

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

PERIODIC REPORTING

Docket No. RM2009-7

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION
OF A PROCEEDING TO CONSIDER PROPOSED CHANGE IN ANALYTIC
PRINCIPLES (Proposal Two)
(July 7, 2009)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytic principles relating to the Postal Service's periodic reports. The proposal, labeled as Proposal Two, is discussed below, and in greater detail in the attached text and Excel documentation. (Proposal One was filed as Docket No. RM2009-5 on June 22, 2009. See Order No. 229, June 24, 2009.)

Proposal Two falls squarely within the stated ambit of the new rule established as section 3050.11. It represents an unambiguous attempt to improve the quality, accuracy, and completeness of the Postal Service's annual periodic reports. Proposal Two seeks a methodology change, to be implemented beginning in FY 2010, for estimating revenue, pieces and weight as processed by the Bulk Revenue, Pieces and Weight (BRPW) system, and as reported in the Revenue, Pieces, and Weight (RPW) Reports (Monthly, Quarterly, Shape/Indicia, QSR). Currently, the BRPW System supplies estimates of mail revenue, volume and weight for RPW Reporting by combining PostalOne! system input data (automated office activity) with a probability

sample of postage statement activity in non-PostalOne! office panels (non-automated office activity). Under Proposal Two, the Postal Service would use the wealth of information in PostalOne! postage statement data to infer RPW activity in non-automated reported offices. The ever-aging panels that represent non-PostalOne! office activity would be discontinued. Instead, the proposed new approach would build on the premise that, once properly grouped into similar sized post offices with similar revenue, offices within a group will have similar mail characteristics, regardless of whether they are automated or non-automated offices. Based on that premise, better inferences regarding the mail entered in non-automated offices in a given group can be drawn from the mail entered into *all* of the of automated offices *within the same group* than can be drawn from the mail entered in the relatively few non-automated offices selected for the sample panel currently used for that group. Details of Proposal Two are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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PROPOSED CHANGE IN RPW REPORTING OF BULK-ENTERED MAIL VOLUME

OBJECTIVE:

A methodology change is proposed for estimating bulk mail entered revenue, pieces and weight as processed by the Bulk Revenue, Pieces and Weight (BRPW) system, and reported in the Revenue, Pieces, and Weight (RPW) Reports (Monthly, Quarterly, Shape/Indicia, QSR). This proposed change would be implemented beginning in FY2010.

BACKGROUND:

The BRPW System supplies estimates of mail revenue, volume and weight for RPW Reporting by combining PostalOne! system input data (automated office activity) with a probability sample of postage statement activity in selected non-PostalOne! offices (non-automated office activity).¹ The BRPW System was recently documented in Docket No. R2006-1 by witness Pafford (USPS-T-3), relying upon library references USPS-LR-L-16/R2006-1 and USPS-LR-L-17/R2006-1. Four panels are currently in use: Periodicals; First-Class & Priority Permit Imprint; Standard Mail Permit Imprint, and Postage Affixed First-Class and Standard Mail. These panels were last updated in FY2004.

The age of the BRPW panels has attracted discussion in rate cases, particularly the Periodicals panel. Panels ordinarily grow more outdated and less representative over time if not refreshed or redrawn. As such, the expansion or 'blowup' factors, which inflate the panel data, can become inaccurate². This would be the case as non-PostalOne! offices become automated or convert to PostalOne!. In addition, the mail distribution from panel offices can change over time as mailers change how they use the mail. Table 2 in Appendix A illustrates the increasing pace at which offices become automated PostalOne! offices.

¹ A group of offices selected to represent the universe of non-automated offices (via special monthly and quarterly reporting) with regard to activity relating to a particular category of mail is referred to as the "panel" of offices for that mail category.

² Blowup factors are the ratio of the population divided by the sample size. Essentially, they are the inverse of the probabilities of selection. The current blowup factors (shown in Appendix A, Table 1) have been used each year since FY2004, including FY2008. If they had been updated, reductions in the population (which would occur each year as post offices become automated in PostalOne!) for a fixed panel size would mathematically have lowered the blowup factors.

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PROPOSAL:

For FY2010, the Postal Service proposes to use the wealth of information in PostalOne! postage statement data to infer RPW activity in non-automated reporting offices. The probability-based sample of non-PostalOne! office activity would be discontinued. Instead, a model is proposed whereby: a) all offices (PostalOne! and non-PostalOne!) are ranked by Trial Balance revenue for a given General Ledger account (AIC), b) ranked offices are grouped into strata, c) PostalOne! revenue in each stratum is inflated to total Trial Balance revenue in the stratum, d) the inflation factor is applied to the complete PostalOne! RPW rate element detail in the stratum, and e) the inflated data are summed across strata for national totals by reporting category. In addition to a more finely granulated use of Trial Balance adjustments, this approach relies upon the intuitively satisfying assumption that similarly sized post offices with similar revenue will have similar mail characteristics.

