

Postal Rate Commission
Submitted 2/22/2007 3:39 pm
Filing ID: 55879
Accepted 2/22/2007

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

STAMPED STATIONERY CLASSIFICATION

Docket No. MC2006-7

REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION TO ESTABLISH CLASSIFICATIONS AND FEES
FOR PREMIUM STAMPED STATIONERY AND PREMIUM STAMPED CARDS

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
Scott.L.Reiter@usps.gov
February 22, 2007

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

STAMPED STATIONERY CLASSIFICATION

Docket No. MC2006-7

REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION TO ESTABLISH CLASSIFICATIONS AND FEES
FOR PREMIUM STAMPED STATIONERY AND PREMIUM STAMPED CARDS
(February 22, 2007)

Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that the establishment of classifications and fees for Premium Stamped Stationery ("PSS") and Premium Stamped Cards ("PSC") would be in the public interest and in accordance with the policies and applicable criteria of that title.

Procedural Background and Summary of Proposal

The Postal Service sells premium stamped stationery in pads of 12 sheets of quality stock paper, imprinted with postage and featuring designs based on the theme of the imprinted postage. Each pre-stamped sheet has room for the name and address of the recipient and, on the reverse side, space for writing a message. Each sheet is designed to be folded and sealed in order to be mailed. In Docket No. C2004-3, the Commission concluded that stamped stationery is a "postal service" within the meaning of chapter 36 of title 39, U.S.C., subject to the Commission's authority over classifications and fees.¹ The Commission established the instant docket for the purpose of receiving the request now filed.²

¹ Order No. 1475, Docket No. C2004-3, at 1 (August 24, 2006).

² *Id. at 15*; Order No. 1476, Docket No. MC2006-7, at 1 (August, 24, 2006).

The Postal Service also sells premium stamped cards in booklets or packets, consisting of 10 to 20 cards of quality stock paper, imprinted with postage and featuring designs based on the theme of the imprinted postage. Each pre-stamped card has room for the name and address of the recipient on the right-hand side, and room for writing a message on the left. The theme of the card decorates the entire reverse side. Although the cards were not a subject of the complaint case, the same logic by which the Commission concluded that stamped stationery is a “postal service” would apply to the stamped cards. Accordingly, the Postal Service proposes a classification and fees for PSC in order to regularize their status concurrently with PSS.

The services are denominated as “premium,” in order to distinguish them from the more utilitarian stamped envelope and stamped card products that are already in the classification schedule. See DMCS §§ 961 and 962. As the Commission noted, although its “design and purpose make it a postal service, stamped stationery is, nonetheless, a specialty item which, among other things, no mailer is required to purchase.”³

In Order No. 1475, the Commission identified stamped stationery as a candidate for “new, flexible pricing techniques,” including the use of a range of prices with flexible bounds set by reference to the applicable rate, rather than by fixed amounts.⁴ The Postal Service agrees with the Commission in this regard and has generally followed the Commission’s suggestions, as described in detail in the accompanying testimony of Nina Yeh, USPS-T-1.

³ Order No. 1476, at 1-2.

⁴ Order No. 1475, at 1, 14.

In concluding that stamped stationery is a postal service, the Commission found: “Comparable substitutes abound; no mailer is required to purchase it; no competitor is complaining about the product; and the volumes and revenues at issue appear to be relatively insignificant.”⁵ Comparing the product to the existing pre-stamped products, the Commission noted that “the existing price for stamped stationery does not appear, *a priori*, to be unreasonable.”⁶ As described in the testimony of witness Yeh, the range of fees proposed herein is consistent with those existing prices. Her proposed structure allows the range to change automatically with and in direct proportion to future changes in the applicable First-Class Mail letter or card postage. The proposal also allows the Postal Service the authority to alter the price within the range, based on market conditions, upon public notice, as suggested by the Commission.⁷

Settlement Procedures

One suggestion of the Commission the Postal Service very much wanted to pursue, but unfortunately was not able to do in advance of filing this Request, was “to consult with participants in an effort to fashion a broadly acceptable pricing approach.”⁸ The ability to engage in such consultation was unfortunately thwarted by the short time between the end of the litigation phase of the pending omnibus rate case, the press of other business including the passage of the Postal Accountability and Enhancement

⁵ *Id.* at 13.

