

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2
(June 1, 2006)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request (POIR) No. 2, issued May 18, 2006. The following witnesses are sponsoring the identified responses to this POIR:

Witness Berkeley (USPS-T-39): Question 5

Witness Waterbury: Question 6

Witness Tang: Questions 7-10.

The responses to questions 1 to 4 are institutional.

Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1134
(202) 268-2986; Fax -6187

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

1. In response to the Commission's request in docket R2005-1, the Postal Service provided a volume variability factor for registry which was based on an IOCS SAS tally analysis. In USPS-LR-L-100, the registry variability factor has been deleted from SAS programs MODMODEL, NMDMODEL, AND BMCMODEL. Please explain why the registry factor has been deleted. If this is an oversight, please provide an updated registry factor including revised copies of the aforementioned SAS programs

RESPONSE:

The 61 percent registry volume-variability factor is deleted from the SAS programs MODMODEL, NMDMODEL, and BMCMODEL because it is no longer applicable in Docket No. R2006-1, as is reflected by the 100 percent variability factor for activity code 0060 in the PRC 3.0.2 spreadsheet, Fixed Mail Processing Costs, of the PRC C/S 3 worksheets.

In Docket No. R2005-1, the SAS tally analysis program provided in response to question 2 of POIR No.7 showed that, for the IOCS mail processing operations (as captured in IOCS variable F260), the registry volume-variability factor from the PRC 3.0.2 spreadsheet was based on the proportion of handling tallies for all tallies assigned to activity code 0060, registered special service: the 0060 handling tally costs represented the 100 percent volume-variable costs and the 0060 not-handling tally costs represented the fixed or 0 percent volume-variable costs. The SAS tally analysis program also indicated that the tally handling/not-handling status for activity code 0060 was determined from options A-C of IOCS question 20 (see USPS-LR-I-14, Handbook F-45 in Docket No.R2001-1) with the responses to question 20 being stored in IOCS variable F129. In particular, option C of Question 20 identified when the employee was not-handling mail but was involved in a special service activity; option D in the follow-up IOCS question 25 would have determined if the special service was registry-related, in which case the tally would have been assigned to activity code 0060.

In Docket No. R2006-1, activity code 0060 for the IOCS mail processing operations applies only to the handling tallies reported in the redesigned IOCS Question 20, options A-F. Question 20, option G, indicates that the employee is "not handling mail, forms or containers" but no longer differentiates between special service-related not-handling and other types of not-handling. Therefore, none of the not-handling tallies are

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

assigned to activity code 0060, resulting in no fixed costs for activity code 0060 and in a 100 percent volume-variability factor for activity code 0060 in the PRC 3.0.2 spreadsheet. Instead, all not-handling tally costs associated with the Registry section/cage reported in IOCS question Q18H01-option B (including those that in the past would have been given the activity code 0060) are now assigned to activity code 6230 where they continue to be treated as Registry fixed costs in the PRC 3.0.2 spreadsheet. This procedure is consistent with treating not-handling tally Registry costs as fixed costs, irrespective of whether they are assigned to 0060 or to 6230 as in previous dockets, or only to 6230 as in the current docket.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

2. The Postal Service has supplied the Commission with files that are not PC executable. Library References LR-L-55 and LR-L-100 contain programs that are in text formats and have to be converted to PC SAS. The PRC version of these programs, as submitted in USPS-LR-L-100 is incomplete. While a number of missing programs in the PRC version reside in USPS-LR-L-55 and require no modification, others such as MBC and ROLLFRWD programs need to be modified to accommodate the changes in the PRC version.

- a) Please provide the PRC version of MBC and ROLLFRWD programs.
- b) Please identify the remaining SAS programs used in the PRC version but not included in USPS-LR-L-100.

RESPONSE:

a) The same MBC SAS program has always been used for both the USPS and the PRC versions: the MBC SAS program assigns the IOCS clerk and mailhandler tallies into three tally files, BMCs, MODS, or non-MODS, based on the tally finance number. The three tally files are the start for executing both the USPS and the PRC SAS programs. In this docket, as in Docket No.2005-1, the MBC program is located in the USPS library reference LR-L-55 (also see in POIR No.2, question 4 below, the PRC SAS log which executes the MBC program from USPS-LR-55).