Attached to this document (both in hard copy and, electronically, in Excel) are Appendices A and B. Tables 1 through 3 in Appendix B provide a detailed example of the development of proposed model estimates, using Standard Mail Regular as an example. Table 1 provides the stratification for Standard Mail Regular revenue. Other stratifications for Standard Mail Nonprofit, First-Class Mail and Periodicals would be similar, but are not shown. Tables 2 and 3 provide an example of the inflation process for Q1 FY2008 Standard Mail Regular estimates.

RATIONALE:

General

The proposed modeling approach constitutes a reasonable and more accurate methodology for the following reasons. First, mail characteristics (mix of rate elements, revenue per piece, weight per piece) vary by office size. Second, mail activity missing from PostalOne! is clustered in small offices. Third, mail characteristics of smaller PostalOne! offices are a proxy for mail characteristics of non-PostalOne! offices of similar revenue size. Fourth, offices are continually added to PostalOne!. This makes the similarity of small automated offices and non-automated offices even stronger over time. Fifth, the amount of mail activity not covered by PostalOne! keeps shrinking, making the modeling approach more tenable and the panel approach less tenable over time. Sixth, there are many more automated offices of the size of non-automated offices than the number of offices in the existing BRPW panels (as shown by comparison of columns (3) with columns (11) and (12) in Table 1, Appendix B).

The volume and revenue fractions of RPW estimates contributed by the panel offices vary by product category. Table 3 in Appendix A shows the FY2008 contribution of the non-automated (panel) estimates to the RPW Report totals. Contributions range from 0 percent to 7 percent for all mail categories except Periodicals In-County, which is 31 percent for both revenue and volume. Given the obvious critical importance of panel

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offices to the current Periodicals In-County revenue and volume estimates, as well as in order to construct an appropriate framework to evaluate the effect of potential methodology changes on those estimates, additional research focusing on Periodicals was undertaken. This research is discussed next.

Periodicals Census – FY2008

The first examination of Periodicals In-County results that was undertaken consisted of a Q3 FY2008 survey of **all** non-PostalOne! offices with Periodicals mail activity in that quarter, approximately 4,100 offices. Non-response follow-up was conducted, ultimately resulting in an over-all response rate of over 90 percent.

This census covered the entire quarter of activity, and collected aggregate revenue totals (In-County, Outside-County Regular, Nonprofit, Classroom) over all postage statements. These totals were collected on forms and tallied for comparison against results from the modeling proposal and the BRPW Periodicals panel estimates. The census data were analyzed to help us understand the differences in mail characteristics between In-County and Outside-County mail activity.

The revenues collected from the census information represented true Periodicals mail activity in Q3 FY2008.³ We expected to see that the revenue distribution between In-County and Outside-County for the modeling approach would match up well with the census revenue distribution, while there would be much greater variation from the existing BRPW Periodicals panel. The results of the Q3 FY2008 survey can be found in Table 4, Appendix A. As predicted, the proposed model revenue share of In-County at 33.2 percent was within 2 percentage points of the census In-County share at 31.2 percent. The difference was much greater (8.8 percentage points) for the BRPW Periodicals panel share of 40.0 percent. One would conclude that the proposed model does an adequate job of representing non-automated office activity, and that the existing panel over-estimates In-County revenue and volume.⁴

Cost

The proposed methodology has substantial procedural and cost benefits over the existing one. Costs are incurred to build and maintain the probability-based sampling of non-automated offices. The Periodicals sampling frame of offices has historically been

³ A near 91 percent response rate does not arithmetically mean the results were absolutely true. However, the missing 9+ percent of offices would need to be so horrendously divergent in their responses to move totals based on survey responses that we are nonetheless confident that the survey results are very close to what a perfectly complete census would have shown.

⁴ Indeed, comparison of the proposed methodology's results to those from the census implies that the new methodology corrects for some, but not quite all, of the error introduced by the panel approach.

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based on a mail-out survey. Once non-automated offices report Periodicals activity, this information is used to stratify offices for sampling (creation of the Periodicals panel), from whom data must be collected and processed. This costly process can be replaced entirely by the new proposal, thereby relieving small offices previously in the panel of burdensome data collection and reporting, cutting costs, and improving data quality.

