

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report

Docket No. ACR2007

COMMISSION INFORMATION REQUEST NO. 2

(Issued February 1, 2008)

In order to clarify the basis of the Postal Service's estimates in its annual compliance report, filed December 28, 2007, the Commission requests the Postal Service to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed.

1. USPS-FY07-2 Preface.doc states that "[t]he non-volume variable costs associated with collection boxes were assigned to First-Class Single Piece Mail as product specific, adding about \$60 million to its attributable cost."
 - a. Please confirm the data below accurately reflect the distribution of collection mail from the file CS06&7.xls, worksheet "7.0.6".

Mail Category	Percentage of Collection Mail
First-Class Single-Piece Letters	91.04%
First-Class Single-Piece Cards	4.86%
Priority Mail	0.87%
Express Mail	0.05%
Parcels – Zone Rated	0.60%
US Postal Service Mail	0.98%
Free Mail	0.07%
International Mail	1.52%

Source: Columns 1,6,9,20 CS06&7.xls

- (1) If so, please provide citation.
 - (2) If not, please produce a version of CS10.xls that separates delivery confirmation costs into Competitive and Market Dominant categories.

4. This question refers to the file "PARCEL POST MP REV.1.16.08.xls" in library reference USPS-FY07-15. In regards to the "PRS Scan Sum" worksheet, the Piggyback Factor "Other Operations at BMC" is used for RDU PRS pieces (column [3], RDU - Machinable, RDU - Non-machinable, and RDU - Oversize). In the equivalent spreadsheet from Docket No. R2006-1, PRC-LR-16, filename: "PARCEL POST MP.xls" within the "PRS Scan Sum" worksheet, the Piggyback Factor "Manual Parcel Sort at Non-MODS Facility" was used for RDU PRS pieces. Please explain the rationale for using a different Piggyback Factor than the one used in Docket No. R2006-1.

5. Please refer to PRC Version, Cost and Revenue Analysis (CRA), Fiscal Year 2007, Excel file "FY07CRA.xls". Also, please refer to the FY 2007 Billing Determinants, Excel file "07 Special Services BD 1-18-08.xls".
 - a. For Collect on Delivery, please reconcile the CRA volume estimate of 1,406,521 with the Billing Determinants volume estimate of 1,525,588.

 - b. For Registered Mail, please reconcile the CRA volume and revenue estimates of 4,321,065 and \$53,320,029 with the Billing Determinants volume and revenue estimates of 4,167,232 and \$51,880,532, respectively.

- c. For Special Handling, please reconcile the CRA volume estimate of 2,115,247 with the Billing Determinants volume estimate of 2,115,816.
 - d. For Stamped Envelopes, please reconcile the CRA revenue estimate of \$14,796,309 with the Billing Determinants revenue estimate of \$15,063,674.
6. Please refer to the FY 2007 Billing Determinants, Excel file "07 Special Services BD 1-18-08.xls". Please provide the billing determinants for post office box and caller service. To the extent the billing determinants revenue estimate for post office box and caller service differs from the CRA revenue estimate, please reconcile the two.
7. Please provide a complete set of the SAS outputs generated by running all IOCS/MODS programs provided in Docket No. ACR2007, revised library reference USPS-LR-7, dated January 16, 2008.
8. Please provide an updated list of the MODS Operation Numbers. The previous list contained the following column headers and was provided several years ago: "LDC SUPV", "LDV NON-SUPV", "MODS OPER" and "DESCRIPTION".
9. The following question refers to the revised library reference USPS-LR-7, dated January 16, 2008, file M5ALLIED.sas. In the code following the comment "add back out-of-office express mail costs," please specifically cite the sources of the multiplicative factors .04 and .96 used in calculating the variable identified as PRCCOSTS. Show the derivation of all

- calculated values and provide copies of all source documents not previously filed in this docket.
10. In the revised Postal Service library reference USPS-FY07-7 dated January 16, 2008, file named "Preface.Part.2.USPS-FY07-7.Table.xls" is Table 1. Table 1 has hard coded values in the columns identified as: "Pool Total Costs (a)"; "PRC Mail Proc Postl Costs (b)"; and "PRC Mail Proc Vol. Var. Costs (c)". Please provide a revised Table 1 with data links or formulas in place of the hard coded data. In addition, please cite all sources relied upon, show the derivation of all calculated values, and provide a copy of all source documents not previously filed in this docket.
 11. Please refer to USPS-FY-07-NP2, Excel file "Reports.xls", worksheet ICRA Database. Please explain the processing, transportation, delivery and other Postal Service activities associated with the following inbound international Special Services: Money Orders, Insured Mail, and "Other". Please provide the volume variable and product-specific costs for these special services.
 12. Please refer to USPS-FY-07-NP2, Excel file "Reports.xls", worksheet A-Pages, Table A-7. For inbound Surface Parcel Post, please explain why volume variable costs exceed revenues.
 13. The Within County Periodicals mail delivery office entry discount has historically been calculated relative to SCF entry. (See the USPS-LR-L-126 Within County Excel workbook, tab "Discounts"). Please explain the basis for using \$0.071 from page 41 of USPS-FY07-13.

14. Please refer to USPS-FY07-4 "FY 2007 Market Dominant Billing Determinants", Excel File "07 Standard BD.xls", worksheet "ECR PARCELS P. G2-3". Please explain why there are more ECR parcel detached address labels (1,587,102 pieces) than the total volume of ECR saturation parcels (924,706 pieces) in FY 2007.
15. FY 2007 BillDet Ir-4, file 07 FCM BD.xls, worksheet "A-9 NSA", states that for FY 2006 only one negotiated service agreement achieved volumes that exceeded the threshold levels. Please identify this negotiated service agreement.
16. Please identify any negotiated service agreements that were in effect and passed an anniversary during FY 2007 where actual volumes exceeded the threshold levels.
 - a. For each of the negotiated service agreements listed above, please analyze the impact of the negotiated service agreement on the Postal Service's contribution for the negotiated service agreement year before the FY 2007 anniversary.
 - b. Please show all calculations and fully identify all input sources.
 - c. If contribution increased as a result of an increase or shift in volume in response to discount incentives, please estimate relevant mail volumes in the absence of the discounts (*i.e.*, before rates volumes) using an estimate of the Postal Service's elasticities for relevant rate categories in a model along the lines of that described in the opinion on reconsideration of the Bank One Negotiated Service Agreement (Docket No. MC2004-3, Chapter V). Please update

inputs such as unit costs by rate category and elasticities to reflect FY 2007.

17. Please refer to USPS-FY-07-NP2, Excel file "Reports.xls" worksheet A-Pages, Table A-1. Also, please refer to USPS-LR-FY07-5, FY 2007 CRA Model, Excel file "FY07.DRept.xls". For International Mail, please reconcile the amount of \$1,790,430,358 shown in the "Total Including Contingency" column of the D Report with the sum of the Grand Total for the Volume Variable and Product Specific cost columns in Table A-1.
18. Please refer to USPS-LR-FY07-9, Excel file "USPS-FY07-9.xls". Please show all calculations used to derive the Total Contribution of \$211,445,000 for "Competitive International".
19. In the revised USPS LR-7, dated January 16, 2008, there is a new program named - MOD31CNT.rft. Please provide a descriptive explanation of the purpose and objective of this new program.

By the Commission

Garry J. Sikora
Acting Secretary