The ROLLFRWD SAS program was inadvertently omitted from USPS-LR-L-100 and is provided in the attached file, "*Response to POIR No.2 #2a -ROLLFRWD.rtf*".

```
*****;
* PROGRAM ROLLFRWD; * FY 05;
*****;

DATA LDC15VVC;
  SET OUT1.LDC15VVC;
  PRCCOSTS=DOLLAR;

*.....distribute 5340 costs.....;
  IF '10' <=SUBSTR(MAIL,1,2) <='11'
    AND POOL='LD15AFSM'
    THEN PRCCOSTS=PRCCOSTS*(4635.6+118.5+52.61)/(4635.6+118.5);
  IF MAIL='5340' THEN DELETE;
  COSTPOOL='MODS 15' || POOL;

DATA PLANTS F4 LD49;
  SET OUT3.MODSPRC LDC15VVC;
  IF SUBSTR(MAIL,1,2) GT '27' THEN DELETE;
  IF POOL='LD49' THEN OUTPUT LD49;
  IF '41' <=V <='44' OR V='48' OR POOL='LD49' THEN OUTPUT F4;
  IF V='18' OR '41' <=V <='44' OR V='48'
    OR POOL='LD49' OR POOL='LD79' OR POOL='LD15'
```

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

```
    or pool='INTL ISC' or pool='PMPC' then delete;
IF V='11' OR POOL='LD15 OTH' OR POOL='MANL'
  THEN OPPORT='LETTER  ';
ELSE IF V='12' OR POOL='MANF' OR POOL='LD15AFSM'
OR (POOL='PRIORITY' AND '1'<=SUBSTR(ACTV1,1,1)<='2')
  THEN OPPORT='FLAT  ';
ELSE IF V='13'
  THEN OPPORT='MECH.OTH';
ELSE IF POOL='MANP' OR POOL='PRIORITY'
  THEN OPPORT='IPP/PARC';
ELSE IF V='17'
  THEN OPPORT='17ALLIED';
OUTPUT PLANTS;

DATA BMCS  ;
SET OUT3.BMCSPRC;
IF SUBSTR(MAIL,1,2) GT '27' THEN DELETE;
OPPORT='BMCS  ';
CPOOL='BMCS  '||POOL;
%INCLUDE 'H21880.RC06PRC.SASLR(DOLWGTBM)' /SOURCE2;
PRCCOSTS=PRCCOSTS*OVH6522;

DATA ALLOPP;
SET PLANTS BMCS;
IF SUBSTR(MAIL,1,2)='20' THEN MAIL='20-- INTL MAIL';
PROC FREQ FORMCHAR(1,2,7)='  ';
TABLES MAIL*OPPORT/NOROW NOCOL NOPERCENT MISSING;
WEIGHT PRCCOSTS;
TITLE 'BPI FUNCTION DK';

DATA CFS;
SET LD49;
SHAPEN =SUBSTR(ACTV1,1,1);
IF SHAPEN='1' THEN SHAPE='LETTER  ';
IF SHAPEN='2' THEN SHAPE='FLAT  ';
IF SHAPEN='3' THEN SHAPE='IPP/PARC';
IF SHAPEN='4' THEN SHAPE='IPP/PARC';
IF SUBSTR(MAIL,1,2)='20' THEN MAIL='20-- INTL MAIL';
PROC FREQ FORMCHAR(1,2,7)='  ';
TABLES MAIL*SHAPE/NOROW NOCOL NOPERCENT MISSING;
WEIGHT PRCCOSTS;
TITLE 'CFS BY SHAPE - PRC';
```

b) There appear to be no other SAS programs used in the PRC version which are not included in USPS-LR-L-100. The SAS programs used to run the PRC version are listed in the *jcltest.rtf* file and can be verified against all other *rtf* files included in the *MODS*, *BMCS*, *NONMODS*, *OTHER* sub-directories of the *SAS PROGRAMS* directory (see USPS-LR-100 CD-ROM). The *jcltest.rtf* file can be found in the *OTHER* sub-directory referred above.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

3. Please explain why the encirclement rules are not applied in USPS-LR-L-100 and the SAS program used to apply these rules is removed from MOD1POOL. If this is an oversight, please provide a revised USPS-LR-L-100 and its related spreadsheets and supporting documentation.

