

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2009-2

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-6 OF CHAIRMAN'S INFORMATION REQUEST NO. 5
(March 4, 2009)

Chairman's Information Request (ChIR) No. 5 was issued on February 27, 2009. The request sought answers no later than March 4, 2009. Attached are the Postal Service's responses to questions 1-6.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 4, 2009

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1. Please refer to USPS-R2009-2/3 Periodicals Cap Compliance, File: CAPCALC-PER-FY2009.xls, Sheet: Nonprofit BD08.
 - a. Please explain the reason the following cells were either excluded from the calculation of the preferred discount, or were left blank: G79:G80, I79:I80, G85:I86, G92:I93, G101:I102, G107:I108, and G114:G115, and I114:I115.
 - b. If cells were either left blank or excluded from the calculation of the preferred discount in error, please correct the errors and file a revised version of the Excel file.

RESPONSE:

- a. These cells were excluded from the calculation of the preferred discount or left blank in error.
- b. The errors are corrected in the file "ChIR4_Qu.10.11 CAPCALC-PER-FY2009.xls" provided with the response to question 10 of Chairman's Information Request No. 4, also filed today, March 4, 2009.

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2. Please refer to USPS-R2009-2/3 Periodicals Cap Compliance, File: CAPCALC-PER-FY2009.xls, Sheet: Classroom BD08.
 - a. Please explain the reason the following filed rates for origin-entry of sacks and pallets are equal to their 2008 counterparts: Cells – H79:H80, H85:H86, H92:H93, H101:H102, H107:H108, and H114:H115.
 - b. If these filed rates were entered in error, please file a revised version of the Excel file.

RESPONSE:

- a. The rates in these cells were inadvertently not updated.
- b. The errors are corrected in the file “ChIR4_Qu.10.11 CAPCALC-PER-FY2009.xls” provided with the response to question 10 of Chairman’s Information Request No. 4, also filed today, March 4, 2009.

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3. Please refer to USPS-R2009-2/3 Periodicals Cap Compliance, File: CAPCALC-PER-FY2009.xls, Sheet: Classroom BD08.
 - a. Please explain the reason why the following cells are not included in the calculation of the preferred discount: G79:G80, G85:G86, G92:G93, G101:G102, G107:G108, G114:G115, I79:I80, I85:I86, I92:I93, I101:I102, I107:I108, I114:I115.
 - b. If they were left blank in error, please file a revised version of the Excel file.

RESPONSE:

- a. These cells were omitted from the calculation of the preferred discount in error.
- b. The errors are corrected in the file "ChIR4_Qu.10.11 CAPCALC-PER-FY2009.xls" provided with the response to question 10 of Chairman's Information Request No. 4, also filed today, March 4, 2009.

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4. Please refer to the following 2 files: (a) USPS-R2009-2/3 Periodicals Cap Compliance, File: CAPCALC-PER-FY2009.xls, Sheet: Within County, Cells C27:C28; and (b) ACR2008, Responses of the United States Postal Service to Questions 1-6 of Commission Information Request No. 3, File: CIR.3.Q.5.Resp.Attach.xls, Sheet: Reports, Cells J25:J26. Please explain which of the two files and cell references have the appropriate volumes for Within County Repositionable Notes and Ride-along Revenue.

RESPONSE:

The appropriate volumes for Within County Repositionable Notes and Ride-along Revenue are in ACR2008, Responses of the United States Postal Service to Questions 1-6 of Commission Information Request No. 3, File: CIR.3.Q.5.Resp.Attach.xls, Sheet: Reports, Cells J25:J26. The appropriate volumes are used in the file "ChIR4_Qu.10.11 CAPCALC-PER-FY2009.xls" provided with the response to question 10 of Chairman's Information Request No. 4, also filed today, March 4, 2009.

