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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0000

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Special Services Fees and Classifications

Docket No. MC96-3

PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

(November 13, 1996)

The Postal Service is requested to provide the information described below to assist in developing the record for consideration of its request for classification and rate changes. In order to facilitate possible inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the authenticity of each item provided and be prepared to explain, to the extent necessary, the content of each item provided. Please provide responses by November 22, 1996.

1. Evaluation of cost coverages requires reliable cost, revenue, and volume estimates. While cost coverage is the ratio of revenue to attributable cost for a particular subclass or service, volume is an input to both variables and thereby affects coverage. In particular, revenue and cost estimates must be based on the same volume measure in order to have meaningful coverages. The aim of this Presiding Officer Information Request is to clarify the record concerning the cost coverages for Certified Mail Service.

a. Please confirm that attributable costs of \$281,429,000 presented in Exhibit USPS-T-5A, page 8, for the Base Year FY 1995, are "pure" certified costs using the Postal Service's proposed attribution methodology; i.e., the costs do

not include any costs for any other mail or special service, such as for merchandise return receipt. If not confirmed, please identify what other costs were included and how they were derived.

b. Is the Certified Mail Service costing approach reflected in your answer to a. above consistent with the approach presented in the most recent omnibus rate request, Docket No. R94-1? If not, please discuss all of the differences.

c. Please confirm that the FY 1995 billing determinants show that pure certified mail volumes for Base Year FY 1995 are 266,431,397 and that certified mail plus return receipt volumes are 288,826,806. Tr. 2/272.

d. Please confirm that the projected Test Year FY 1996 Before and After Rate volumes of 289,613,000 (Exhibit USPS-T-5G, page 23) and 277,803,000 (USPS-T-1, WP D, page 1), respectively, are derived from the use of forecasted Certified Mail Service volumes for Base Year FY 1995, i.e., 279,028,000 (Exhibit USPS-T-5D).

e. If the response to c. above confirms that 266,431,397 represents actual FY 1995 pure Certified Mail Service volume, please discuss the proposition that a Test Year volume forecast based on this pure Base Year volume would be more accurate than the result achieved using a forecasted volume of 279,028,000 for the Base Year.

f. If available, please provide the projected Test Year volumes when billing determinant volume for Base Year FY 1995 Certified Mail, i.e., 266,431,397, is used as the starting point.

g. If the estimate requested in f. above is not available, please provide an estimate of the differences that result in both the before and after rate Test Year volumes from the use of the two different starting points (billing determinants of 266,431,397 versus the forecasted number of 279,028,000).

h. If the number requested in f. above is not available, please provide an estimate of time required to produce the forecasted Test Year volumes starting from the billing determinant volume for Base Year Certified Mail Service.

i. Please discuss the appropriateness of an adjustment of the test year volumes to reflect actual FY 1995 certified mail billing determinants. One possible adjustment would be multiplying billing determinant volume by the ratio of currently forecasted test year volume to forecasted base year volume, i.e., $(266,431,397) \times (289,613,000 / 279,028,000)$. Table 1, lines 1, 2 and 3, present the unadjusted numbers currently on the record and lines 4 through 8 present the results of this adjustment. Please comment on the reasonableness of using the Table 1 numbers in this docket. If problems are identified with Table 1, please provide a superior method of developing an adjustment to reflect billing determinants and pure certified mail numbers.

2. In response to Presiding Officer's Information Request No. 4, question 6, witness Lyons' states, "The Postal Service estimates that between 50 and 90 percent of boxholders at Group III offices are ineligible for carrier delivery from any office and thus would receive free boxes." Presumably, the other 10 to 50 percent of boxholders at Group III offices are eligible for delivery and will be paying Group D fees.

a. Please provide an estimate of the minimum, maximum, and likely projected revenue from these boxes. Please show all calculations.

b. What is the proper acceptance rate to use in estimating the after rates volume of these boxes. In responding, please consider that the box fees will be increasing 700%-5,400%, from the current fee of \$2 to between \$16 and \$110 depending on size.

A handwritten signature in black ink, appearing to read "H. Edward Quick, Jr.", with a stylized flourish at the end.

H. Edward Quick, Jr.
Presiding Officer

TABLE 1

**DEVELOPMENT OF ATTRIBUTABLE UNIT COST FOR CERTIFIED MAIL
USING POSTAL SERVICE COSTING METHODOLOGY (000)**

Item	FY 1994	FY 1995	TYBR	TYAR
Unadjusted Volumes:				
1 Attributable Cost	\$ 277,437	\$ 281,429	\$ 297,811	\$ 285,880
2 Transaction Volumes	234,776	266,431	289,613	277,803
3 Attributable Unit Cost	\$ 1.182	\$ 1.056	\$ 1.028	\$ 1.029
Adjusted Volumes:				
4 Attributable Cost	\$ 277,437	\$ 281,429	\$ 297,811	\$ 285,880
5 Adjusted Transaction Volumes	234,776	266,431	276,538	265,261
6 Attributable Unit Cost	\$ 1.182	\$ 1.056	\$ 1.077	\$ 1.078
7 Certified Mail Fee	\$ 1.00	\$ 1.10	\$ 1.10	\$ 1.50
8 Cost Coverage (L.7/L.6)	84.6%	104.1%	102.1%	139.2%

Source for Unadjusted Amounts:

FY 1994 attributable cost from FY 1994 Cost Segments and Components, p. 8

FY 1994 transaction volumes from FY 1994 CRA, p.16 or FY 1994 Billing Determinants, K-1

FY 1995 attributable cost from Exhibit USPS-T-5A, p. 8

FY 1995 transaction volumes from USPS-T-1, WP D, page 1

TYBR attributable cost from Exhibit USPS-T-5E, p.8

TYBR transaction volumes from USPS-T-1, WP D, page 1

TYAR attributable cost from Exhibit USPS-T-5H, p.8

TYAR transaction volumes from USPS-T-1, WP D, page 1

Fees from USPS-T-8 at 65

Source For Adjusted Amounts:

(1) Attributable costs are not adjusted and come from line 1

(2) FY 1994 and FY 1995 volumes are not adjusted and come from line 2

(3) TYBR and TYAR volumes are adjusted; See table below

Development of Adjusted TYBR and TYAR Volumes

Item	Source	Amount
(a) Roll Forward Base Year Volume	Exhibit USPS-T-5D	279,028
(b) Roll Forward TYBR Volume	Exhibit USPS-T-5G, p.23	289,613
(c) Roll Forward TYAR Volume	USPS-T-1, WP D, page 1	277,803
(d) Ratio: TYBR to Base Year	(b) / (a)	1.037935
(e) Ratio: TYAR to TYBR	(c) / (b)	0.959221
(f) Base Year Billing Determinants	USPS-T-1, WP D, page 1	266,431
(g) Adjusted TYBR Billing Determinants	(d) x (f)	276,538
(h) Adjusted TYAR Billing Determinants	(e) x (g)	265,261