

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

Notice of Price Adjustment and
Classification Changes Related to
Move Update Assessments

Docket No. R2010-1

FOLLOW-UP MATERIALS RELATED TO
NOVEMBER 12, 2009 TECHNICAL CONFERENCE
(November 13, 2009)

The United States Postal Service hereby provides the following comments and related materials for several issues that were left incomplete during yesterday's technical conference on the implementation of the Move Update assessments for Standard Mail and First-Class Mail.

Item 1

Mr. O'Hara announced that he would correct a worksheet from the version of Appendix B1 filed in response to Chairman's Information Request No. 1, on November 3, 2009. The corrected worksheet is filed with this pleading (TechConf Appendix B1.xls). The change affects several worksheets in the Appendix B3 file, which are also filed with this pleading (TechConf Appendix B3.xls).

Item 2

Mr. O'Hara agreed to provide the cost model underlying the additional per-piece cost for UAA Standard Mail of 5.2 cents. That model was filed as Library Reference L-62 in Docket No. R2006-1. Within LR-L-62, folder "L62AppendixA,"

subfolder "PARS08" contains the "model." The relevant Table 4.31 is in workbook "PARS08 ClassTabs_v.xls" in the "Tables" subfolder. An update using FY08 ACR numbers, and showing the 5.2-cent figure, is filed with this pleading (TechConf UAA Cost Model.xls).

Item 3

Mailers were uncertain whether a mailing subject to both the Move Update assessment charge and a subsequent revenue deficiency could pay more than the First-Class Mail single-piece rate. The Postal Service has added (for Standard Mail) or is adding (for First-Class Mail) the 7-cent Move Update assessment charge as a postage charge in the MCS price schedules, rather than a penalty that could be charged in addition to postage. Pieces subject to a Move Update assessment are initially subject to the base rate that was claimed at acceptance plus the 7-cent assessment charge (capped at the single-piece rate). This 7-cent payment is noted on the postage statement and reflected in *PostalOne!* as part of the postage already paid. A revenue deficiency based on single-piece postage would give credit for the 7-cent payment as part of postage already paid. Therefore, the aggregate paid for the entire mailing in a revenue deficiency could not exceed single-piece postage times the number of pieces in the mailing.

Item 4

The Performance-Based Verification (PBV) approach is a new model of verification deployed to all acceptance sites enabled with the *PostalOne!* system. The PBV system replaces an old model of verification that relied solely

on mailing size to determine the extent of verification. The PBV model manages business mail verification with a set of new sampling guidelines that take into account a mailer's past performance and cost to the Postal Service of performing verification. Sample size is determined by tracing the past performance of the mailer. If the mailer is consistently failing or passing, with results distant from the threshold of the verifications, then it is expected by the model that the sample size does not need to be large. When the past performance is hovering around the threshold of the verifications, then the model would request a higher sample size. The cost to verify is calculated based on the time it would take to perform the verification and wage rates. Past performance is an aggregated average of the mailer's past verification scores and the total error costs recovered. The model then determines how cost-effective verification may be, comparing the cost to verify and the expected cost recovery of the verification. PBV accordingly focuses verification on mail preparers who submit inadequately prepared mail, while reducing verification performed on mail of preparers who consistently submit adequately prepared mail. The reduction in the total number of verifications requested will allow clerks to verify more efficiently thereby improving customer service.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

R. Andrew German
Managing Counsel, Pricing and
Product Development

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product
Support

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986, FAX: -6187