⁶ *Id.*

⁷ *Id.* at 14.

⁸ *Id.* at 15.

Act, and the exigencies of the internal approval process to allow the instant Request to be filed by the February 26 deadline set in Orders No. 1475 and 1476.⁹

Nevertheless, the Postal Service has already informed the participants of its intention to file this Request and is committed to engage in settlement discussions with the participants. The Postal Service also notified participants of its willingness to engage in informal discussions and encouraged them to make informal requests for additional information before engaging in formal discovery. In order to create a more focused and presumably more useful record for the Commission, hopefully in the context of a settlement agreement. The Postal Service is not filing a separate request for establishment of settlement procedures, as it has in past cases, since the Commission has already indicated that the Postal Service may convene settlement conferences. Accordingly, the Postal Service is filing a Notice of Settlement Conference.

Compliance with Statutory Policies and Commission's Rules

The proposed classification will further the general policies of the Postal Reorganization Act in that it will establish additional types of postal services designed to meet the needs of different categories of mail users. See 39 U.S.C. § 403(b). The requested changes also conform to the criteria of 39 U.S.C. §§ 3622(b) and 3623(c), as explained in the accompanying testimony.¹⁰

In accordance with the Commission's Rules of Practice and Procedure, in addition to the accompanying testimony, the Postal Service submits herewith

⁹ Order No. 1475, at 15; Order No. 1476, at 2.

¹⁰ USPS-T-1, at 6-10.

information and data which explain the nature and scope, significance, and effect of the proposed changes. The testimony and exhibits have been marked for identification as shown in Attachment D to this Request.

The instant filing incorporates by reference materials submitted with the Postal Service's Request in Docket No. R2006-1, as well as other materials routinely provided to the Commission by the Postal Service. The Postal Service believes that its submissions comply with the Commission's filing requirements in Rules 54 and 64 of the Rules of Practice and Procedure (39 C.F.R. §§ 3001.54 and 64). Since the Commission could conclude otherwise, the Postal Service is today filing a separate conditional motion for a waiver of certain filing requirements in Rules 54 and 64.

Accordingly, the Postal Service requests that the Commission submit to the Governors of the Postal Service a recommended decision supporting establishment of the requested classifications and fees.

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2999; Fax -5402
Scott.L.Reiter@usps.gov
February 22, 2007

DOMESTIC MAIL CLASSIFICATION SCHEDULE

* * * * *

SPECIAL SERVICES CLASSIFICATION SCHEDULE

* * * * *

960 STAMPED PAPER

* * * * *

963 PREMIUM STAMPED STATIONERY

963.1 Definition.

Premium Stamped Stationery is decorated stationery with First-Class Mail postage imprinted or impressed on it, and offered for sale by the Postal Service.

963.2 Fees

A range of fees for Premium Stamped Stationery is set forth in Fee Schedule 963. Upon issuing a Premium Stamped Stationery product, the Postal Service shall specify a price that equals a fee within the range times the number of units plus the value of the postage imprinted. The Postal Service shall give notice of any subsequent change in that fee (and the effect on the total price) for a particular issuance and such change shall take effect upon such notice.

964 PREMIUM STAMPED CARDS

964.1 Definition.

Premium Stamped Cards are postal cards with First-Class Mail postage imprinted or impressed on them, decorated on the reverse side, and offered for sale by the Postal Service.

964.2 Fees

A range of fees for Premium Stamped Cards is set forth in Fee Schedule 964. Upon issuing a Premium Stamped Card product, the Postal Service shall specify a price that equals a fee within the range times the number of cards plus the value of the postage imprinted. The Postal Service shall give notice of any subsequent change in that fee (and the effect on the total price) for a particular issuance and such change shall take effect upon such notice.

