

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

ANNUAL COMPLIANCE REPORT, 2007

Docket No. ACR2007

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1 – 5, 7, 8, 14, AND 19 OF COMMISSION INFORMATION
REQUEST NO. 2
(February 11, 2008)

Commission Information Request No. 2 was issued on February 1, 2008. The request sought answers “as soon as they are developed.” Attached are the Postal Service’s responses to questions 1-5, 7, 8, 14, and 19. Responses to additional questions will be submitted as they are developed.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

R. Andrew German
Managing Counsel, Legal Policy &
Ratemaking

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
February 11, 2008

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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

- b. Please explain the rationale for assigning 100 percent of non-volume variable regular delivery and special purpose route collection costs to First-Class single-piece letters.

RESPONSE:

- a. Confirmed.
- b. These costs represent the labor costs for collecting mail at “blue” collection boxes. Collection boxes are put into service for collecting First-Class Single Piece letters, though a small amount of other products are sometimes deposited there. Therefore, the institutional labor costs of the box are caused by and assigned to First-Class Single Piece letters.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

2. USPS-FY07-2 Preface.doc states that “[t]he costs of delivery confirmation scans were assigned to Special Services - Other, where other identifiable delivery confirmation costs are shown.”
- a. Please confirm that some of the costs associated with delivery confirmation scans are incurred for competitive products.
 - b. If confirmed, were the delivery confirmation costs incurred by competitive products removed from market dominant reporting?
 - (1) If so, please provide citation.
 - (2) If not, please produce a version of CS06&7.xls that separates delivery confirmation costs into Competitive and Market Dominant categories.

RESPONSE:

- a. Partially confirmed. Although the Special Service called Delivery Confirmation is available for purchase with certain Market Dominant products as well as with certain Competitive products, the costs for Delivery Confirmation are correctly attributed only to the Market Dominant Special Service called Delivery Confirmation, not to the parent piece (whether Market Dominant or Competitive).
- b. (1) The costs for Delivery Confirmation can be found USPS-FY07-6, Cs06&7.xls, tab 7.0.6, cell AC49. The inputs for that calculation can be found in USPS-FY07-6, Cs06&7.xls, tab Input LR new, cells D50, D51, D52, D53 and D54.
 - (2) Not applicable.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

3. USPS-FY07-2 Preface.doc states “[i]n Cost Segment 10, Rural Carriers, tallies for delivery confirmation were available by shape, so that new information has been incorporated.”
- a. Please confirm that some of the costs associated with delivery confirmation scans are incurred for competitive products.
 - b. If confirmed, were the delivery confirmation costs incurred by competitive products removed from market dominant reporting?
 - (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.

RESPONSE:

- a. Partially confirmed. Although the Special Service called Delivery Confirmation is available for purchase with certain Market Dominant products as well as with certain Competitive products, the costs for Delivery Confirmation are correctly attributed only to the Market Dominant Special Service called Delivery Confirmation, not to the parent piece (whether Market Dominant or Competitive).
- b. (1) The costs for Delivery Confirmation can be found in USPS-FY07-6, file Cs10.xls, tabs 10.1.1 PQ 1-2, cell L28; 10.1.1 PQ 3-4, cell L28; 10.1.2 PQ 1-2, cell L28; 10.1.2 PQ 3-4, cell L28.

(2) Not applicable.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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.

RESPONSE:

The piggyback factors used for RDU pieces in the "PRS Scan Sum" worksheet in the USPS-FY07-15 Parcel Post cost model are incorrect. The piggyback factor of 1.482 for the "Manual Parcel Sort at Non-MODS Facility" task should have been used. A version of the spreadsheet using the correct piggyback factor is attached electronically as an Excel file.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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.

RESPONSE:

- a. For Collect on Delivery, the CRA volume matches the volume shown in the FY 2007 RPW summary report. The Billing Determinants volume additionally includes COD notice of non-delivery transactions.
- b. For Registered Mail, the CRA revenue and volume match those in the FY 2007 RPW summary report. The Billing Determinants revenue and volume exclude Registered Mail sent to APO/FPO addresses.
- c. For Special Handling, the difference in volume estimates is the result of a Billing Determinants calculation error.
- d. For Stamped Envelopes, the CRA revenue estimate is the same as that in the FY 2007 RPW summary report. The Billing Determinants

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

revenue estimate is derived from the FY 2007 Annual Recapitulation
Report for Stamps distributed by the USPS Stamp Services group.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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.

RESPONSE:

See the attached CIR.2.Q.7.SAS Tables.rtf file which contain the SAS outputs associated with the SAS logs provided in the response to Commission Information Request No. 1, Question 9.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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".

RESPONSE:

Please see the attached CIR.2.Q.8.FY07 MODS Operations.xls file.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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.

RESPONSE:

For Standard Mail flats, detached address labels may only be used with pieces mailed at Saturation rates. (DMM 602.4.1.2) In contrast, for Standard Mail parcels, detached address labels are required on city delivery routes for merchandise samples mailed to at least 25 percent of the addresses in any 5-digit ZIP Code delivery area. This requirement applies to pieces qualifying for ECR Basic, ECR High-Density, and ECR Saturation rates. (DMM 602.4.1.3) For this reason, the number of DALs for ECR parcels may well exceed the number of Saturation parcels.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION
INFORMATION REQUEST NO. 2**

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.

RESPONSE:

Please note that MOD31CNT is not a new program. It has been provided in USPS-LR-L-55 and in USPS-LR-L-100 in Docket No. R2006-1. MOD31CNT addresses the subclass distribution for USPS Postal Pak and Tall Pallet Box-No USPS Logo (IOCS Q21C02=C, D). It is not possible to collect reliable information for the contents of these containers in IOCS. The default procedure is to distribute the costs of handling tall pallet boxes to the subclass information of all 'containers' in a cost pool.

This program constructs pool-specific subclass distribution factors for tall pallet boxes and applies them to distribute the tally dollar weights for handling empty and non-empty tall pallet boxes. The subclass distribution factors are based on the distributed tally dollar weights for all containers. The distributed tally dollar weights are those of 'identified,' 'unidentified,' and empty containers generated in Programs MOD2ITEM, MOD22ITM, MOD23ITM, and MOD3CONT.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
February 11, 2008