

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11
(August 1, 2005)

The United States Postal Service hereby provides the following responses to Presiding Officer's Information Request (POIR) No. 11, issued July 18, 2005.

The following witnesses are sponsoring the identified responses to this POIR:

Witness Thress: Question 1

Witness Robinson: Question 2

Witness Taufique: Question 3.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS THRESS
TO POIR NO. 11, QUESTION 1

1. Please refer to USPS-LR-K-63, file Prices.xls, sheet "Standard", cells AZ175, AZ193, AZ221, AZ241, AZ271, AZ292 and AZ313. Please provide the source of the following "proposed" Standard Mail rates: (a) Nonprofit BMC destination entry pound rate of \$0.510 in cells AZ175, AZ193, AZ221 and AZ241; and (b) Nonprofit ECR DDU destination entry pound rate of \$0.225 in cells AZ271, AZ292 and AZ313.

RESPONSE:

Those cells apparently were not updated to reflect minor adjustments made during final preparation of the proposed rates. The correct rates, with citations, are as follows. The Nonprofit BMC pound rate is \$0.511, for a discount of 10.5 cents. Source: LR-K-115, USPST28ASpreadshhets.xls, sheet: S-20 Adjusted Nonprofit Rates. The Nonprofit ECR destination entry rate is \$0.224, for a discount of 16.6 cents. Source: LR-K-115, USPST28ASpreadshhets.xls, sheet: ECR-19 Adjusted NECR Rates.

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TO POIR NO. 11, QUESTION 2

2. Based on USPS-LR-K-115 and the response to POIR 7, question 15, it appears that the revenues from Merchandise Return and Bulk Parcel Return Service (BPRS) are double counted.
- a. Please refer to USPS-LR-K-115, file "USPS-T-28Cs spreadsheets," to the sheet entitled "SS-7 Bulk Parcel Accounting Fee." Cell M27 shows base year revenue for Account 43341.155 as \$408,218.14, of which 94 percent is assumed to be from Merchandise Return and five percent from BPRS. This figure also appears in the itemized list of the components of other income attached to the response to POIR no. 7, question 15. In the same workbook, please refer to sheet "SS-20 Merchandise Return Permits," cell Y17, which lists the revenue of Account 43333 as \$179,059. As with Account 43341.155, this figure is in the list of miscellaneous income that is included in other income in the attachment provided in POIR No. 7, question 15. Please confirm that Table 1 below shows the correct breakdown, by service, of the \$8.566 million in test year after rates Special Service Fees that are subtracted from Other Income as described in the response to POIR No. 7, question 15.

Table 1

<u>Service</u>	<u>TYAR Rev.</u>
Address Change to Election Boards	\$149,102
Correction of Mailing Lists	99,997
Meter Service	564,847
Permit Imprint Permit Fees 1/	7,723,715
Shipping Paid Forwarding	4,261
ZIP Coding of Mailing Lists 2/	24,378
Total Special Service Fees in Misc. Income	\$8,566,300

1/ This figure was revised to \$6,681,294 in the response to POIR 8, question 12.

2/ This figure was revised to \$8,146 in the response to POIR 7, question 16.

- b. In the same workbook, please refer to the sheet entitled "SS-40 Fee Summary TYAR." This sheet shows the revenue for Merchandise Return (both fees and permit revenue) and BPRS distributed to classes of mail. However, the attachment included with the response to POIR No. 7, question 15, list accounts 43341.155 and 43333.141 as included in Other Income, and based on Table 1 above, it appears that Merchandise Return and BPRS revenue are not subtracted from the Other Income shown in Exhibit USPS-27B.
- (i) Please confirm that Merchandise Return and BPRS fees are included in Other Income and are also distributed to the underlying classes of mail, as shown in "SS-40 Fee Summary TYAR."

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TO POIR NO. 11, QUESTION 2

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- (ii) If so, please revise the Special Service Fees adjustment by adding Merchandise Return and BPRS to Table 1. If not, please explain.
- (iii) Please revise the Special Service Fees adjustment (see Table 1) if necessary to correct for the apparent double counting of revenue from accounts 43341.155 and 43333.141.

RESPONSE:

There is a double counting of revenue associated with General Ledger Accounts 43341.155 and 43333.141.

General Ledger Accounts 43341.155 and 43333.141 are included in FY 2004 "Other Income" used to forecast "Other Income" in both the test-year-before-rates and the test-year-after-rates. Response of witness Tayman to POIR No. 7, Question 15.

