

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

Modification of Costing Methods 2008 –
Postal Service Proposals Ten and Eleven

Docket No. RM2008-6

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
(October 3, 2008)

The Postal Service filed its petition regarding Proposals Ten and Eleven on September 12, 2008, and on September 18, 2008, the Commission issued Order No. 108, establishing this proceeding to consider those proposals. On September 19, the Commission issued Commission Information Request No. 1 in this docket, and the Postal Service filed its responses to the CIR on September 24. Initial comments were filed on September 26, and the Postal Service hereby responds.

Initial comments were filed on September 26 by UPS and the Public Representative (PR). The comments of UPS were limited to Proposal Ten, were supportive of the proposal, and require no response. The PR is likewise supportive of Proposal Eleven, and that portion of his comments likewise requires no response.

With respect to Proposal Ten, the PR Comments express agreement “in principle” with the proposal (PR Comments at 2), and although several other matters are discussed, the PR does not appear to oppose the proposal. Moreover, the other matters discussed seem in no way to favor continuance of the outdated methodology of the past, but rather are more along the lines of observations regarding the new methodology. For example, the PR comments at 3 note that, while PRS mail gets no

carrier “delivery,” it could be “collected” by carriers on the outgoing end. Since such “collection” activity relating to PRS mail on letter routes should be picked up in CCS data and fully reflected in the collection distribution key, however, it is unclear why the PR would consider that distribution to represent a “lower bound” estimate.

Similarly, it is unclear why the PR perceives a need to link Proposal Ten with the distribution of VSD costs, which were not explicitly mentioned in Proposal Ten. Depending on how the Commission reacts to Proposal Seven, the distribution key for VSD will either be the proposed Intra-SCF key, or the current RPW cube key. Regardless of whether the Commission accepts Proposal Ten or not, VSD costs will be distributed to Parcel Post using the same key as employed for all other products, based on the resolution of Proposal Seven. While acceptance of Proposal Ten could have a minor effect on the Intra-SCF distribution factors proposed to be used for VSD, it goes without saying that if the chosen VSD distribution key instead remains RPW cube, any change in the distribution of Intra-SCF Cost Segment 14 costs would under those circumstances be irrelevant to VSD distribution. With respect to the PR question (Comments at 4) regarding plans for the future, the Postal Service will have TRACS data for all three products for all four quarters of FY09, so the two-step procedure for FY08Q1 spelled out in the Postal Service’s September 24 CIR response will not be necessary going forward.

Lastly, the PR has an entirely separate section on “Viewing Parcel Select and PRS as a Bundled Product.” PR Comments at 4-7. This appears to have no bearing on the only issue presented by Proposal Ten: what to do for the FY08 ACR to break out the costs for the three products that were formerly the Parcel Post subclass? Moreover,

the premise of the entire discussion seems flawed. On page 5, the assertion is made that neither Parcel Select nor PRS “can exist in the absence of the other product.” That assertion does not appear to be true. For example, if a consumer orders an item from a catalog, and the item is shipped to the consumer via UPS, the consumer can still use PRS to return the item. The PR’s discussion does not appear to contemplate this usage of PRS. Moreover, it is likewise unclear why the PR would assert that Parcel Select could not exist in the absence of PRS, when it did so for many years. In any event, none of this discussion seems to relate to Proposal Ten, which the PR does not appear to oppose, and which the Commission should approve.

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
October 3, 2008

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
October 3, 2008