FEE SCHEDULE 963
PREMIUM STAMPED STATIONERY

Fee per unit

Minimum 2 times the First-Class Mail Letters Single-Piece First Ounce rate imprinted on the stationery

Maximum 3 times the First-Class Mail Letters Single-Piece First Ounce rate imprinted on the stationery

FEE SCHEDULE 964
PREMIUM STAMPED CARDS

Fee per card

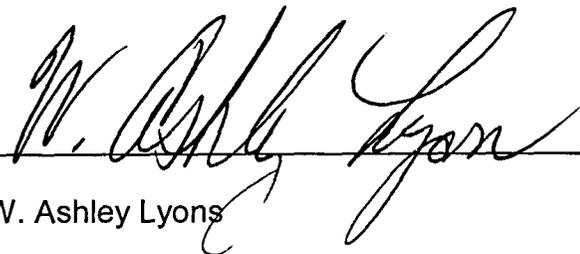
Minimum 1 times the First-Class Mail Cards Regular Single-Piece rate imprinted on the card

Maximum 3 times the First-Class Mail Cards Regular Single-Piece rate imprinted on the card

CERTIFICATION

I, W. Ashley Lyons, Manager, Corporate Financial Planning, United States Postal Service, am familiar with the attached Request of the United States Postal Service for a Recommended Decision to Establish Classifications and Fees for Premium Stamped Stationery and Premium Stamped Cards, together with the accompanying direct testimony and exhibits.

Pursuant to Rules 64(h) and 54(p) of the Postal Rate Commission's Rules of Practice and Procedure, 39 C.F.R. §§ 3001.64(h) and 3001.54(p), I hereby certify that I have read the Request, that the cost statements and supporting data submitted as part of that Request, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books, and that, to the best of my knowledge, information, and belief, every statement contained in the Request is proper.



W. Ashley Lyons

INDEX OF TESTIMONIES: DOCKET NO. MC2006-7

WITNESS	TESTIMONY	EXHIBIT	WORKPAPERS	ATTORNEY
Ms. Yeh	USPS-T-1	None	None	Scott Reiter 202-268-2999

Docket No. MC2006-7 Request

ATTACHMENT E

COMPLIANCE STATEMENT

This Attachment contains a statement of the manner in which the Postal Service has supplied the information requested in sections 54 and 64 of the Commission's Rules of Practice and Procedure (39 CFR §§3001.54 and 3001.64). Where information required by these rules is not included in direct testimony or exhibits of the Postal Service's witnesses, it is contained in the Request or its attachments, or has been incorporated by reference in the Request, testimony, exhibits, or attachments made available to the Commission in Docket No. R2006-1, as indicated. Alternatively, the pertinent filing requirements should be waived in accordance with the accompanying motion for waiver.

RULE: 54(a)(1)

REQUIREMENT: This rule requires a description of any changes proposed by the Postal Service in the attribution procedures applied by the Commission in the most recent general rate proceeding in which its recommended rates or fees were adopted. If a request proposes to change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted, the Postal Service's request shall include an alternate cost presentation satisfying Rule 54(h) that shows what the effect on the Postal Service's request would be if it did not propose changes in attribution principles. If the required information is set forth in the Postal Service's prepared direct evidence, it shall be deemed to be part of the formal request without statement.

Insofar as they apply, the Postal Service incorporates by reference the testimonies and costing presentations submitted with its Request in Docket No. R2006-1.¹

¹ See Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services and Request for Expedition, Docket No. R2006-1, Attachment F. The Compliance Statement in that case provides direction to pertinent testimony and documentation.

RULE:54(b)(1), (2), (3), (4)

INFORMATION REQUESTED: These rules request the submission of schedules of the existing effective rates of postage and fees for all postal services and those rates and fees as proposed to be changed or adjusted. The schedules must:

- (1) show the full rates and, where applicable, the phased rates under section 3626 of title 39, U.S.C., and any proposed adjustment to such phased rates under section 3627 of title 39, U.S.C., indicated by the circumstances known at the time of the filing;
- (2) be presented in a summary fashion and a tariff-like form, specifying those rules, regulations and practices which establish the conditions of mailability and the standards of service. Specifically, they must address such functions as mail pickup and delivery, processing and other similar functions;
- (3) contain a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) be accompanied by an identification of all nonpostal services.

