

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

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2010-8

**SUPPLEMENTAL INFORMATION PROVIDED
BY THE UNITED STATES POSTAL SERVICE
IN RESPONSE TO COMMISSION ORDER NO. 333**
(November 16, 2009)

The United States Postal Service hereby provides supplemental information in response to Commission Order No. 333 (November 6, 2009). In its Order, at pages 4-5, the Commission requested additional information via two questions. Attached to this filing are redacted versions of all documents associated with the response to Question 2. The Postal Service has concurrently filed unredacted versions of these documents under seal, along with an application for non-public treatment. A response to Question 1 is forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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

Elizabeth A. Reed
Jacob D. Howley

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3179, Fax -6187
Elizabeth.A.Reed@usps.gov
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2. Please reference Governors' Decision No. 09-13. The Postal Service provides overall price increases for the following products: Express Mail 4.5 percent, Priority Mail 3.3 percent, Parcel Select 4.7 percent, Parcel Return Service 3.0 percent, Global Express Guaranteed 4.1 percent, Express Mail International 2.9 percent, and Priority Mail International 3.0 percent. Please describe the weights used to derive the Before Rates and After Rates indices relied upon to calculate the overall (average) percentage price increase for each product and service referenced above. Please show all calculations in Excel.

RESPONSE:

Please see the attached Excel files. The following contains the narrative discussion for each product:

Express Mail

The attached Excel file CP2010-8 CIR#2- EM.xls shows the overall average price increase calculation for Express Mail in cell D15 on the "Control" worksheet (4.5 percent). This is a weighted average of three Express Mail price categories: Retail, Commercial Base and Commercial Plus. This weighting reflects annual revenue of each component based on the final 2008 annual billing determinants since the data from the final 2009 billing determinants are not yet available.

The volume from the 2008 billing determinants for Express Mail Retail, Express Mail Commercial Base, and Express Mail Commercial Plus were disaggregated and the 2009 prices (the baseline) and the 2010 prices (new prices) were applied to the volumes. Those calculations are weighted averages based on the baseline revenue of the percent price change in each rate cell. Baseline revenue is equal to the sum of all baseline prices multiplied by the volumes from the 2008 billing determinants. Also the

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Flat Rate Envelopes (FRE) for Express Mail Commercial Plus did not change in 2010 and represents the same price as in 2009. The end result shows that the overall average price increase for all categories of Express Mail is 4.5 percent.

Priority Mail

The overall average price increase calculation for Priority Mail, 3.3 percent, is demonstrated in Excel file CIR#2-PM.xls. The final calculation is found in cell D6 on the "Total" tab. This is a weighted average, by revenue, of three price components: Retail, Commercial Base and Commercial Plus. The revenue is based on FY08 volume at current prices.

These weights are applied to separate average-price-increase calculations for Retail (cell Z90 on the "Retail" tab), Commercial Base (cell AA90 on the "Comm Base" tab) and Commercial Plus (cell AA90 on the "Comm Plus" tab). Those calculations, in turn, are weighted averages, by baseline (Before Rates) revenue, of the percent price change in each rate cell. (This is a "fixed-weight" calculation methodology.) Baseline revenue, in turn, is equal to the sum of all baseline prices multiplied by billing determinants volume. FY 2009 billing determinants were not yet available, nor had hybrid FY 2008 Q4 - FY 2009 Q3 billing determinants been constructed; therefore, FY 2008 billing determinants were used.

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Parcel Select

The attached Excel file CP2010-8ParcelSelect.xls shows the overall average price increase calculation for Destination-Entry Parcel Select in cell Z102 on the “New Prices” tab (4.9 percent). This is achieved by calculating the percent change in total revenue, holding volume at the Before Rates level. Before Rates volume is represented by the billing determinants for FY 2008 — the most recent full fiscal year.

An adjustment is made in cell Z103 to consider that the prices for Parcel Select Intra-BMC Barcode, Inter-BMC Barcode, Inter-BMC BMC-Presort, and Inter-BMC OBMC-Presort, will not be changing in January 2010. FY 2008 RPW revenue for these categories, in the billing determinants, was [REDACTED]. This is used as an approximation for both Before Rates and After Rates revenue (because prices are not changing). The end result in cell Z102 is that the overall average price increase for all categories of Parcel Select is 4.7 percent.

Parcel Return Service

The attached Excel file CP2010-8 CIR#2-PRS.xls shows the overall average price-increase calculation for Parcel Return Service (PRS) in cell X101 on the “PRS” tab (3.0 percent). The calculation is weighted by baseline (Before Rates) revenue. This is effectively achieved by calculating the percent change in total revenue, (holding volume at the Before Rates level).

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The calculation applies current and new prices to Before Rates volume for Before Rates revenue and After Rates revenue, respectively. FY 2009 billing determinants were not yet available for this purpose; consequently, FY 2008 billing determinants were used instead.

Global Express Guaranteed

The attached Excel file, CP2010-8-CIR#2-GXG.xls, shows the 4.1 percent weighted average price increase calculation for Global Express Guaranteed (GXG) in cell J79 of the “GXG PRICE INCREASE” tab. This percentage is derived by calculating the percent change between After Rates total revenue and Before Rates total revenue. Since FY 2009 GXG billing determinants were not available in August 2009, FY 2008 GXG billing determinants were used in the Before Rates and After Rates revenue calculations.

Express Mail International

The attached Excel file, CP2010-8-CIR#2-EMI.xls, shows the 2.9 percent weighted average price increase calculation for Express Mail International (EMI) in cell L79 of the “EMI PRICE INCREASE” tab. This percentage is derived by calculating the percent change between After Rates total revenue and Before Rates total revenue. Since FY 2009 EMI billing determinants were not available in August 2009, FY 2008 EMI billing determinants were used in the Before Rates and After Rates revenue calculations.

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Priority Mail International

The attached Excel file, CP2010-8-CIR#2-PMI.xls, shows the 3.0 percent weighted average price increase calculation for Priority Mail International (PMI) in cell L82 of the "PMI PRICE INCREASE" tab. This percentage is derived by calculating the percent change between After Rates total revenue and Before Rates total revenue. Since FY 2009 PMI billing determinants were not available in August 2009, Quarter 4 FY 2008 through Quarter 3 FY 2009 PMI billing determinants were used in the Before Rates and After Rates revenue calculations.