

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

Postal Rate and Fee Changes

Docket No. R2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

(Issued July 25, 2006)

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 a recommended decision on proposed rates, fees and classifications. To facilitate inclusion of the required 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 by August 10, 2006.

1. Please refer to USPS-LR-L-63, file "Prices.xls", sheet "Periodicals."
  - a. Please confirm that the proposed Regular rates for Periodicals in cells AY212 through AY230, cells AY234 through AY237, cells AY239 through AY240, cells AY256 through AY274, cells AY278 through AY281, cells AY283 through AY284, and cell AY298 are not the same as the proposed Periodicals Outside County rates listed in Rate Schedule 421, included in Attachment A, pages 33 and 75 of the Request and USPS-T-35 at page 13.
  - b. If your answer to a. is confirmed, please provide conforming, corrected rates for these documents and cells.

2. The following questions refer to Notice of United States Postal Service of Filing of Errata to Library Reference L-126 [Errata], July 13, 2006.
- a. Please refer to the following statement on page 3: "In worksheet 'Pound Data\_Ed', the formula in cell C8 has been updated to '=Round ((1-0.75)\*0.232, 3)', letting 0.232 replace the original 0.203." Please confirm that cell C8 should be cell C22. If you do not confirm, please explain fully.
  - b. Please refer to the following statement on page 5: "As a result, the corresponding postage in cell D23 has been changed from 87,762 to 92,655; cell D24 has been changed from 80,682,878 to 80,687,773; and cell D26 from 82,245,878 to 82,250,773." Please confirm that the corrected revenue appearing in cell D26 is 82,354,143. Please explain the discrepancy fully.
  - c. Please refer to the following statement on page 6: "Accordingly, the following passthroughs in worksheet 'Piece Discount[s] 2' have been slightly adjusted to maintain the proposed rates: the passthrough on Basic Automation Letters (cell D6) has been adjusted from 20 percent to 20.2 percent; the passthrough on Carrier Route High Density (cell D16) has been adjusted from 62 percent to 65 percent; and the passthrough on Carrier Rout[e] Saturation (cell D17) has been adjusted from 63 percent to 64 percent." Please confirm that cell D16 should be cell D15. If you do not confirm, please explain fully.
  - d. Please refer to the following statements on pages 2, 3, and 5:  

"However, in worksheet 'Piece Discounts', cell C3, 'required revenue', the total fees used as an input in the formula has been held at the original 18,072,000, in order to maintain the proposed rates." (Page 2.)

"The original ride-along revenue is used as an input in the formula to derive 'required revenue' (cell C3) in worksheet 'Piece Discounts,' in order to maintain the proposed rates." (Page 3.)

“These updated costs are included only in the final financial summary to show the adjusted cost coverages for both Outside County and Within County. They are not included in the rate design inputs, so that the proposed rates are maintained.” (Page 5.)

Please explain fully your rationale for using unrevised data in order to maintain the originally proposed rates.

3. The Postal Service proposes to change the eligibility for Single-Piece Bound Printed Matter (BPM) by, among other things, restricting postage payment options to either customer-generated postage meter or permit imprint. USPS-T-38 at 6, n.2. Apart from any consideration of its merits, this proposal represents a classification change. The Postal Service is requested to address the statutory criteria set forth in section 3623 of the Postal Reorganization Act in support of this proposal.
4. Please refer to witness Kaneer’s answer to question 4 of the Response of the United States Postal Service to Presiding Officer’s Information Request No. 6 dated July 7, 2006.
  - a. Please provide the names of the sheets in the workbook labeled USPS-LR-L-125, Part E, which contain the tables supplied in witness Kaneer’s response. Please identify the exact cells of those sheets that contain the tables.
  - b. Please provide the calculation, including the figures used as well as an explanation of what the figures represent, for every cell in Table 2: Post Office Box, Caller Service, and Reserve Number – TYAR Revenue Forecasting.