Age of the Existing BRPW Panels is a Concern

Whether replacement panels are selected or the proposed modeling approach is adopted, the current panels need to be replaced for numerous reasons. These include, but are not limited to a) panel offices may not be representative of today's non-automated offices, b) blowup factors may not inflate panel activity to the accurate level of today's non-automated office revenue and volume, and c) current panel offices may need relief from the burden of reporting.

The conclusion that the proposed modeling approach constitutes a reasonable and more accurate methodology than the existing one accordingly finds support from the soundness of its research design, its consistency with previous estimates (except for In-County Periodicals), and for In-County Periodicals from its comparison to census-derived values. The modeling approach avoids costs and opportunities for human disruption of results. Support for the soundness of the modeled approach can also be found in a line by line comparison of ACR2008 values and those generated by the proposed alternate method.

IMPACT:

Use of Operational Data Improves Data Quality

Table 5, Appendix A, provides the FY2008 Market Dominant model estimated RPW Report revenue, pieces and weight (columns labeled 'Alternate') as compared to the Annual Compliance Report revenue, pieces and weight (columns labeled 'Original').⁵ Focusing on the columns labeled 'Original Percent' in Table 5, Appendix A, one sees that 1) the product category totals remain essentially unchanged, 2) RPW line item changes are generally in the tenths of a percent range, 3) the largest differences occur with respect to the previously discussed Periodicals In-County, and 4) minor residual effects are seen in categories such as special services, due to the revenue reconciliation to the total Postal Service General Ledger revenues.

⁵ While values from products in the Competitive Products RPW report (filed under seal owing to its confidential nature) are not provided here, they consist of near identical results, with a single divergence amounting to only \$3 million -- all in Priority Mail (Alternate > Original).

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Product totals remain unchanged because General Ledger accounts are generally product specific, leaving little room for the approaches to diverge. RPW Report line item changes are limited, since the contribution from the non-automated office segment is generally small. In-County activity is concentrated in non-automated offices, and the modeling approach moves activity in those offices from In-County to Outside-County. This directional move is supported by the Periodicals census survey. Minor residual effects arise when total revenue must be tied to the Postal Services General Ledger.⁶

Sensitivity Analysis Discounts any Impact from Strata and their Boundaries

A sensitivity analysis was conducted to address potential concerns that the proposed model estimates are overly dependent or can be influenced dramatically by the number of stratum and strata boundaries. Appendix B, Tables 4 through 6, depict different scenarios for stratification and the resulting RPW report estimate comparisons. Table 4 shows an example of two re-stratifications for First-Class Mail revenue against the proposed model stratification. Similar re-stratifications were undertaken for Standard Mail and Periodicals. Tables 5 and 6 give the RPW Report comparing alternate stratifications against the proposed model stratification. Looking down the column labeled 'Change over Base Stratification'⁷ one can see that virtually no differences are found, and those that do arise stay under two-tenths of one percent for mail categories. These results indicate that the estimates are robust to stratification changes within the bounds of the study.

Downward Adjustments in In-County Estimates Are Inevitable

In this proceeding, the Postal Service is petitioning the Commission to replace the existing methodology with a proposed new approach. If the Commission, after full consideration of the proposal, concludes that the existing methodology should be retained, and the proposed new approach rejected, the Postal Service would nonetheless be obliged to update the panels in order to continue applying the existing methodology. We estimate that the impact of panel updates on bulk mail revenue, volume and weight reported in RPW would be minimal for most categories, except Periodicals. The direction and magnitude of the change for Periodicals estimates would be similar to that shown by the proposed model, under which, as shown in Table 5 of Appendix A, In-County declines relative to current estimates. This is because the updated sampling frame and sample would be constructed from the census list (which has been shown above to report lower In-County revenue shares), resulting in a more representative panel with more accurate blow-up factors. Stated alternatively, while the proposed new approach would result in lower In-County estimates, those lower estimates are not caused by the new methodology, and cannot be avoided by retaining

⁶ There are residual effects on the RPW report through the Adjustment Revenue, Pieces, and Weight (ARPW) system, the process and system which has been documented most recently in USPS-LR-L-20/R2006-1.

⁷ Base stratification being the proposed model stratification.

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the existing methodology. The census research shows that the existing panels materially overstate the In-County Periodicals estimates.

