for distributing attributable VSD costs to products. Relative proportions of mail transported by Intra-SCF contracts are much more likely to be representative of VSD mail than relative proportions of originating cube, which necessarily include DDU mail that VSD drivers are unlikely to transport. Intra-SCF highway contracts, by definition, provide local transportation and include some trips from mail processing facilities to delivery units.

Impact: The following table which shows the impact of the proposed change on products (using FY 2007 costs).

IMPACT OF PROPOSED CHANGE ON PRODUCTS

FY 2007 Class, subclass, or special service	Highway intra-SCF highway	Highway cubic feet	Current highway 2007 CS8 costs	Proposed FY 2007 rail costs using intra-SCF	Proposed minus proposed rail current costs	Current percent	Rail proposed percent
First-Class Mail:							
Single-Piece Letters	$145,729	109,232	$23,408	$69,963	$46,555	5.89	17.60
Presort Letters	56,127	129,637	27,781	26,946	(835)	6.99	6.78
Single-Piece Cards	2,718	971	208	1,305	1,097	0.05	0.33
Presort Cards	4,857	2,852	611	2,332	1,721	0.15	0.59
Total First-Class	209,431	242,692	52,008	100,546	48,538	13.08	25.29
Priority Mail	216,478	398,040	85,298	103,929	18,631	21.46	26.15
Express Mail	11,041	8,334	1,786	5,301	3,515	0.45	1.33
Periodicals:							
Within County	112	10,277	2,202	54	(2,148)	0.55	0.01
Regular	90,696	145,187	31,113	43,542	12,429	7.83	10.95
Total Periodicals	90,807	155,464	33,315	43,596	10,281	8.38	10.97
Standard Mail:							
Enhanced Carr Rte	50,726	226,200	48,473	24,353	(24,120)	12.19	6.13
Regular	116,008	263,241	56,411	55,694	(717)	14.19	14.01
Total Standard Mail	166,734	489,441	104,884	80,047	(24,837)	26.39	20.14
Package Services:							
Parcel Post	70,236	302,504	64,825	33,720	(31,105)	16.31	8.48
Bound Printed Matter	24,648	149,015	31,933	11,833	(20,100)	8.03	2.98
Media Mail	16,447	47,026	10,077	7,896	(2,181)	2.54	1.99
Total Package Services	111,331	498,545	106,835	53,449	(53,386)	26.88	13.45
U.S. Postal Service	8,352	21,612	4,631	4,010	(621)	1.17	1.01
Free Mail	1,808	3,024	648	868	220	16	0.22
International Mail	11,985	37,770	8,094	5,754	(2,340)	2.04	1.45
Total Volume Variable	827,968	1,854,922	397,499	397,499		100.00	100.00

Proposal Eight: [Proposed change to bundle-based mapping for First-Class Mail Automation flats]

Objective: A change in Mail Characteristics Study methodology is proposed to correct an error in the procedure used to map First-Class Mail Automation flats pieces to rate elements in the FY2007 ACR and the two previous rate cases (Docket Nos. R2006–1 and R2005–1).

Background: The methodology used for mapping preparation characteristic to rate element for First-Class Mail Automation flats in R2005–1, R2006–1, and the 2007 ACR was incorrect. These previous Mail Characteristics Studies (*e.g.*, in the 2007 ACR, FY07–14) included a scheme to map automation flats pieces from preparation characteristic to rate element that used a container-based mapping. In fact, however, a bundle-based mapping should apply for automation flats. For example, an automation piece in a 5-digit bundle that is placed in a 3-digit container is assessed the 5-digit rate, and not the 3-digit rate that would be consistent with the presort level of the container. (To give a slightly more complete background, the current container-based mapping scheme was appropriate when designed in anticipation of adoption of a container-based rate structure. The error, so to speak, occurred when the container-based rate structure was never implemented, but, through oversight, the container-based mapped scheme was nonetheless maintained in the spreadsheets, rather than being adapted to a bundle-based mapping scheme to reflect the actual bundle-based rate structure. The intent of this proposal is to correct that oversight.)

Rationale: The bundle-based rates are in effect for automation First-Class Mail flats. Pieces are assessed postage based on the presort level of the bundle, not the presort level of the container.