1. Present and Proposed Rates, Fee and Classification Schedule Provisions.

Attachment A to this Request includes the proposed addition of Domestic Mail Classification Schedule sections 623 and 624. Attachment B sets forth proposed Fee Schedules 623 and 624.

2. Rules, Regulations, and Practices that Establish Conditions of Mailability and Standards of Service.

The rules, regulations, and practices that establish conditions of mailability and standards of service generally are published in the Domestic Mail Manual and are incorporated by reference in 39 C.F.R. § 111.1. The Postal Service's response to Rule 54(b)(2) should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

3. Degree of Economic Substitutability and Identification of Nonpostal Services.

With regard to classes of mail and special services generally, and identification of nonpostal services, the Postal Service incorporates by reference the testimony and supporting documentation filed with its Request in Docket No. R2006-1.² Substantial information relevant to economic substitutability was included in the testimonies of witnesses Thress and Bernstein.

The proposed implementation of classifications and fees for the Premium Stamped Stationery (PSS) and Premium Stamped Cards (PSC) is not expected to cause substitution among mail classes or rate categories, or have a significant impact on mail volumes.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service respectfully requests that this provision be waived.

4. Identification of Nonpostal Services

There are no nonpostal services in this request.

² See Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2006-1, Attachment F. The Compliance Statement in that case provides direction to pertinent testimony and documentation.

RULE:54(c)

INFORMATION REQUESTED:

This rule requires "an identification of the characteristics of the mailer and recipient, and a description of the contents of items mailed within the various classes and subclasses of mail and service."

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. With regard to PSS and PSC, information responsive to this rule may be found in the testimony of witness Yeh (USPS-T-1).

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE: 54(d)

INFORMATION REQUESTED:

This rule requests "an identification of the physical attributes of the items mailed by class and subclass, including shape, weight, and distance."

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. The physical attributes of PSS and PSC are described in the testimony of witness Yeh (USPS-T-1).

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(e)

INFORMATION REQUESTED:

To the extent such information is not included within material supplied under rule 54(b)(2), this rule requests "a summary statement describing special service arrangements provided to, or requested or required of, mailers by the Postal Service which bear upon the cost of service or the value of the mail service to both the sender and the recipient, e.g., services relating to mailer preparations in excess of requirements specified by the [*Domestic Mail Manual*], pick-up and delivery, expedited or deferred processing, and other similar activities performed."

Information responsive to this rule is contained in the Request and supporting materials filed in Docket No. R2006-1 (see Compliance Statement, Rule 54(e)), which are incorporated by reference here.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(f)(1)

INFORMATION REQUESTED:

This rule requests the submission of "the total actual accrued costs during the most recent fiscal year for which they are reasonably available."

The total actual accrued costs for FY 2005 are presented in the testimony of witness Loutsch in Docket No. R2006-1. Operating and other expenses for FY 2006 are contained in the United States Postal Service Annual Report for FY 2006. Copies of the Annual Report have been filed with the Commission.

RULE:54(f)(2) (Basic Submissions)

INFORMATION REQUESTED:

This rule requests:

- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for the year in which the filing is made, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees;
- for a year which forms the basis for the proposed rates and fees , beginning not more than 24 months after the filing date of the Request, estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for a year which forms the basis for the proposed rates and fees, estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees.

With regard to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2005-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs, either in the present fiscal year or a rollforward analysis in a future test year. Moreover, in light of the relative magnitudes of any costs for the proposed classifications compared to total costs, estimates for all other mail categories and services will not be materially affected if they are recommended and approved.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(f)(2) (Methods and Procedures)

INFORMATION REQUESTED:

For the estimated total accrued costs specified in this provision, the rule requests an explanation of the methods and procedures used for the cost projections, including

- an explanation of the projection of total volumes;
- an explanation of the effect of the projected volume levels on estimated total costs;
- specification of the cost savings which will be realized from gains and improvements in total productivity, indicating such factors as operational and technological advances and innovations;
- identification of abnormal costs which are expected to be incurred in the test year.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. To the extent available, information responsive to this section can be found in the testimony and workpapers of witness Yeh (USPS-T-1). Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(f)(3)(i) and (ii) (Operating Costs)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the following:

- the Postal Service's operating costs, described in "sufficient detail as to the accounting and functional classifications and with such reasonable explanation so that the actual or estimated amount for each item of expense may be readily understood"; and
- full explanations for the amounts included for depreciation on capital facilities and equipment, debt service, contingencies, and extraordinary or nonrecurring expenses.