Appendix A

Table 1. BRPW Panels and Strata - FY2008

STRATUM	POPULATION	SAMPLE	BLOWUP
--PERIODICALS--			
2.1	90	12	7.500
2.2	365	8	45.625
2.3	820	8	102.500
2.4	1,615	8	201.875
2.5	2,251	8	281.375
--FIRST-CLASS & PRIORITY MAIL--			
2.1	596	8	74.500
2.2	7,682	6	1280.333
3.1	27	7	3.857
3.2	104	7	14.857
--PERMIT IMPRINT STANDARD MAIL--			
2.1	1,087	7	135.875
2.11	1	1	1.000
2.2	11,293	6	1882.167
3.1	221	8	27.625
3.2	990	6	165.000
--POSTAGE AFFIXED FIRST-CLASS AND STANDARD MAIL--			
2.1	844	16	52.750
2.2	4,304	11	391.273
2.3	13,983	14	998.786
3.1	70	6	11.667

Appendix A

Table 2. Non-automated office automation history

New offices are continually added to PostalOne! and CBCIS

Year	Offices Reporting in PostalOne!	Increase
2002	2,375	
2003	2,466	91
2004	2,652	186
2005	2,654	2
2006	3,565	911
2007	4,271	706
2008	6,218	1,947
2009 Q2	6,410	192

Appendix A

Table 4. Comparison of the revenue distribution for the BRPW Periodicals panel, Periodicals census, and the proposed model - Q3 FY2008

**Periodicals Revenue Shares for Non-CBCIS Offices
Proposed Method Compared to Periodicals Census**

	<u>In-County</u>	<u>Outside County</u>
BRPW Periodicals Panel	40.0%	60.0%
Proposed Method	33.2%	66.8%
Periodicals Census (Q3 FY2008)	31.2%	68.8%

Appendix B

Table 1. Stratification procedure - Standard Mail model estimates

Table 1 provides the stratification used for FY2008 Standard Mail model estimation.

All offices with Trial Balance Standard Mail revenue are grouped into 28 strata (columns (1) and (2)).

Column (4) shows the Standard Mail permit imprint Trial Balance revenue for the stratum. Column (5) shows the PostalOne! or CBCIS (Corporate Business Customer Information System) revenue. Standard Mail may be paid by Metered & Precanceled Stamp Postage and column (6) shows its corresponding PostalOne! Revenue.

Columns (7) through (10) are informational counts and revenues for the offices. Columns (11) and (12) provide information about the existing BRPW panels supporting Standard Mail estimation.

Note: For the purposes of this example PostalOne! And Corporate Business Customer Information System (CBCIS) data are one in the same.

Standard Mail Regular Stratification, FY2008

Stratum	(1) Revenue Share	(2) Stratification Revenue	(3) CBCIS Offices			(4) Non-CBCIS Offices		(9) CBCIS Ave TB-PI	(10) Non-CBCIS Ave TB-PI	(11) PI-SM Panel Offices	(12) M&PCS Panel Offices	
