

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

MARKET-DOMINANT PRICE CHANGE

Docket No. R2020-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 8**
(October 30, 2019)

The Postal Service hereby responds to Chairman's Information Request No. 8, issued on October 24, 2019. Each question is stated verbatim and is followed by the response. The Postal Service acknowledges that it is submitting its response two days late due to unforeseen data issues.¹

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

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¹ See *infra* n.3 and accompanying text.

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1. Please refer to Library Reference USPS-LR-R2020-1/1, October 9, 2019, Excel file "CAPCAL-FCM-R2020-1.xlsx," tab "Earned Value Promo" and Library Reference USPS-LR-R2020-1/2, October 9, 2019, Excel file "EarnedValue.xlsx."
 - a. Please provide revised workpapers that link the data in these Excel files to source *PostalOne!* data and which demonstrate the calculation of the rate impact of the Earned Value Reply Mail promotion by multiplying the current and planned rates by the "same set of rate cell volumes" consistent with 39 C.F.R. § 3010.23(b)(1). Please provide necessary supporting workpapers and an explanation of how the volumes are adjusted to reflect the planned changes in the promotion by mapping them to each of the current and planned rates.
 - b. Please confirm that the calculations in Library Reference USPS-LR-R2020-1/2 rely on data from the CY 2019 Earned Value Reply Mail promotion. If confirmed, please explain the use of "CY17" in tab "Earned Value CY2020," cells A29 and A53. If not confirmed, please explain why it was not possible to use CY 2019 Earned Value Reply Mail promotion data.
 - c. Please explain how the CY 2019 Earned Value Reply Mail promotion data, which had a 95-percent threshold for a previous participant, were adjusted to reflect the proposed 93-percent and 100-percent thresholds.

RESPONSE:

- a. Revised workpapers showing more detail have been submitted.² The Postal Service acknowledges that, because of errors present in the original data submitted on October 9, the Earned Value volume counts and credit amounts have changed.³ CY 2019 new participant credit counts were used as proxy data

² See Notice of Filing Revised Library References, Docket No. R2020-1 (Oct. 28, 2019).

³ Most significantly, the total count of BRM, CRM, and Share Mail pieces for repeat participants who met or exceeded the 95 percent threshold in CY 2019 fell from approximately 404 million pieces to roughly 166 million pieces. Because CY 2019 data were used to determine how repeat participants would have performed under the CY 2020 promotion, the volume and credit amounts for mailers under the CY 2020 threshold have also changed. In addition, the volume count of BRM, CRM, and Share Mail pieces for new customers changed slightly from approximately 41 million pieces to approximately 43 million pieces.

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for new participants in the CY 2020 promotion.⁴ To reflect the different credit structures for new participants, these counts were multiplied by 3 cents to close out the CY 2019 promotion, and multiplied by 2 cents to introduce the CY 2020 promotion in the percentage change in rates calculations. Please see the response to part (c) for an explanation of how the CY 2019 repeat participant data were used to reflect the planned changes in CY 2020.

- b. Confirmed. Those references to CY 2017 have been corrected in revised USPS-LR-R2020-1/2. With regard to the CY 2019 promotion, CY 2017 data were used only to make the initial determination as to whether a mailer constituted a repeat participant.⁵

- c. The Postal Service used customer-specific CY 2019 promotion data to determine how repeat participants in the CY 2019 promotion would have performed under the CY 2020 credit structure. All repeat participants who met or exceeded the 95 percent threshold in CY 2019 would have received credits under the CY 2020 structure, albeit a different amount of credits: CY 2019 repeat participants who received BRM, CRM, and Share Mail pieces that equaled between 95 percent

⁴ Likewise, in Docket No. R2019-1, the Postal Service used new participant credit counts from the CY 2017 Earned Value promotion as proxy data for new participants in the CY 2019 promotion, since CY 2017 was the most recent Earned Value promotion at that time. See USPS-LR-R2019-1/2 Preface at 2.

⁵ See, e.g., Order No. 4875, Attachment A at 7 (classifying mailers as new or repeat participants based on registration for the CY 2017 promotion).

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and 100 percent of their SPLY 2018 volume would have received 2 cents per piece under the CY 2020 credit structure instead of 3 cents per piece in CY 2019; CY 2019 repeat participants whose pieces exceeded 100 percent of their SPLY 2018 volume would have received 4 cents per piece under the CY 2020 credit structure instead of 3 cents per piece in CY 2019. In addition, because of the 93 percent threshold planned for the CY 2020 promotion, some CY 2019 repeat participants who received zero credits in CY 2019 would have received 2 cents per piece under the CY 2020 credit structure (because they at least equaled the 93 percent threshold but fell short of the 95 percent threshold).

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2. Please refer to Library Reference USPS-LR-R2020-1/1, October 9, 2019, Excel file "CAPCAL-FCM-R2020-1," tab "Informed Delivery."
- a. Please confirm that the data used to estimate the value of the Informed Delivery promotion (which took place from September 1, 2019 through November 30, 2019) is based on data relating to mailpieces qualifying for this promotion from September 1, 2019 through September 11, 2019 only. If not confirmed, please explain how the workpapers account for data relating to mailpieces qualifying for this promotion after September 11, 2019.
 - b. If part a of this question is confirmed, please also confirm that data relating to mailpieces qualifying for this promotion for a longer time period than for the first 11 days of the promotional period are available to the Postal Service.
 - c. If part b of this question is confirmed, please provide available updated data. If the Postal Service views the methodology using data from mailpieces for the first 11 days of the promotional period as more accurate in portraying the value of the Informed Delivery promotion than using data relating to mailpieces for a longer period of this promotion, please provide an explanation supporting that view.
 - d. If part b of this question is not confirmed, please explain the reason that such data are not available to the Postal Service.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Informed Delivery data through October 11, 2019 represent a longer portion of the ongoing promotion, and therefore are used in revised USPS-LR-R2020-1/1 and USPS-LR-R2020-1/2 submitted today. The October 11, 2019 data represent one full month plus 10 delivery days, leading to an adjustment factor of 2.17 ($3/(1+10/26)$) to extrapolate the 3-month promotional period.
- d. Not applicable.