The Postal Service incorporates by reference the testimony and supporting documentation of witness Loutsch submitted with the Postal Service's Request in Docket No. R2006-1. Witness Loutsch's testimony presents operating costs and other financial expenses with regard to all existing mail categories and services. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(f)(3)(iii) (Cost Assignment and Distribution)

INFORMATION REQUESTED:

This rule requires that the cost presentations prepared in response to paragraphs (f)(1) and (f)(2) of Rule 54 must show the assignment and distribution of costs to each of the functions "comprising the mail process," including,

- an itemization of costs by the major accounts as reflected by the Service's books of account for all cost segments;
- an itemization of costs by functions such as collection, acceptance, general overheads, etc.;
- an assignment and distribution of the costs by account, together with related mail volumes, for each function;
- an assignment and distribution of the costs by account, together with related mail volumes, to "such subfunctions within each category for which information is available or can be developed";
- an explanation of the method by which the costs by account are assigned and distributed to functions.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(g)

INFORMATION REQUESTED:

This rule requests historical costs for "each fiscal year since the last filing pursuant to this section" to be submitted "in a form as nearly consistent as possible with the filing under [rule 54(f)], together with explanations of any departures from such form and the effect of such departures."

There have been no fiscal years for which information is available since the last filing pursuant to this section. Operating and other expenses for FY 2006 are contained in the United States Postal Service Annual Report, which has been filed with the Commission.

RULE:54(h)(1)

INFORMATION REQUESTED:

This rule requests the separation of actual and estimated total costs, for the fiscal years specified in Rule 54(f), as between postal services (including international mail) and nonpostal services. "The presentation shall show the methodology for separating postal costs as between postal services and nonpostal services, and shall be in sufficient detail to allow a determination that no nonpostal costs have been assigned or allocated to postal services."

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. These materials discuss separation of costs among domestic, international, and nonpostal services (see Compliance Statement, Rule 54(h)(1)). Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(h)(2) and (3) (Separation of costs by functions)

INFORMATION REQUESTED:

For the actual and estimated total costs presented for the years specified in rule 54(f), these rules request the costs to be separated as follows:

- those direct costs which can be attributed to each class of mail or type of mail service;
- those indirect costs which can be attributed to each class of mail or type of mail service;
- any other costs of the Service which can be reasonably assigned to each class of mail or type of mail service;
- any other costs of the Postal Service which cannot be attributed or reasonably assigned.

The methodology used to derive these costs is requested to be set forth in detail.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(h)(4), (12)

INFORMATION REQUESTED:

This rule applies to the costs identified in rule 54(h)(2). It requests that these costs be separately attributed to mail classes, subclasses, and special services. It also requests identification of the methodology used in attribution and an analysis of the effect of costs on the following:

- volume;
- peaking patterns;
- priority of handling;
- mailer preparations;
- quality of service;
- the physical nature of the item mailed;
- expected gains in total productivity, indicating such factors as operational and technological advances and innovations;
- any other factor affecting costs.