RESPONSE:

In previous dockets, the ENCIRCLE program in the PRC version was used to apply the IOCS encirclement rules to tallies in the MODS facilities on the basis of MODS-defined cost pools instead of IOCS-defined activities. The encirclement rules examined the mail processing cost pool and the mail subclass to determine when it was appropriate to assign a special service cost to the piece of mail with paid special services being processed. The ENCIRCLE program stored the 'encircled' activity code from IOCS variable F9806 in the ACTV variable. If the tally MODS cost pool was not one of those specified by the encirclement rules, the ENCIRCLE program removed the F9806 special service code stored in ACTV, substituting for it the parent mail piece subclass code stored in IOCS variable F9805. It should be noted that the ENCIRCLE program affected only the F9806 special service codes for mail processing tallies at MODS offices and not those for tallies at nonMODS and BMC facilities where MODS operations were not used to form the cost pools. The ENCIRCLE program also does not affect the F9806 special service codes for administrative and window service tallies.

In Docket No. R2006-1, neither the ENCIRCLE program in the PRC version nor the corresponding portion of the ENCIRCLE program in the USPS version is used. In the PRC version, the special service codes stored in the ACTV variable correspond to those in the IOCS variable F9806. A preliminary analysis has shown that the impact of the ENCIRCLE program on the PRC mail processing special service costs for all facilities combined (BMCs, MODS, and NONMODS) to be less than one standard deviation when approximating the CVs for Special Services with those reported in Table 1 of USPS-T-1. For example, the impact is well below 1 percent difference for the mail processing costs of Registry, about 2 percent for Other Special Services, and about 4 percent for Certified Mail. For special services based on small sample sizes, such as Insurance, Special Handling and COD, the impact is within one standard deviation; CVs

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

for these categories exceed 20 percent. In the context of total costs, the impact of not using the ENCIRCLE program is further lessened if window service costs (which contribute the majority of the costs for Insurance and almost half of those for Certified Mail in C/S 3) and other segment costs such as city and rural carriers are added to the mail processing costs.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

4. The SAS Log for MBC program in USPS-LR-L-55 shows that the IOCS dataset has 385 variables. However, the following results from executing MBC program using the IOCS dataset in USPS-LR-L-9 show that there are only 383 variables. Please explain why the submitted SAS log shows a different result. Was there a different version of IOCS dataset used when executing USPS-LR-L-55 or USPS-LR-L-100 programs?

```
4400 libname in 'c:\r2006-1\vantysmith\prc-v1\';
NOTE: Libref IN was successfully assigned as follows:
      Engine:          V9
      Physical Name:  c:\r2006-1\vantysmith\prc-v1
4401          run;
4402 filename mod 'c:\r2006-1\vantysmith\prc-v1\modfin05.sas';
4403 libname out1 'c:\r2006-1\vantysmith\prc-v1\out1';
NOTE: Libref OUT1 was successfully assigned as follows:
      Engine:          V9
      Physical Name:  c:\r2006-1\vantysmith\prc-v1\out1
4404 libname out2 'c:\r2006-1\vantysmith\prc-v1\out2';
NOTE: Libref OUT2 was successfully assigned as follows:
      Engine:          V9
      Physical Name:  c:\r2006-1\vantysmith\prc-v1\out2
4405 libname out3 'c:\r2006-1\vantysmith\prc-v1\out3';
NOTE: Libref OUT3 was successfully assigned as follows:
      Engine:          V9
      Physical Name:  c:\r2006-1\vantysmith\prc-v1\out3
4406
4407          DATA IOCS ;
4408              SET IN.PRCASAS05;
4409                  if substr(f257,2,1) = '1'
4410                      or substr(f257,2,1) = '2' ;
4411                  if f261 ne '4';
4412                  if f264 ne 'K';
4413                  iocwgt = f9250/100000;
4414
NOTE: Character values have been converted to numeric values at the places given by:
      (Line):(Column).
      4413:17
NOTE: There were 726475 observations read from the data set IN.PRCASAS05.
NOTE: The data set WORK.IOCS has 215379 observations and 383 variables.
NOTE: DATA statement used (Total process time):
      real time          26.15 seconds
      cpu time           2.23 seconds

4415          data mods12 ;
4416              infile mod      ;
4417              input
4418                  @1 f2 $ 6.;

NOTE: The infile MOD is:
      File Name=c:\r2006-1\vantysmith\prc-v1\modfin05.sas,
      RECFM=V,LRECL=256

NOTE: 2676 records were read from the infile MOD.
      The minimum record length was 0.
      The maximum record length was 6.
NOTE: SAS went to a new line when INPUT statement reached past the end of a line.
```

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

NOTE: The data set WORK.MODS12 has 2675 observations and 1 variables.