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5. The following questions refer to USPS-R2009-2/1, CAPCALC-FCM-FY2009.xlsx, tab 'Adjustments'.
- a. Please confirm that the volume adjustments on this tab represent revisions or corrections to the First-Class Mail billing determinants, as opposed to adjustments to account for classification changes in either FY 2008 or FY 2009. If no, please explain.
 - b. Please explain why the adjustment for Absentee Ballots is applied exclusively to single-piece letters, as opposed to being divided between single-piece letters and single-piece flats, based on available mail characteristics data. (See, e.g., ACR2008, USPS-FY2008-4, 08 FCM BD.xls, tab 'SP-Quarter 1').
 - c. Please explain why the adjustment for First-Class Single-Piece Cards is applied to the volume of stamped Cards, as opposed to other Card rate categories. Also, please identify if and where the corresponding adjustment is made in the Special Services billing determinants for stamped Card fee volume, and reconcile the adjusted volume in the First-Class Mail billing determinants with the Special Services billing determinants.
 - d. Please explain why the adjustment for First-Class Mail flats is applied to single-piece flats as opposed to other flat rate categories.
 - e. Please explain why the adjustment for First-Class Mail parcels is applied to single-piece parcels as opposed to other parcel rate categories.
 - f. Please provide a revised copy of the First-Class Mail billing determinants incorporating the adjustments, similar to that provided in response to ACR2008, CIR No. 3, question 5 (February 13, 2009).

RESPONSE:

- a. Confirmed.
- b. The billing determinants provided in tab: BD 08 (CAPCALC-FCM-FY2009.xls) do not include absentee ballot volume (letters or flats).

However, the adjustment amount for the "new-classification format" billing determinants compared to "old-classification format" billing determinants

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included absentee ballots; therefore, this absentee ballots volume had to be subtracted out of the adjustment. The overall absentee ballot volume was inadvertently subtracted from the single-piece letter adjustment. Since 95.4 percent of the absentee ballot volume is letter-shaped, this correction should not have a material effect on the calculation of the overall price increase for First-Class Mail.

- c. The military mail postcards that were adjusted out of the billing determinants volume do not match any of the Single-Piece cards categories. For the calculation of revenue for single-piece cards, the choices for making this adjustment were either "Stamped Cards" or "Postcards at card rates." Since these two categories pay exactly the same rate, there is no material difference on the calculation of overall price increase or compliance with the cap. There is no corresponding adjustment required in the Special Service billing determinants because all stamped cards bear card rate postage.
- d. The adjustment for First-Class Mail flats is applied only to single-piece flats because the adjustment is meant to account for Military Mail flat shaped volume which was included in the First Class Billing Determinants as Single Piece Flats. These pieces could not have been mailed under any other category.
- e. The adjustment for First-Class Mail parcels is applied only to single-piece parcels because the adjustment is meant to account for Military Mail parcel shaped volume which was included the First Class Billing

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Determinants as Single Piece Parcels. These pieces could not have been mailed under any other category

- f. Revised billing determinants are filed with this response as Excel file
ChIR.5.Q.5.FCMFY08BDs_Revised.03.04.09.xls.

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6. Please refer to USPS-R2009-2/3 Periodicals Cap Compliance, File: CAPCALC-PER-FY2009.xls, Sheet: Outside County, Cells G77 and I77.
- a. Please confirm that the percentage rate increase proposed for 5-digit bundles in 5-digit sacks or pallets exceeds 1,600 percent. If not, please explain.
 - b. If so, please provide the Postal Service's rationale for any increase of this magnitude.
 - c. Please provide the Postal Service's rationale for all the other bundle rate increases. These increases appear to range from 51.1 percent to 267.5 percent with most of the increases above 100 percent.

RESPONSE:

- a. Confirmed.
- b-c. First of all, it is important to note that no publication is seeing a 1,600 percent increase. The cited increase is merely one component of the entire postage calculation. Our overriding concern was the total postage paid by publications, rather than the percentage increase for any particular component. See response to question 3(b) of Chairman's Information Request No. 3.

To the extent that there are large increases for any particular component, such as the one cited here, there are several contributing factors. First, the first price change after the implementation of the new Periodicals rate structure was an equal increase across-the-board. Therefore, no underlying cost changes

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were reflected at all. The prices did not reflect any of the changes in cost reported in the December 2007 ACR, despite the fact that a Commission-sponsored review of the cost model used in Docket No. R2006-1 found a number of ways that the model should be modified to reflect operational changes. The 5-digit bundle price component cited above was particularly divergent from its updated cost.

The May 2009 prices are the first to recognize the new cost data. Had the 5-digit bundle in 5-digit container component been a major determinant of overall postage for a given publication, the price change for that component would have been limited. In the case cited in part (a), no more than 2 percent of all 5-digit bundles are in 5-digit containers, and no mitigation was required. Similarly, other bundle rate increases could rise by substantial amounts, while keeping the overall postage paid by publications at reasonable levels.

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.

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