5. Please confirm that cells B49 and B51-B58 in the Section Directory sheet of USPS-LR-L-125, Part E, are correctly labeled Test Year Before Rates and the corresponding cells C49 and C51-C58 are correctly labeled TYAR.
6. Please refer to witness Van-Ty-Smith Tables 5.1, 5.2, and 5.3 provided in USPS.T.11.Rule.53.Tables.xls showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the growth rate in total mail processing costs by subclasses between FY 2005 and FY 2004 shows that certain subclass cost increases appear disproportionate to their volume changes for the same period. For example, Outside County Periodicals volumes declined by .8 percent while its mail processing costs increased by 5 percent. Similarly, Standard ECR volume increased by 6 percent while its corresponding costs went up by 53 percent.
  - a. Identify the cost drivers including any operational or cost methodological changes that may have led to such increases in Periodicals, Standard ECR, etc.
  - b. Please provide an explanation in those instances where the cost pool has increased or decreased more than 10 percent in FY 2005 compared to FY 2004.
7. Please refer to USPS-LR-L-62, Appendix A, PARS08 BaseTabs.xls, UAA Baseline Cost Model Tables, PARS Environment, TY2008, Table 3.29, Derivation of UAA Mail in Mail Processing and Transportation Unit Costs. The return cost for machinable parcels is identified as zero. Please explain the rationale for this.
8. Please refer to USPS-LR-L-61, Appendix C, Tables, PrePARS OthTabs\_v.xls, Table 5.5, Direct Cost (1), Volume, and Unit Cost of UAA Other Mail By UAA Reason (2), Pre-PARS Environment, FY 04.

- a. Please discuss why the “incorrect [address] number” costs for Priority Mail are high relative to other categories of mail, and when compared with other reasons for undeliverability of Priority Mail.
  - b. Please explain why USPS Penalty Mail exhibits a high “vacant” UAA figure (8.292 million pieces) relative to other categories of mail.
  - c. In USPS-LR-L-61, Appendix C, Tables, PrePARS OthTabs\_v.xls, Table 5.10, Total UAA Cost (1), Volume, and Unit Cost of UAA Packages Services Mail By UAA Reason (2), Pre-PARS Environment, FY 04, please explain why the cost for a missing apartment number on Media Mail is so high (\$9.63) as compared with other categories of mail.
9. The fraction of UAA and waste from certain types of mail in 2004 (as given in the Direct Testimony of Samuel Cutting (USPS-T-26, page 5, Table 1) has increased markedly since the 1998 data provided in the September 1999 PriceWaterhouseCoopers (PWC) UAA Study, page 12, Table 4.2 (submitted in R2000-1). For example:
- a. The Cutting testimony presents an overall weighted volume average of 6.4 percent for Standard UAA mail compared with a 2.48 percent UAA figure for Standard mail in 1998, from the 1999 PWC study. Please describe any known causes or explanations for the increase.
  - b. In 2004, 97.9 percent of UAA Standard mail was waste, according to the Cutting testimony, increased from the figure of 91.6 percent of UAA Standard A mail was waste, according to the PWC report, page 14, Table 4.3.3. Please explain.
  - c. The UAA rate for international mail in 2004 is 3.5 percent, up from 0.49 percent in the 1999 PWC study. Please explain any known causes or explanations for the large increase in the percentage of international mail that is undeliverable.

10. Please refer to Tables 1 and 2 of the Cutting Testimony (USPS-T-26). Please also refer to USPS-LR-L-61, Table 5.13, Cost, Volume, and Unit Cost of UAA Mail By Ancillary Service Endorsements and Class (1), Pre-PARS Environment, FY 04. According to these tables, 95.6 billion pieces of Standard mail were sent in 2004. Of that number, according to Table 2, only a tiny fraction, 53.8 million pieces, had Return Service Requested ancillary service endorsement. Only 17.5 million pieces had Forwarding Service Requested ancillary endorsement. If these numbers are generally accurate, please explain how the total Return to Sender (RTS) figure for Standard mail was as high as 93.9 million, according to Table 1. Please explain how the total Forwarded figure was as high as 32.9 million, according to Table 1.
11. Does the UAA cost model account for costs due to First-Class Mail that is misdelivered to the old address despite a proper forwarding order, and relabeled by the recipient/new occupant (or new business recipient) and returned to the mailstream for reprocessing and redelivery? Can you supply any data on the degree to which such "new occupant forwarding" occurs for a typical household move, and the presumptive costs such additional forwarding activity would incur?
12. Please refer to USPS-LR-L-62, at page 10, and Appendix A, PARS08 BaseTabs.xls, Tables 3.1 and 3.24. Please identify whether the cost model includes costs for the riffling/verifying function for non-PARS mail, since such costs are located in the CIOSS segment for PARS mail, and the CIOSS segment is omitted from non-PARS mail.

George Omas  
Presiding Officer