NOTE: DATA statement used (Total process time):

real time 0.03 seconds
cpu time 0.03 seconds

```
4419 proc sort ;
4420 by F2;
4421
4422 *-----Step 1: Separate BMCs from nonBMCs-----;
4423
```

NOTE: There were 2675 observations read from the data set WORK.MODS12.

NOTE: The data set WORK.MODS12 has 2675 observations and 1 variables.

NOTE: PROCEDURE SORT used (Total process time):

real time 0.03 seconds
cpu time 0.03 seconds

```
4424 DATA temp out2.bmc ;
4425 SET iocs;
4426
4427 * ..... create the file for the 21 BMC finance numbers .....;
4428 * ..... create a temporary file for MODS and NONMODS tallies .....;
4429
4430 * .....encrypted BMC numbers.....;
4431 If f2 = '259504' or f2 = '875506' or f2 = '537702' or f2 = '831114'
4432 or f2 = '349210' or f2 = '451611' or f2 = '143812' or f2 = '564914'
4433 or f2 = '842327' or f2 = '282427' or f2 = '941522' or f2 = '631626'
4434 or f2 = '411827' or f2 = '689333' or f2 = '913633' or f2 = '064831'
4435 or f2 = '455146' or f2 = '067146' or f2 = '665745' or f2 = '629842'
4436 or f2 = '167457' or f2 = '286427'
4437 THEN OUTPUT OUT2.BMC ;
4438 else output temp;
```

NOTE: There were 215379 observations read from the data set WORK.IOCS.

NOTE: The data set WORK.TEMP has 204249 observations and 383 variables.

NOTE: The data set OUT2.BMC has 11130 observations and 383 variables.

NOTE: DATA statement used (Total process time):

real time 3.71 seconds
cpu time 1.37 seconds

```
4439 proc sort data=temp;
4440 by f2;
4441
```

NOTE: There were 204249 observations read from the data set WORK.TEMP.

NOTE: The data set WORK.TEMP has 204249 observations and 383 variables.

NOTE: PROCEDURE SORT used (Total process time):

real time 7.71 seconds
cpu time 3.56 seconds

```
4442 data out1.mod out3.nmod ;
4443 merge temp(in=a) mods12(in=b);
4444 by f2;
4445 IF A=1 AND B=1 THEN OUTPUT OUT1.MOD;
4446 ELSE OUTPUT OUT3.NMOD;
4447
4448
4449 run;
```

NOTE: There were 204249 observations read from the data set WORK.TEMP.

NOTE: There were 2675 observations read from the data set WORK.MODS12.

NOTE: The data set OUT1.MOD has 171343 observations and 383 variables.

NOTE: The data set OUT3.NMOD has 32906 observations and 383 variables.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

NOTE: DATA statement used (Total process time):
real time 7.03 seconds
cpu time 1.86 seconds

RESPONSE:

A different version was used than was submitted in LR-L-9. The only difference between versions was that two variables that were not used for any BY2005 processing were deleted from the submitted dataset. No other variables were changed in any way.

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY (USPS-T-39) TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

5. Please refer to worksheet "Volume Input Data" in both USPS-LR-L-123 and USPS-LR-L-124.
- a) The source given for BY, TYBR, and TYAR International mail volumes is "Volume Forecast from Witness Thress (USPS-T-7), Attachment A." International mail volumes are not provided in Attachment A. Please provide the correct source for the BY, TYBR, and TYAR International mail volumes.
 - b) The TYBR Return Receipt volume is listed as 249.957. The source given is "Volume Forecast from Witness Thress (USPS-T-7), Attachment A." However, the value in witness Thress's testimony (in the same units) is 247.952. Please reconcile the difference.
 - c) The source given for BY, TYBR, and TYAR Stamped Envelopes is "Volume Forecast from Witness Thress (USPS-T-7), Attachment A." Stamped envelope volumes are not provided in Attachment A. Please provide the correct source for the BY, TYBR, and TYAR Stamped Envelope volumes.
 - d) For the categories indicated below, please provide a spreadsheet with step by step calculations indicating how to develop the volumes in the Volume Input Data worksheet starting from Witness Thress (USPS-T-7), Attachment A volume forecast numbers. Please also provide a brief rationale for each adjustment.
 - i. TYAR First-Class single-piece
 - ii. TYAR First-Class nonautomated presort
 - iii. TYAR First-Class automated presort
 - iv. TYBR First-Class automated presort
 - v. TYAR Priority mail
 - vi. TYBR Standard Regular
 - vii. TYAR Standard Regular
 - viii. TYBR Standard ECR
 - ix. TYAR Standard ECR