The data relevant to the analyses of the effect on costs of these factors is also to be provided.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1 (see Compliance Statement, Rule 54(h)(4), (12)). Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are

deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(h)(5) - (h)(10) ("Roll-Forward" model)

INFORMATION REQUESTED:

These provisions generally specify particular items which are to be included in the presentation of the process by which base year costs are rolled-forward to test-year costs, such as listings of the forecasting factors, piggyback factors, interim period workpapers, and an overall summary cost table. Rules 54(h)(6) and (7) request an explanation of the attributable cost final adjustments and the "other services" adjustments.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(h)(11) (Nonattributed costs)**REQUIREMENT:**

This rule applies to costs that are identified as "nonattributed or unassigned" pursuant to rule 54(h)(2). It requests an explanation as to why such costs cannot be attributed or assigned. It further requests the identification, to the extent possible, of all such costs which benefit more than one class of mail or type of service (but not all classes or types), together with the mail classes or types of services so benefitted.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. The Compliance Statement therein (Rule 54(h)(11)) discusses nonattributed costs generally, and the extent to which they benefit more than one class of mail. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(i)

REQUIREMENT:

This rule requires a statement of the criteria employed by the Postal Service in construction of the proposed rate schedule. The statement is to include:

- the identification of the relationship between the revenues derived from the rates and fees for a particular class and subclass of mail or service and the costs attributed and assigned to that class or subclass of service;
- the identification of the procedures and methods used to apportion (to postal services) that part of the total revenue requirement, which is in excess of costs attributed;
- such other studies, information and data relevant to the criteria established by section 3622 of title 39, U.S.C., with appropriate explanations as will assist the Commission in determining whether or not the proposed rates or fees are in accordance with such criteria.

The instant Request proposes only the establishment of a permanent classifications and fees for Premium Stamped Stationery and Premium Stamped Cards. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(j)(1), (2), (3), and (4)

INFORMATION REQUESTED:

These rules request specification of revenues for certain fiscal years, including the test year. Revenues are to be submitted for

- test year, assuming prefiling (existing) rates and fees;
- test year, assuming proposed rates and fees.

The actual and estimated revenues for these years are to be shown in total and separately for each class and subclass of mail and postal service and for all other sources from which the Postal Service collects revenues.

Each revenue presentation is to be supported by identification of the methods and procedures employed.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(j)(5) (volume estimates)

REQUIREMENT:

This rule requires that the Postal Service present for each class and subclass of mail and special service

- for each postal quarter beginning with the first quarter of the most recent complete fiscal year and ending one year beyond the last quarter of the test year, actual or estimated mail volumes at the prefiled (existing) rates and fees;
- for each postal quarter beginning with the quarter in which the rates are assumed to become effective and ending one year beyond the last quarter of the test year, the estimated volume of mail assuming the effectiveness of the proposed rates.

With regard to estimates pertaining to classes of mail and special services generally, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(j)(5), (6), (7) (Demand study -- methodology and documentation)

REQUIREMENT:

These rules require that the volume estimates provided pursuant to Rule 54(j)(5) must be derived from an econometric demand study relating postal volumes to their economic and noneconomic determinants, including postal rates, discounts and fees, personal income, business conditions, competitive and complementary postal services, competitive and complementary nonpostal activities, population, trend, seasonal patterns and other factors. The study must be furnished with the request, and any departure from the assumptions and specifications in the demand study made in estimating volumes of any class or subclass of mail must be explained. If different billing determinants are used for volume forecasting and revenue forecasting purposes, a supporting rationale must be provided.

For volume and revenue estimates, and subject to rule 54(a)(2), the Postal Service is to provide:

- a detailed explanation of the methodology employed to forecast volumes for each class and subclass of mail and postal service. Representative derivations of these forecasts from the econometric demand study must be presented in detail for two major mail classes, showing each intermediate value or factor employed. For remaining classes and subclasses of mail, such derivations may be summarized, except where their derivations depart from the representative methods presented;
- a detailed explanation of the methodology employed to forecast changes in revenues for each class and subclass of mail and postal service resulting from changes in rates and fees;
- a computer implementation of the methodology employed to forecast volumes and revenues for each class and subclass of mail and postal service. The computer implementation must comply with Rule 31(k)(3), and must be able to compute forecasts of volumes and revenues compatible with those specified in Rules 54(j)(2), (3), and (5) for
 - o any set of rates and fees within a reasonable range of the prefiled (existing) and the proposed rates,
 - o any date of implementation within the range spanned by the assumed date of implementation and the start of the test year,
 - o alternative forecasts of the economic determinants of postal volumes, other than postal rates and fees, and
 - o alternative values of any parameters with assigned values that are

based upon unverifiable judgments.