			(4) Offices	(5) TB-PI	(6) CBCIS-PI	(7) CBCIS-MS	(8) Offices					(9) TB-PI
1	5.0%	736,879,002	1	736,879,002	734,957,063	261,541	0	0	736,879,002	0	0	
2	5.0%	1,101,374,439	3	1,101,374,439	1,098,134,823	23,716,939	0	0	367,124,813	0	0	
3	5.0%	659,712,571	2	659,712,571	658,166,714	35,749,844	0	0	329,856,286	0	0	
4	5.0%	1,119,513,868	4	1,119,513,868	1,117,484,771	55,747,440	0	0	279,878,467	0	0	
5	5.0%	875,027,348	4	875,027,348	872,349,903	32,280,282	0	0	218,756,837	0	0	
6	5.0%	744,676,070	4	744,676,070	741,707,107	28,987,241	0	0	186,169,017	0	0	
7	5.0%	951,387,273	6	951,387,273	948,743,966	28,093,068	0	0	158,564,546	0	0	
8	5.0%	886,760,135	7	886,760,135	884,188,575	17,060,117	0	0	126,680,019	0	0	
9	5.0%	803,515,204	7	803,515,204	801,360,594	10,620,495	0	0	114,787,886	0	0	
10	5.0%	905,778,527	9	905,778,527	902,863,227	54,029,265	0	0	100,642,059	0	0	
11	5.0%	900,408,268	10	900,408,268	896,994,150	51,609,853	0	0	90,040,827	0	0	
12	5.0%	891,094,940	11	891,094,940	888,339,160	61,268,089	0	0	81,008,631	0	0	
13	5.0%	870,999,681	13	870,999,681	868,403,107	50,040,387	0	0	66,999,975	0	0	
14	5.0%	854,842,806	16	854,842,806	852,120,851	37,445,587	0	0	53,427,675	0	0	
15	5.0%	890,943,962	23	890,943,962	887,675,726	54,685,311	0	0	38,736,694	0	0	
16	5.0%	871,927,241	33	871,927,241	869,129,959	53,854,936	0	0	26,422,038	0	0	
17	5.0%	885,955,718	49	885,955,718	882,446,793	36,633,730	0	0	18,080,729	0	0	
18	5.0%	873,973,208	85	873,973,208	860,341,684	90,737,062	0	0	10,282,038	0	0	
19	5.0%	877,450,525	228	877,450,525	871,287,785	85,640,996	0	0	3,848,467	0	0	
20	1.0%	176,430,517	106	176,430,517	170,659,148	8,407,420	0	0	1,664,439	0	0	
21	1.0%	175,727,985	179	175,727,985	171,166,409	14,529,684	0	0	981,721	0	0	
22	1.0%	175,541,372	322	173,781,559	166,127,753	11,420,769	4	1,759,813	539,694	439,953	0	0
23	1.0%	176,010,111	783	164,015,953	141,190,527	10,334,536	68	11,994,158	209,471	176,385	2	2
24	0.5%	87,858,673	875	69,817,300	49,448,653	5,323,469	245	18,041,372	79,791	73,638	4	6
25	0.2%	35,165,457	575	22,016,988	15,208,163	594,320	353	13,148,469	38,290	37,248	3	1
26	0.2%	35,159,293	899	15,790,304	10,577,515	941,288	1,168	19,368,989	17,564	16,583	6	7
27	0.05%	8,787,566	385	2,711,566	1,644,491	92,822	872	6,075,999	7,043	6,968	2	2
28	0.05%	8,792,459	932	1,766,693	1,048,364	295,495	4,545	7,025,766	1,896	1,546	5	22
Total		17,581,694,218	5,571	17,504,279,651	17,363,766,980	860,401,986	7,255	77,414,567			22	40