RESPONSE OF POSTAL SERVICE WITNESS BERKELEY (USPS-T-39) TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

RESPONSE TO QUESTION 5:

- a) See USPS-LR-L-121 for the BY, TYBR, and TYAR International mail volumes.
- b) The 249.957 (in millions) volume in USPS-LR-L-123 and USPS-LR-L-124 includes restricted delivery volume, so the volume that should have been used was the 247.952 (in millions) presented by witness Thress. Errata will be filed to correct the TYBR volume for return receipts.
- c) The BY, TYBR, and TYAR volumes for stamped envelopes should have had a footnote beside the volumes. The BY volume is derived from the 2005 Accountable Paper Shipped Recapitulation Report and is shown in the FY 2005 billing determinants. The TYBR and TYAR volumes are 2008 projections from the Stamp Acquisition and Distribution office. This office determines the demand for stamped envelopes in future years and orders the stamped envelopes to be produced. Errata to correct the omission of footnotes for stamped envelope volume will be filed shortly.
- d) The footnotes in the volume input tabs in USPS-LR-L-123 and USPS-LR-L-124 provide the sources of the volume deviations from witness Thress' volume forecast to those volumes used by Pricing in this proceeding. Attached is a spreadsheet that summarizes the volume deviations for First-Class Mail, Priority Mail, and Standard Mail.

Response Part	Item	Thress Volume	FCM Parcel Adjustment ¹	NSA Adjustment ²	Premium Forwarding Service Adjustment ³	Dim-weighting Adjustment ⁴	Adjusted Volume
i.	TYAR First-Class single-piece	37,206.438	(150.310)	-	N/A	N/A	37,056.128
ii.	TYAR First-Class nonautomated presort	929.256	(4.054)	-	N/A	N/A	925.202
iii.	TYAR First-Class automated presort	47,497.945	154.364	115.559	N/A	N/A	47,767.868
iv.	TYBR First-Class automated presort	47,403.933	N/A	115.559	N/A	N/A	47,519.492
v.	TYAR Priority Mail	829.079	N/A	N/A	0.936	(1.684)	828.331
vi.	TYBR Standard Regular	62,490.946	N/A	(110.692)	N/A	N/A	62,380.254
vii.	TYAR Standard Regular	62,926.250	N/A	(110.692)	N/A	N/A	62,815.558
viii.	TYBR Standard ECR	33,295.868	N/A	(4.867)	N/A	N/A	33,291.001
ix.	TYAR Standard ECR	29,346.811	N/A	(4.867)	N/A	N/A	29,341.944

Note: Volumes are reported in millions

¹ First-Class Business Mail Parcels in Test Year After-Rates environment include 154 million parcels that are assumed to shift from Single-Piece and Nonautomation Presort Categories. 36 percent of the Single-Piece parcels are assumed to shift. All of the parcel shaped pieces from Nonautomation Presort category are assumed to shift to FCM Business Parcels.

² The volume and revenue projections for First-Class Mail are adjusted to account for three ongoing negotiated service agreements (NSAs) that have been implemented by the Postal Service but are not included in the Base Year. A negative adjustment for Standard Mail is a positive adjustment for First-Class Mail. TYBR and TYAR volumes are assumed to be the same.

³ Premium Forwarding Service volume requires an upward adjustment, just as it did in the TYBR (see USPS-T-33, Attachment B, Table 1, Line (m)). This is because the base forecast in USPS-T-7 only reflects the small amount of volume coming after implementation of the experiment towards the end of the Base Year (FY 2005). The adjustment is equal to the difference between the Total and Line (b) in USPS-T-33, Attachment C, Table 1.