Impact: The correction of the mapping of preparation characteristic does not alter the aggregate volume of pieces by rate element because RPW rate element volumes are used as control values. The correction, however, will alter the distribution of pieces across preparation characteristic within rate elements. The effect of the correction will increase the modeled cost for all First-Class Mail Automation flats rate elements. The costs for 5-digit automation pieces increase because the 5-digit rate element includes pieces in 5-digit bundles that have been placed in MADC, ADC or 3-digit tubs and incur additional bundle sorts. In the incorrect versions, the 5-digit automation rate element only included pieces in 5-digit trays, which do not incur bundle sorting costs. The costs of 3-digit automation, ADC automation, and MADC automation pieces increase because these rate elements previously included the relatively lower cost pieces in bundles with a finer bundle presort than the container sort. For example, the 3-digit automation modeled costs included the modeled costs of 5-digit bundles that do not incur as many piece-sorts as pieces in 3-digit bundles. The increase in the modeled costs for each rate element decreases the CRA adjustment factor. As a result of a decrease in the CRA adjustment factor, the non-auto presort rate category costs go down. The effect on the avoided costs is indeterminate because the avoided costs depend on the estimated distribution of pieces across preparation characteristic.

[The following text added by Order No. 102.] On August 18, 2008, Order No. 99 [footnote omitted] established this docket to evaluate eight changes in costing methods that the Postal Service proposes to use in its FY 2008 annual report that it must file under 39 U.S.C. 3652. Later that day, the Commission received the Motion of the United States Postal Service to Supplement the List of Its Proposed Costing Changes for Purposes of Preparing the FY 2008 Annual Compliance Report (Motion). The Motion states that the Postal Service has finalized a ninth proposed change in costing methodology. It requests the Commission to consider its proposal under the procedures and schedule established in Order No. 99.

The Postal Service characterizes this additional proposed change as relatively straightforward. It notes that a description of the proposed change, the rationale for adopting it, and an estimate of the impact of adopting it, accompanies the Motion. Given these circumstances, the Postal Service argues, consideration of this additional proposal could be consolidated with the original eight proposals and evaluated under the procedures outlined in Order No. 99, without detracting from the ability of the postal community to evaluate the original eight.

The Commission agrees. It therefore orders consolidation of the proposed change in costing methods described below with the eight proposals already under consideration in Docket No. RM2008–2.

Proposal Nine: Proposed Change in Distribution Key for PARS Equipment Depreciation, Maintenance Labor, and Parts/Supplies Costs.

Objective: A methodology change is proposed for FY 2008 in the distribution key for the portion of depreciation (cost segment 20.1), maintenance labor (cost segment 11.2), and parts and supplies (cost segment 16.3.2) costs related to Postal Automation Redirection System (PARS) equipment.

Background: PARS equipment is being deployed, replacing the use of Computer Forwarding System (CFS) in the forwarding and return to sender operations for letters. A description of PARS was provided in Docket No. R2006–1 in the testimony of Marc McCrery, USPS–T–42. PARS reduces the costs for processing, transporting and delivery of letters by identifying letter mail that is to be forwarded or returned, at origin. As shown in ACR 2007, USPS–FY07–8, spreadsheet fy07equip.xls, the FY07 depreciation, maintenance labor and parts and supplies for PARS were $59.5, $3.6 and $0.7 million. These will grow in FY08.

These costs, having a volume variability of nearly 100 percent, were distributed to class and subclass in the FY07 CRA based on the distribution key for CFS.

Proposal: The Postal Service is proposing to distribute the attributable costs to products based on the IOCS tallies for the PARS related operations, as done for the distribution key for the PARS related work in the remote encoding centers, LDC 15 (see ACR 2007, USPS–FY07–7, Preface.Part1, page 2).

Rationale: The current method of distributing attributable PARS costs to products, using the CFS distribution, was the best available proxy in the past. But now that PARS tallies are available from the IOCS, there is no reason why the CFS proxy should not be replaced with information directly relating to relative usage of PARS. The current method incorrectly apportions much PARS equipment costs to classes and subclasses that benefit very little from PARS, particularly (because of shape) Periodicals. The proposed PARS distribution key will assign PARS equipment costs to those classes of mail processed with PARS, classes that also obtain the labor savings enabled by PARS.

Impact: The following spreadsheet shows the impact of the proposed change on products (using FY07 costs).