- (1) Target stratification revenue share for stratum. Not necessarily equal to actual stratum revenue share.
- (2) AIC 130 revenue of offices in stratum.
- (3) Number of offices reporting in CBCIS.
- (4) Trial Balance permit imprint revenue (AIC 130) of CBCIS reporting offices.
- (5) Permit Imprint revenue reported in CBCIS (not necessarily equal to Trial Balance revenue).
- (6) Metered and stamped revenue reported in CBCIS.
- (7) Number of offices not reporting in CBCIS.
- (8) Trial Balance permit imprint revenue (AIC 130) of offices not reporting in CBCIS.
- (9) Average Trial Balance permit imprint revenue of offices reporting in CBCIS.
- (10) Average Trial Balance permit imprint revenue of offices not reporting in CBCIS.
- (11) Number of offices in current permit imprint Standard Mail non-CBCIS panel.
- (12) Number of offices in current metered & precanceled stamp panel.

Appendix B

Table 2.

Table 2 shows the revenue distribution shares by rate category and stratum for Q1 FY2008 that are used to implicitly infer non-automated office activity. Note that rate category mix varies by office size stratum.

Standard Mail Regular CBCIS Revenue Shares by Rate Category and Stratum, FY2008 Q1

Stratum	Permit Imprint					Metered and Precanceled Stamps				
	Auto	Non-Auto	Basic-CR	High Density	Saturation	Auto	Non-Auto	Basic-CR	High Density	Saturation
1	53.8%	2.0%	42.8%	0.7%	0.7%	98.4%	1.6%	0.0%	0.0%	0.0%
2	59.1%	3.2%	25.5%	3.6%	8.6%	93.5%	3.5%	2.8%	0.0%	0.2%
3	78.6%	6.9%	3.5%	1.5%	9.5%	94.0%	3.0%	0.4%	0.5%	2.2%
4	78.6%	2.6%	14.0%	1.3%	3.6%	97.8%	2.1%	0.1%	0.0%	0.0%
5	75.1%	10.4%	5.0%	2.0%	7.5%	96.6%	3.1%	0.1%	0.0%	0.1%
6	70.7%	2.5%	19.5%	4.4%	2.9%	94.2%	5.7%	0.1%	0.0%	0.0%
7	63.3%	2.0%	33.6%	0.3%	0.9%	96.7%	2.5%	0.8%	0.0%	0.0%
8	60.0%	3.1%	25.3%	4.9%	6.7%	92.3%	6.0%	1.2%	0.2%	0.2%
9	54.8%	4.9%	28.5%	2.7%	9.1%	92.0%	5.9%	0.6%	0.4%	1.1%
10	55.9%	4.3%	7.6%	4.9%	27.3%	94.2%	3.9%	0.4%	0.5%	0.9%
11	60.2%	8.9%	13.3%	3.5%	14.1%	87.7%	5.2%	0.5%	5.2%	1.4%
12	69.1%	7.8%	11.1%	3.4%	8.6%	93.3%	4.9%	0.8%	0.7%	0.3%
13	58.2%	6.5%	5.9%	4.2%	25.2%	92.8%	4.1%	0.4%	1.4%	1.4%
14	62.6%	5.8%	7.0%	5.8%	18.8%	92.6%	6.0%	0.2%	0.4%	0.8%
15	65.7%	9.2%	7.0%	3.0%	15.1%	92.5%	5.4%	1.1%	0.1%	0.9%
16	63.7%	7.5%	14.3%	2.5%	12.0%	90.4%	7.2%	1.5%	0.5%	0.5%
17	63.4%	10.8%	9.4%	4.9%	11.5%	90.1%	8.8%	0.7%	0.2%	0.2%
18	65.2%	9.9%	7.3%	3.6%	14.0%	90.7%	6.3%	0.5%	0.2%	2.3%
19	59.8%	14.3%	6.6%	3.9%	15.3%	88.7%	9.4%	0.4%	0.5%	0.9%
20	57.3%	14.3%	5.5%	3.4%	19.5%	80.8%	16.1%	0.3%	1.7%	1.2%
21	52.5%	13.1%	6.8%	4.7%	22.9%	80.8%	16.7%	1.5%	0.4%	0.6%
22	46.3%	17.8%	6.2%	4.8%	24.9%	64.9%	25.4%	2.2%	7.0%	0.5%
23	33.6%	18.9%	5.6%	4.9%	36.9%	63.8%	34.4%	0.4%	1.0%	0.5%
24	24.2%	24.2%	5.1%	4.9%	41.6%	72.1%	27.4%	0.1%	0.0%	0.3%
25	19.4%	29.8%	4.6%	3.4%	42.8%	36.0%	63.2%	0.4%	0.0%	0.4%
26	16.6%	41.3%	3.1%	4.3%	34.7%	58.5%	39.0%	0.5%	0.1%	2.0%
27	18.5%	51.8%	2.7%	1.5%	25.6%	15.8%	83.9%	0.0%	0.0%	0.3%
28	15.7%	54.3%	1.3%	2.1%	26.7%	14.2%	85.7%	0.0%	0.0%	0.1%

Appendix B

Table 3. Example of the Inflation process used to construct proposed model estimates - Q1 FY2008

Table 3 shows the process of estimation by stratum. First, the PostalOne! or CBCIS revenue is inflated to Trial Balance revenue (columns (3) through (4)). A Standard Mail permit imprint inflation factor is constructed (column (5)). A similar approach is applied for Meter & Precanceled Stamp activity (columns (6) and (7)), and a Meter & Precanceled Stamp Factor constructed (column (8)). Not shown is the process of taking the PostalOne! detailed postage statement data and applying the inflation factors by strata, and then summing the strata totals together for national estimates reported in RPW.