General Ledger Account 43333.141 reports revenue for Merchandise Return Service Permit Fees (FY2004: \$179,059; TYBR \$180,691; TYAR \$189,402). In the test-year, this revenue is reported in the domestic mail fees included in First-Class Mail, Priority Mail, and Package Services revenues. See USPS-LR-K-115, USPST28Cspreadsheets.xls, sheets SS-38 Fee Summary TYBR and SS-40 Fee Summary TYAR.

General Ledger Account 43341.155 reports revenues for the Merchandise Return Service, Bulk Parcel Return Service and Shipper Paid Forwarding Accounting Fees. The following table shows the FY 2004, TYBR and TYAR allocation of revenues to the individual Special Services for General Ledger

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Account 43341.155 (titled Merch Return Service Fee in the attachment to the response to POIR 7, Question 15).

Allocation of General Ledger Account No. 43314.155

Accounting Fee for:	FY 2004	TYBR	TYAR
Merchandise Return Service	383 725	387 223	400 549
Bulk Parcel Return Service	20 411	22 601	23 401
Shipper Paid Forwarding	4 082	4 119	4 261

In the test-year, the Merchandise Return Service Accounting fee revenue was reported in the domestic mail fees included in First-Class Mail, Priority Mail, and Package Services revenues; the Bulk Parcel Return Service Accounting Fee revenue was reported in the domestic mail fees included in Standard Mail revenues. See USPS-LR-K-115, USPST28Cspreadsheets.xls, sheets SS-38 Fee Summary TYBR and SS-40 Fee Summary TYAR. However, an offsetting adjustment was not made in "Other Income" in Exhibits USPS-27A and USPS-27B. Shipper Paid Forwarding Accounting Fees are reported in "Other Special Services" revenue on Exhibits USPS-27A and USPS-27B and were deducted from "Other Income."

- a. Confirmed. Table 1 provides the total revenue from the listed Special Services that is deducted from Other Income and added to revenue from "Other Special Services" as filed in Exhibit USPS-27B.
- b.
 - i. Confirmed.

- ii. The Merchandise Return Service Permit fee, Merchandise Return Service Accounting Fee, and Bulk Parcel Return Service Accounting Fee should be subtracted from “Other Income;” however, they should NOT be added to “Other Special Services” revenue because they are already included in the domestic mail revenues for the classes of mail. To reflect the difference in the treatment of these two categories of revenue, I would revise Table 1 as indicated in the response to part iii.
- iii.

Table 1

<u>Service</u>	TYAR Rev.
A. “Other Income” reported as “Other Special Services” Revenue	
Address Change to Election Boards	\$149,102
Correction of Mailing Lists	99,997
Meter Service	564,847
Permit Imprint Permit Fees 1/	7,723,715
Shipping Paid Forwarding	4,261
ZIP Coding of Mailing Lists 2/	24,378
Total (reallocated from Other Income to Other Special Services)	\$8,566,300
1/ This figure was revised to \$6,681,294 in the response to POIR 8, question 12. 2/ This figure was revised to \$8,146 in the response to POIR 7, question 16.	
B. “Other Income” reported as “Domestic Mail Fees” Revenue	
Merchandise Return Service Permit Fees	\$189,402
Merchandise Return Service Accounting Fees	400,549
Bulk Parcel Return Service Accounting Fees	23,401
Total (reallocated from Other Income to Domestic Mail Fees)	\$613,352
Total Special Services Adjustment to Other Income	\$9,179,652

RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE
TO POIR NO. 11, QUESTION 3

3. Please refer to USPS-LR-K-115, file "USPS-T-28Bspreadsheet," sheet "WC-6 Test Year 2006 AR." Please explain why the revenues for Basic Automation Letter, 3-Digit Automation Letter, and Carrier Route Basic are calculated with rates containing five digits to the right of the decimal point rather than three as with the other rates. The use of five digits compared with three results in additional revenue of \$130,415.

RESPONSE:

In calculating revenues for Basic Automation Letter, 3-Digit Automation Letter, and Carrier Route Basic, the Postal Service did not intend to use rates containing five digits to the right of the decimal point, and does not know why this anomaly is in LR-K-115. The proposed rates on page 28 of Attachment A to the Request, which are rounded off to three decimal places, should be used. I find a reduction of \$103,870 in Adjusted Revenue when the actual proposed rates are used.