Component name	Component No. cost segment notes	LDC 49—Comp forwarding system (938) 98.1 Set equal to 938 Set W = 0.9992	FY07 Distribution of PARS related costs $ in 000s	FY07 PARS tallies distribution	Distribution based on PARS tallies $ in 000s	Change in distribution by adopting proposal nine $ in 000s
First-Class Mail:						
Single Piece Letters	101	26	16,597	30219.58	19,935	3,338
Presort Letters	102	25	16,138	43172.00	28,480	12,341
Total Letters	103	51	32,736			
Single Piece Cards	104	1	663	3023.10	1,994	1,331
Presort Cards	105	1	701	1663.90	1,098	396
Total Cards	108	2	1,365			
Total First-Class	109	53	34,100			
Priority Mail	110	1	657			(657)
Express Mail	111	0	19			(19)
Periodicals:						
Within County	113	1	516			(516)
Outside County	117	26	16,336	802.05	529	(15,807)
Total Periodicals	123	26	16,852			
Standard Mail:						

Component name	Component No. cost segment notes	LDC 49—Comp forwarding system (938) 98.1 Set equal to 938 Set W = 0.9992	FY07 Distribution of PARS related costs $ in 000s	FY07 PARS tallies distribution	Distribution based on PARS tallies $ in 000s	Change in distribution by adopting proposal nine $ in 000s
Enhanced Carrier Route.	126	1	567	219.81	145	(422)
Regular	127	10	6,688	16238.00	10,712	4,023
Total Standard Mail	135	11	7,256			
Package Services:						
Parcel Post	136	1	516			(516)
Bound Printed Matter	137	2	1,014			(1,014)
Media Mail	139	0	236			(236)
Total Package Services	141	3	1,766			
U.S. Postal Service	142	4	2,499	1076.50	710	(1,789)
Free Mail	147	0	96	222.77		(96)
International Mail	161	0	89		147	57
Total All Mail	162	99	63,336			
Special Services:						
Registry	163	0	64			(64)
Certified	164	0				
Insurance	165	0				
COD	166	0				
Money Orders	168	0				
Stamped Cards	159	0				
Stamped Envelopes	169	0				
Special Handling	170	0				
Post Office Box	171	0				
Other	172	1	351			(351)
Total Special Services	173	1	414			
Total Attributable	198	100	63,750	96637.71	63,750	(0)
Other Costs	199					
Total Costs	200					
		Deprec	$59,476			
		Maintenance Labor	$ 3,627			
		Parts & Supplies	$ 698			
			$63,801			
		Variability	0.99920			
		Total Vol. Var. Costs	$63,750			

III. Ordering Paragraphs

[Order No. 99]

It is Ordered:

1. Docket No. RM2008–3 is established for the purpose of considering the Request of the United States Postal Service for Commission Order Amending the established Costing Methodologies for Purposes of Preparing the FY 2008 Annual Compliance Report, filed August 11, 2008.

2. An informal technical conference to explore and clarify proposals is scheduled for August 27, 2008 at 10 a.m. in the Commission's hearing room.

3. Interested persons may file initial comments on or before September 8, 2008.

4. Reply comments may be filed on or before September 15, 2008.

5. William C. Miller is designated as the Public Representative representing the interests of the general public in this proceeding.

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

[Order No. 102]

1. The Motion of the United States Postal Service to Supplement the List of Its Proposed Costing Changes for Purposes of Preparing the FY 2008 Annual Compliance Report, filed August 18, 2008, is granted.

2. The proposal described in this Order will be considered under the current procedural schedule in Docket No. RM2008–2.

3. The Secretary shall arrange for publication of this Notice in the **Federal Register**.

Authority: 39 U.S.C. 3652.

By the Commission.

Judith M. Grady,

Acting Secretary.

[FR Doc. E8–20694 Filed 9–5–08; 8:45 am]

BILLING CODE 7710–FW–P

DEPARTMENT OF EDUCATION

34 CFR Chapter VI

Office of Postsecondary Education; Notice of Negotiated Rulemaking for Programs Authorized Under Title IV and Title II of the Higher Education Act of 1965, as Amended

AGENCY: Department of Education.

ACTION: Notice of invitation for public comment and establishment of negotiated rulemaking committees.

SUMMARY: We announce our intention to establish negotiated rulemaking committees to prepare proposed regulations under Title IV and, possibly, Title II of the Higher Education Act of 1965, as amended (HEA). The committees will include representatives of organizations or groups with interests that are significantly affected by the subject matter of the proposed regulations. We also announce six public hearings, at which interested parties may suggest issues that should be considered for action by the negotiating committees. In addition, for anyone unable to attend a public hearing, we announce that the Department will accept written comments.

DATES: The dates, times, and locations of the public hearings are listed under the **SUPPLEMENTARY INFORMATION** section of this notice. We must receive written comments suggesting issues that should be considered for action by the