Standard Mail Regular Inflation, FY08 Q1

Stratum	(1) Revenue Share	(2) CBCIS Offices	(3) Permit Imprint Inflation		(5) PI Factor	(6) Metered & Stamped Inflation				(10) Inflated CBCIS MS	(11) Non-CBCIS MS (Diff)
			CBCIS-PI	All Office TB-PI		CBCIS Offices TB-MS	All Offices TB-MS	MS Factor	CBCIS MS		
1	5.0%	1	240,800,367	240,800,452	1.000	596,341	596,341	1.000	285	285	0
2	5.0%	3	324,573,516	324,675,763	1.000	38,812,440	38,812,440	1.000	4,111,468	4,111,468	0
3	5.0%	2	175,137,649	175,157,139	1.000	105,593,798	105,593,798	1.000	7,826,139	7,826,139	0
4	5.0%	4	330,652,130	330,667,940	1.000	56,752,865	56,752,865	1.000	16,596,085	16,596,085	0
5	5.0%	4	248,912,053	249,186,975	1.001	54,981,159	54,981,159	1.000	11,732,734	11,732,734	0
6	5.0%	4	216,962,289	217,842,583	1.004	93,948,717	93,948,717	1.000	7,903,854	7,903,854	0
7	5.0%	6	272,544,984	272,582,261	1.000	55,907,194	55,907,194	1.000	9,938,650	9,938,650	0
8	5.0%	7	260,305,302	260,394,046	1.000	100,161,340	100,161,340	1.000	5,872,141	5,872,141	0
9	5.0%	7	241,740,007	241,869,362	1.001	79,701,328	79,701,328	1.000	2,647,424	2,647,424	0
10	5.0%	9	255,793,630	256,007,864	1.001	163,715,548	163,715,548	1.000	13,267,655	13,267,655	0
11	5.0%	10	223,910,765	224,261,456	1.002	157,472,533	157,472,533	1.000	13,381,943	13,381,943	0
12	5.0%	11	239,972,295	240,116,879	1.001	240,131,421	240,131,421	1.000	16,193,523	16,193,523	0
13	5.0%	13	221,241,190	221,308,722	1.000	153,753,671	153,753,671	1.000	17,934,683	17,934,683	0
14	5.0%	16	235,223,985	235,488,622	1.001	149,835,648	149,835,648	1.000	8,991,928	8,991,928	0
15	5.0%	23	252,712,442	253,382,839	1.003	235,420,008	235,420,008	1.000	15,453,984	15,453,984	0
16	5.0%	33	229,334,360	229,430,611	1.000	222,968,296	222,968,296	1.000	13,999,839	13,999,839	0
17	5.0%	49	236,611,255	237,252,651	1.003	299,917,301	299,917,301	1.000	9,850,578	9,850,578	0
18	5.0%	85	220,998,065	225,690,424	1.021	435,924,824	435,924,824	1.000	22,949,924	22,949,924	0
19	5.0%	228	235,991,419	238,376,988	1.010	595,926,709	595,926,709	1.000	20,600,262	20,600,262	0
20	1.0%	106	45,045,085	46,926,632	1.042	189,290,274	189,290,274	1.000	2,133,242	2,133,242	0
21	1.0%	179	44,914,116	46,694,270	1.040	240,855,628	240,855,628	1.000	4,083,275	4,083,275	0
22	1.0%	322	41,599,266	44,891,366	1.079	339,000,522	339,684,250	1.002	2,480,328	2,485,331	5,003
23	1.0%	783	34,947,216	46,490,802	1.330	515,941,524	537,626,364	1.042	2,188,237	2,280,208	91,971
24	0.5%	875	11,552,142	23,520,942	2.036	324,015,295	363,151,744	1.121	1,204,194	1,349,643	145,450
25	0.2%	575	3,323,667	9,569,491	2.879	149,687,616	186,553,547	1.246	139,457	173,804	34,346
26	0.2%	899	2,495,318	9,771,849	3.916	165,235,097	263,129,065	1.592	300,045	477,808	177,763
27	0.05%	385	387,527	2,395,596	6.182	55,786,517	106,200,744	1.904	27,068	51,529	24,461
28	0.05%	932	258,325	2,524,385	9.772	90,432,044	251,853,608	2.785	186,396	519,115	332,718
Total		5,571	4,847,940,366	4,907,278,909		5,311,765,658	5,719,866,367		231,995,340	232,807,051	811,712
			Difference-->	59,338,543							

- (1) Target stratification revenue share for stratum.
- (2) Number of offices reporting in CBCIS.
- (3) Permit Imprint revenue reported in CBCIS (not necessarily equal to Trial Balance revenue).
- (4) Trial Balance permit imprint revenue (AIC 130) of all offices (CBCIS plus non-CBCIS).
- (5) Permit Imprint revenue inflation factor. (4) / (3) .
- (6) Trial Balance metered and precanceled stamped revenue of CBCIS reporting offices.
- (7) Trial Balance metered and precanceled stamped revenue of all offices.
- (8) Metered and stamped revenue inflation factor. (7) / (6) .
- (9) Metered and stamped revenue reported in CBCIS.
- (10) Inflated CBCIS metered and stamped revenue as an estimate of all Standard Mail Regular metered and stamped activity. (8) x (9).
- (11) Implied Standard Mail Regular metered and stamped activity at non-CBCIS reporting offices. (10) - (9).

Appendix B

Table 4. Two alternate stratification scenarios used to show the robustness of the modeling approach