Subject to rule 54(a)(2), the Postal Service must make available at the offices of the Commission, in a form that can be read directly by a standard digital computer, the following:

- all of the input files and programs needed to replicate the requested econometric demand study;
- any input files and programs employed to derive a price index for any class or subclass of mail or postal service from postal rates, discounts, and fees;
- any input files and programs used to prepare data for use in the requested econometric demand study.

With regard to volume projections generally and estimates pertaining to classes of mail and special services the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the effects on the Postal Service's total costs and total volumes, either in the present fiscal year or a rollforward analysis in a future test year.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(k)

INFORMATION REQUESTED:

This rule requests that the Postal Service provide for the two fiscal years immediately preceding the year in which the request is filed, the Balance Sheet, the Statement of Income and Expense, basic statistical information, and the Statement of Income and Expense by budget category. This includes data with respect to the following:

- (1) the Balance Sheet and a supporting schedule for each item that appears thereon;
- (2) the Statement of Income and Expense and a supporting schedule for each item appearing thereon;
- (3) as appropriate, statistical data with respect to revenue, pieces (by physical attributes, showing separately amounts of mail identified as stamped, metered, and imprinted, or other), weight, distance, postal employees (number, total payroll, productivity, etc.), postal space, post offices (number, classes, etc.), and any other pertinent factors which have been utilized in the development of the suggested rate schedule; and
- (4) the Statement of Income and Expense by cost segment.

In addition, this rule requires that the Postal Service provide a reconciliation of the budgetary information with the actual accrued costs for the most recent fiscal year. If the fiscal information for the immediately preceding fiscal year is not fully available on the date of filing, the Postal Service is required to make a preliminary or pro forma submittal, and file an updated report once the fiscal information is completed.

The requested financial information for FY 2005 was provided to the Commission through the testimony and exhibits of witness Loutsch in Docket No. R2005-1, and in the United States Postal Service Annual Reports for FY 2005 and FY 2006. Cost and Revenue Analysis Reports for FY 2004 and FY 2005 are on file with the Commission. The report for FY 2006 is due to be filed shortly.

RULE: 54(l)(i)

REQUIREMENT:

This rule requires a statement (which can be in workpaper form) indicating for each class and subclass of mail and postal service the relevant billing determinants (e.g., the volume of mail related to each rate element in determining revenues) separately for the current rates and the proposed rates. Proposed changes in rate design and the related adjustments are to be explained in detail.

With regard to billing determinants pertaining to classes of mail and special services in general, the Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. An explanation regarding the proposed fee design is provided in the testimony of witness Yeh (USPS-T-1). Because of the limited nature of the service being proposed, the Postal Service has not prepared a full analysis of the billing determinants for current and proposed rates.

To the extent that the information and materials cited and incorporated above are deemed insufficient under the Commission's filing requirements, the Postal Service requests that this provision be waived.

RULE:54(l)(ii)

REQUIREMENT:

This rule requires, subject to subsection (a)(2), the base year volume of third-class bulk mail by ounce increment for each shape (letter-size, flat, irregular parcels, and parcels), submitted separately for regular and preferred, by presort level.

The Postal Service incorporates by reference testimony and supporting documentation submitted with its Request in Docket No. R2006-1. This information is not affected by the proposed classifications.

RULE:54(m)

REQUIREMENT:

This Rule requires a statement, which can be in workpaper form, presenting detailed calculations of continuing appropriations according to 39 U.S.C. § 2401(c), phasing appropriations under 39 U.S.C. § 3626, and any proposed adjustment to such phased rates under 39 U.S.C. §3627 indicated by circumstances known at the time of the filing. Calculation of all the phased rates for the entire applicable phasing period are to be explained in detail.

With regard to mail categories and special services in general, the Postal Service incorporates by reference the materials submitted with its Request in Docket No.

R2006-1. This rule is not applicable to the instant Request, since there are no changes proposed to any preferred subclasses of mail.

