

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2009-4

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1
(June 12, 2009)

Chairman's Information Request (CHIR) No. 1 was issued on June 5, 2009. The request sought answers no later than June 12, 2009. Attached are the Postal Service's responses to Questions 1-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

1. Please provide the overall price adjustment authority (inflation-based annual limitation computed using the CPI-U values and unused rate adjustment authority) for the Standard Mail class as of the filing of this docket. See rule 3010.11.

RESPONSE:

Rule 3010.11 specifies that rates of increase for market dominant products are limited by an "inflation-based limitation," as well as the "allowable recapture of unused rate authority." Since the filing of this docket occurred less than 12 months after the filing of the notice for the previous increase for the Standard Mail class in Docket No. R2009-2, the provisions of Rule 3020.22 would seem to be most applicable to calculating the "inflation-based limitation" here (even though, like Rule 3010.11, that rule refers to price *increases* rather than *decreases*).

Rule 3020.22 requires summing the 12 most recent CPI-U values at the time of filing of the notice and dividing by 12. Then this "Recent Average" is divided by "Previous Recent Average" used in the previous price Notice and 1 is subtracted from the quotient in order to calculate the adjustment authority.

In this case, the price adjustment was filed on June 1, 2009, and the twelve most recent CPI-U values would have been the values for May 2008 through April 2009. The sum of these values is 2,581.8 and the average of this sum is 215.1493.

The previous price adjustment (Docket No. R2009-2) used CPI-U values for January 2008 through December 2008. The sum of the values for these months is 2583.6 and the average is 215.3025.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

The calculated partial year inflation-based authority is $(215.1493/215.3025) - 1 = -0.0007116$ or -0.07116 percent. This is rounded to the nearest tenth of a percent, which is negative 0.1 percent.

In addition, the Postal Service currently has positive 0.081 percent of “banked” unused rate adjustment authority, as calculated according to Rule 3010.26 and affirmed by the Commission in Order 191.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

2. Please provide the percentage change in rates for High Density flats and the Standard Mail class resulting from the proposed adjustment. Please show all calculations.

RESPONSE:

The percentage change in rates for High Density flats on July 19 is minus 1.9 percent. For the overall class, this change amounts to minus 0.037 percent.

These numbers were calculated by combining the Standard Mail billing determinants for the final two quarters of FY2008 and billing determinants for the first two quarters of FY2009 to create weighting factors that use the most recent four quarters of billing determinants for Standard Mail, consistent with Rule 3010.23(d). The billing determinants for the first two quarters of FY2009 have not been filed previously with the Commission. The new Periodic Reporting rules require the filing of quarterly billing determinants for the current quarter by August 9, 2009.

The current prices (those that became effective May 11, 2009) for all of Standard Mail were multiplied by these billing determinants volumes to get a current-price total revenue. Subsequently, the same volumes were multiplied by the same prices, but with the new High Density flats prices instead of the May 11 High Density flats prices. The ratio of these revenues produce the overall percentage change of minus 0.037 percent for Standard Mail cited above. A similar calculation focused solely on High Density flats yields the minus 1.9 percent change also cited above.

Please see the attached Excel files "CHIR-CAPCALC-STD-FY2009-HD.xls" and "CHIR-Standard Mail BD Data 08Q3-092Q.xls".

RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

3. Please compute the annual limitation compliance calculation for the proposed rate adjustment in accordance with 39 CFR 3010 subpart C, recognizing that an annual limitation may not apply to this rate adjustment and the Commission may grant a waiver in appropriate circumstances.

RESPONSE:

If one were to apply the price increase procedures of the Commission's Rules to these price decreases, one would presumably proceed as follows. The inflation-based less-than-annual limitation would be negative 0.1 percent, as shown in the response to Question 1. The application of unused rate authority (which, as also discussed in the response to Question 1, is positive 0.081 percent) is addressed in rule 3010.27. The proposed price adjustment of negative 0.037 percent exceeds the applicable less-than-annual limitation amount of negative 0.1 percent by 0.063 percent (i.e., $-0.037 - [-0.100] = 0.063$). The available unused rate authority of 0.081 percent covers this with a remainder of 0.018 percent in unused authority for Standard Mail ($0.081 - 0.063$). This use of banked authority is allowable under rule 3010.28 because it is less than 2 percent (in the only other case filed within 12 months of this change, Docket No. R2009-2, "banked" price adjustment authority was generated rather than used), and is less than the unused authority for the class.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

4. Please confirm that the Postal Service will consider the revised rates resulting from this docket as the base rates, i.e., $R_{i,C}$ under 39 CFR 3010.23(c), for the next rate adjustment and applicable annual limitation compliance calculation for the Standard Mail class. If unable to confirm, please explain.

RESPONSE:

Confirmed.