

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate Commission  
Submitted 8/4/2005 4:17 pm  
Filing ID: 46355  
Accepted 8/4/2005

Postal Rate and Fee Changes

Docket No. R2005-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 12

(Issued August 4, 2005)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for changes in rates and fees. In order to facilitate inclusion of this material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided within 14 days.

1. Please refer to the fee schedule for Delivery Confirmation on page 76, Attachment A of the Request. For First-Class Mail the "current" and "proposed" Delivery Confirmation fees for "electronic" and "retail" are listed as \$0.13 and \$0.55, and \$0.14 and \$0.60, respectively. Now please refer to USPS-LR-K-63, file Prices.xls, sheet "SpSvs," cells T198, T199, U198 and U199. The "current" and "proposed" First-Class Delivery Confirmation fees for "manual" and "electronic" are listed as \$0.45 and \$0.00, and \$0.50 and \$0.00, respectively. These fees appear to apply to Priority rather than First-Class. Please reconcile these apparent differences for "current" and "proposed" First-Class Delivery Confirmation fees.
2. Please refer to USPS-LR-K-63, file Prices.xls, sheet "Express", cell O579 and sheet "OtherPckgs", cells AN433 and AO433. Please verify that: (1) the "current" Express Mail PO to PO flat rate of \$13.65 in sheet "Express" cell O579 should be changed to \$10.40; and (2) the Library Rate prebarcode discounts of \$38,655

produced in sheet "OtherPckgs" cells AN433 and AO433 should be included in the calculation of Library Rate TYBR and TYAR FWIs.

3. In USPS-T-28B spreadsheet PP-11, witness Taufique calculates combination enclosure revenue for Parcel Post mail. When making this calculation, he includes revenue from the Parcel Return Service (PRS) nonmachinable surcharge but not all of the PRS revenue. Please explain the rationale for not including all of the PRS revenue.
4. Library Reference USPS LR-K-93 contains the B workpapers used to develop PRC Version Base Year 2004 CRA Costs. The "I-forms" work [sheet](#) "I-CS 6&7 FACTORS" contains input data used in the B workpapers. Please update these input data with FY 2004 data for all the factors that depend on annual data collections. For example, update with FY 2004 data the CAT and FAT SPLIT FACTORS [in worksheet](#) "I-CS 6&7 FACTORS", lines 19 through 54, [that are](#) currently referenced as being updated with FY 2002 Coverages. Also, please update the LOAD ATTRIBUTABLE FACTORS (PRC) [in worksheet](#) "I-CS 6&7 FACTORS", lines 70 through 75 currently referenced as being updated with the 2002 CCS. Further, please confirm that the stop data [in worksheet](#) "I-CS 6&7 FACTORS", in lines 19 through 54 reflect the 2004 CCS.
5. Please refer to the table below. It shows current and proposed rates for selected categories in Nonprofit Subclass.

Presort Categories		Current (1)	Proposed (2)
Nonletters, Minimum Piece Rate			
1	Basic	\$0.230	\$0.242
2	3/5-Digit	\$0.183	\$0.193
3	3/5-Digit Discounts	\$0.047	\$0.049
Nonletters, Piece and Pound Rate			
Piece Rate			
4	Basic	\$0.110	\$0.116
5	3/5-Digit	\$0.063	\$0.066
6	3/5-Digit Discount	\$0.047	\$0.050

In previous rate cases, the discounts shown on lines 3 and 6 above were based on the same unit avoidable costs and passthrough percentages because the avoidable costs apply to both piece- and pound-rated mail. For this reason, the current 3/5-Digit discounts are equal. The across-the-board procedure used in this case for calculating rates has inadvertently created different discounts for these categories (Compare Col.2, Line 3 with Col.2, Line 6). To design rates reflecting an across-the-board increase, Witness Taufique first multiplied every Nonprofit subclass rate by 1.054. Because of rounding effects, he then adjusted some rates to ensure consistency between rate categories. For example, he adjusted some rates to ensure that the SCF destination entry discount was equal for each presort and automation rate category. (See USPS-T-28, File: USPST28ASpreadsheets, Sheets: S-18 and S-19) The same adjustment procedure can be used to equate the above referenced discounts. Please provide revised rates and TYAR revenues as appropriate. Alternatively, please provide a rationale for using differential discounts for the same presort category.

- Please confirm that the purpose of using the FedEx Night-Turn Network is for the transportation of Express Mail. Please explain how cost responsibility is traced to each class/subclass that is transported on the Night-Turn Network.

7. Please confirm that the purpose of using the FedEx Day-Turn Network is for the transportation of Priority Mail. Please explain how cost responsibility is traced to each class/subclass of mail that is transported on the Day-Turn Network.
8. Please confirm that the Postal Service schedules capacity for use on the FedEx Day- and Night-Turn Networks based on volume estimates.
  - (a) If not confirmed, please explain.
  - (b) If confirmed, please explain the bases of such estimates, e.g., cubic feet, weight, etc., and identify the classes/subclasses on which the estimates are based. Please answer separately for the FedEx Day-Turn and Night-Turn Networks.
9. Please confirm that there is a minimum capacity commitment per day (or other basis) on the: (a) Night-Turn Network and (b) Day-Turn Network. If confirmed, please explain how the minimum capacity commitment is determined including frequency (per day or some other time interval), and unit of measure e.g., cubic feet, weight, etc.
10.
  - (a) Is there a minimum bill associated with the minimum capacity commitment on the: (i) Night-Turn Network and (ii) Day-Turn Network?
  - (b) How is each determined, e.g., cubic feet, weight, etc.?
  - (c) Is the minimum bill associated with one class/subclass of mail? If so, please elaborate.
11. How is the cost of unused capacity (a) within the minimum capacity commitment and (b) in excess of the minimum allocated by the Postal Service among the various classes of mail? Please explain separately, if appropriate, for both the Day- and Night-Turn Networks.

12. Does the Postal Service sell unused capacity on the Day-or Night-Turn Networks to others, including FedEx? If so, please explain such arrangements, including how such revenues are credited to various classes of mail.
13. Separately for the Day-Turn Network and the Night-Turn Network, please provide the base year and test year total costs associated with unused capacity.
14. Please refer to USPS-LR-K-1 Cost segments, CS14-04 at 14.1.1.1 (Docket No. R2005-1) which states: "Payments made to FedEx for failure to provide contract volume minimums for both the Day Turn and the Night Turn were treated as institutional." Please explain the rationale for treating these costs as institutional.
15. In his response to POIR 8, witness Bradley provides an electronic SAS file entitled "G1. Estimating.Delivery.Equations.FixedEffects.SAS," which is used to calculate elasticities by mail shape for the "Regular Delivery" and the "P/A Delivery" equations. Both equations utilize the mean value of their respective total delivery times, as part of the elasticity calculations.
  - a. Please confirm that this file should have calculated the elasticities by mail shape using delivery time estimated at the mean mail volumes of mail shapes contained in the "Regular Delivery" and "P/A Delivery" equations, rather than the mean values of their respective total delivery times.
  - b. If you do not confirm, please explain why mean total delivery time, rather than delivery time estimated at mean mail volumes, was used for these two equations.

George Omas  
Presiding Officer