Rule: 54(n)

REQUIREMENT:

This Rule requires identification of any performance goals which have been established for the classes and subclasses of mail. The Request is to identify the achieved levels of service for those classes and subclasses of mail and mail services for which performance goals have been set.

The Postal Service incorporates by reference the material filed with the Request in Docket No. R2006-1 (see Compliance Statement, Rule 54(n)).

Rule: 54(o)

REQUIREMENT:

This Rule requires seven sets of workpapers to be filed with the Request.

The required workpapers or their equivalents are supplied as attachments to the testimony of Postal Service witness Yeh (USPS-T-1). Workpapers for testimony filed in Docket No. R2006-1 are on file with the Commission.

Rule: 54(p)

INFORMATION REQUESTED:

This Rule requests one or more certifications stating that the cost statements and supporting data submitted as part of the formal request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books. The requested certification is to be signed by one or more representatives of the Postal Service authorized to make such certification.

The requested certification is submitted as Attachment C to this Request.

Rule: 54(q)

INFORMATION REQUESTED:

This Rule requests an opinion from an independent public accountant to the extent and as required by 39 U.S.C. § 2008(e).

An opinion by the independent accounting firm of Ernst & Young covering the Fiscal Year 2005 Audited Financial Statements is contained in Attachment E of the Request in R2006-1.

Rule: 64(b)(1), (2), (3), (4)

INFORMATION REQUESTED:

These subsections request, for every classification change proposed:

- (1) copies of the currently-effective Domestic Mail Classification Schedule and the proposed changes thereto;
- (2) specification of the Rules, regulations and practices that establish the conditions of mailability and standards of service;
- (3) a statement of the degree of economic substitutability between the various classes and subclasses; and
- (4) an identification of all nonpostal services.

See response to Rule 54(b).

Rule: 64(c)(1), (2), (3)

INFORMATION REQUESTED:

This Rule asks for information regarding the users of the Postal Service, the nature of the items mailed and the methods of mailing used. Specifically, this section requests the following:

- (1) an identification of the characteristics of the mailer and the recipient, and a description the contents of items mailed within each class and subclass;
- (2) identification of the physical attributes of the items mailed by class and subclass, including shape, weight and distance; and
- (3) to the extent it is not provided under paragraph (b)(2), a summary statement that describes special service arrangements provided to, or requested or required of, mailers by the Postal Service that affect the cost of service or its value to the mailer or recipient.

See response to Rule 54(c), (d) and (e).

Rule: 64(d)

INFORMATION REQUESTED:

This Rule requests that effects of the changes on cost assignments, total costs, and total revenues be provided, on a before and after change basis.

See response to Rule 54(f)(1)-(3), 54(h), and 54(j).

Rule: 64(e)

INFORMATION REQUESTED:

This subsection requires that, whenever the Postal Service proposes to reassign a portion of one existing class or subclass of mail or service to another existing class or subclass of mail or service, the request must include a comparison of the before and after costs and revenues of handling the relevant classes or subclasses, and before and after costs and revenues of the portion that is to be reassigned.

This proposal does not involve the reassignment of part of an existing class or subclass of mail.

Rule: 64(f)

INFORMATION REQUESTED:

This Rule requests a complete statement of the reasons and bases for the proposed changes.

The testimony of witness Yeh(USPS-T-1) provides the reasons and bases for the proposed changes.

Rule: 64(g)

INFORMATION REQUESTED:

This Rule sets forth the requested format and filing requisites for workpapers.

See response to Rule 54(o).

Rule: 64(h)

INFORMATION REQUESTED:

This Rule calls for compliance with specified subsections of Rule 54 when the Postal Service proposes a change in the mail classification schedule having a rate, fee or total cost change implication.

Compliance with pertinent parts of Rule 54 is explained above in this Compliance Statement. Other pertinent information is provided in the response to this rule in Docket No. R2006-1 and in the testimony and supporting materials filed in that docket. These materials are incorporated by reference. A motion setting forth grounds for waiver of portions of Rule 54 accompanies this Request. A discussion of the statutory classification and fee criteria is contained in the testimony of witness Yeh (USPS-T-1).