First-Class Mail Stratification Scenarios

Expanded (More) Stratification						Base Stratification						Collapsed (Less) Stratification					
Stratum	Revenue Share	CBCIS Offices	Non-CBCIS Offices	CBCIS Ave TB-PI	Non-CBCIS Ave TB-PI	Stratum	Revenue Share	CBCIS Offices	Non-CBCIS Offices	CBCIS Ave TB-PI	Non-CBCIS Ave TB-PI	Stratum	Revenue Share	CBCIS Offices	Non-CBCIS Offices	CBCIS Ave TB-PI	Non-CBCIS Ave TB-PI
1	5.0000%	1	0	562,808,891		1	5.0000%	1	0	562,808,891	0	1	5.000%	1	0	562,808,891	0
2	5.0000%	1	0	784,620,145		2	5.0000%	1	0	784,620,145	0	2	5.000%	1	0	784,620,145	0
3	5.0000%	2	0	291,458,277		3	5.0000%	2	0	291,458,277	0	3	5.000%	2	0	291,458,277	0
4	5.0000%	2	0	234,978,384		4	5.0000%	2	0	234,978,384	0	4	5.000%	2	0	234,978,384	0
5	5.0000%	3	0	270,927,669		5	5.0000%	3	0	270,927,669	0	5	5.000%	3	0	270,927,669	0
6	5.0000%	3	0	170,027,572		6	5.0000%	3	0	170,027,572	0	6	5.000%	3	0	170,027,572	0
7	5.0000%	3	0	138,248,508		7	5.0000%	3	0	138,248,508	0	7	5.000%	3	0	138,248,508	0
8	5.0000%	5	0	122,901,349		8	5.0000%	5	0	122,901,349	0	8	5.000%	5	0	122,901,349	0
9	5.0000%	5	0	86,653,400		9	5.0000%	5	0	86,653,400	0	9	5.000%	5	0	86,653,400	0
10	5.0000%	6	0	95,597,037		10	5.0000%	6	0	95,597,037	0	10	5.000%	6	0	95,597,037	0
11	5.0000%	7	0	78,219,748		11	5.0000%	7	0	78,219,748	0	11	5.000%	7	0	78,219,748	0
12	5.0000%	8	0	78,928,812		12	5.0000%	8	0	78,928,812	0	12	5.000%	8	0	78,928,812	0
13	5.0000%	10	0	71,819,890		13	5.0000%	10	0	71,819,890	0	13	5.000%	10	0	71,819,890	0
14	5.0000%	12	0	37,193,747		14	5.0000%	12	0	37,193,747	0	14	5.000%	12	0	37,193,747	0
15	5.0000%	15	0	36,500,139		15	5.0000%	15	0	36,500,139	0	15	5.000%	15	0	36,500,139	0
16	5.0000%	21	0	27,619,631		16	5.0000%	21	0	27,619,631	0	16	5.000%	21	0	27,619,631	0
17	5.0000%	34	0	14,018,241		17	5.0000%	34	0	14,018,241	0	17	5.000%	34	0	14,018,241	0
18	5.0000%	57	0	10,486,975		18	5.0000%	57	0	10,486,975	0	18	5.000%	57	0	10,486,975	0
19	5.0000%	152	0	3,636,357		19	5.0000%	152	0	3,636,357	0	19	5.000%	152	0	3,636,357	0
20	1.0000%	69	0	1,698,371		20	1.0000%	69	0	1,698,371	0	20	1.000%	69	0	1,698,371	0
21	1.0000%	107	2	1,280,841	1,240,760	21	2.0000%	300	4	895,375	899,809	21	3.800%	2,054	205	258,220	101,965
22	1.0000%	193	2	681,671	558,858	22	1.6000%	1,157	76	199,327	138,009	22	0.168%	1,439	1,255	19,563	16,782
23	1.0000%	443	5	313,997	323,529	23	0.3600%	1,881	1,018	30,796	24,054	23	0.032%	3,570	21,537	3,553	2,682
24	0.2000%	164	12	183,478	213,789	24	0.0384%	1,392	3,123	4,799	4,483						
25	0.2000%	220	17	141,134	139,682	25	0.0016%	2,333	18,776	852	933						
26	0.2000%	330	42	92,061	93,595												
27	0.2000%	597	125	52,178	54,520												
28	0.0400%	190	106	35,211	36,586												
29	0.0400%	242	123	27,002	27,262												
30	0.0400%	326	236	20,671	19,998												
31	0.0400%	526	428	12,955	13,367												
32	0.00800%	155	362	8,863	9,364												
33	0.00800%	185	261	7,407	7,339												
34	0.00800%	234	439	5,868	5,777												
35	0.00800%	339	558	4,207	4,282												
36	0.00160%	92	414	3,075	3,251												
37	0.00160%	104	283	2,717	2,689												
38	0.00160%	124	409	2,270	2,263												
39	0.00160%	159	397	1,819	1,855												
40	0.00032%	39	320	1,505	1,535												
41	0.00032%	44	220	1,332	1,327												
42	0.00032%	50	299	1,158	1,142												
43	0.00032%	61	649	916	782												
44	0.00032%	2,139	17,288	397	222												

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

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