⁴ A downward adjustment in volume is required because some lightweight, bulky parcels will leave Priority Mail as a result of dim-weighting. This is offset, to some extent, by some such parcels splitting into two or more smaller units. The net volume adjustment is the difference between the totals in USPS-T-33, Attachment C, Table 9 and USPS-T-33, Attachment C, Table 1.

RESPONSE OF POSTAL SERVICE WITNESS WATERBURY TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

6. USPS Exhibit T-10B details the volumes used by the cost rollforward model in calculating the mail volume cost effect.

a) Please confirm that the "other" category in special services volumes (transactions) consists of the transactions for Return Receipts, Delivery Confirmation, and Signature Confirmation. Also, please confirm that the volume estimates for these three categories are shown in Attachment A of USPS T-7.

b) The sum of the volumes for Return Receipts, Delivery Confirmation, and Signature Confirmation from Attachment A of USPS T-7 do not match what is shown in USPS Exhibit T-10B for each of the years of the rollforward, including the Base Year. A comparison of the volumes is shown below.

	Attachment A USPS T-7	USPS Exh. 10B	Difference
BY 2005	951,270	953,213	1,943
FY 2006	1,004,237	1,006,190	1,953
FY 2007BR	1,055,679	1,057,631	1,952
FY 2007AR	1,032,825	1,034,770	1,945
TY 2008BR	1,125,959	1,127,962	2,003
TY 2008AR	1,059,491	1,061,450	1,959

Please reconcile these differences.

RESPONSE:

a) Not confirmed. It is my understanding that the "other" category also includes restricted delivery.

b) It is my understanding that the numbers in the "difference" column are the numbers for restricted delivery.

RESPONSE OF POSTAL SERVICE WITNESS TANG TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

7. Please refer to USPS-LR-L-126, file R2006-1 Outside County, xls, worksheet "TYAR NP" (cell D88) and "TYAR CR" (cell D54). Please explain why container revenue is not included in the revenue totals for Nonprofit or Classroom.

RESPONSE:

Container revenue should have been included in the revenue totals for the Nonprofit and Classroom subclasses. The correction will be included in the revised USPS-LR-L-126 to be filed shortly.

RESPONSE OF POSTAL SERVICE WITNESS TANG TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

8. Please refer to the following statement in USPS-T-35, page 6, line 22: "I propose a 37-63 split between revenue to be raised from pounds and pieces." Please explain how container revenues are categorized and what effect this has on the 37-63 split.

RESPONSE:

First of all, to be more accurate, the initial split between pound and piece revenue is 37.5 – 62.5. Although the container rate is neither a pound nor a piece rate, in this case the container revenue was added back to the calculated piece revenue, and offsets the revenue leakage on the piece side (worksheet "Piece Discounts," cells G37 and G38). This was done to mitigate the rate impact on the piece side in this particular case, but this approach may not be followed in future cases. Since the additional revenue from the container rate was included in the revenue needed from the piece rates, the proportion of the revenue collected from the piece side actually is reduced.

RESPONSE OF POSTAL SERVICE WITNESS TANG TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

9. Please refer to the discussion of pound rates in USPS-T-35, page 6-10 and worksheet "Pound Data" (cells D54, D55, and D56). Please explain fully why 30 percent passthroughs are used for the pound rate dropship discounts instead of the 50.3, 50.4, and 50.4 percent passthroughs proposed in Docket No. R2001-1. (See Docket No. R2001-1, USPS-LR-L-J-107, file OC01.xls, worksheet "Pound Data_Adv" cells D47, D48, and D49).

RESPONSE:

Please disregard the "Pound Data" worksheet. It should have been excluded from the workbook. The data in that worksheet have not been used in any other sheet. All the pound rates have been developed in the work sheets "Pound Data_Adv" and "Pound Data_Ed," which continue to use the Docket No. R2001-1 passthroughs for the pound rate dropship discounts. This update will be included in the revised LR-L-126 to be filed shortly.

RESPONSE OF POSTAL SERVICE WITNESS TANG TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

10. Please reconcile the differences in revenues for Within County and Outside County in USPS-LR-L126, file R2006-1 Outside County.xls, worksheet "FY2008 Summary," cells D7, D8, and D10 with the revenues appearing in USPS-31B.

RESPONSE:

The reconciled data will be included in the revised USPS-LR-L-126 to be filed shortly.