

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2009

Docket No. ACR2009

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued February 5, 2010)

To clarify the basis of the Postal Service's estimates in its Annual Compliance Report, filed December 29, 2009, the Commission requests the Postal Service to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 16, 2010.

1. Please provide the spreadsheets which calculate the workyears and the workyear conversion factor found in USPS-FY09-7 Part VIII, Productive Hourly Rates. Include all data sources and data used to compute the workyears and conversion factor.
2. Please refer to the rate category volumes presented in the FY 2009 billing determinants (USPS-FY09-4) and those presented in the mail characteristics study (USPS-FY09-14, revised January 4, 2010). While some of the volumes presented are consistent between the two sources, others are not. Compare, for example, the First-Class Mail automation letter rate category volumes from the billing determinants (09 FCM.xls, tab 'A-4 Automation Letters') with those from the mail characteristics study (MAILCHAR09V.xls, tab 'FCM PRESORT LETTERS').

- (a) Please identify and reconcile all discrepancies between rate category volumes in the billing determinants and those in the mail characteristics study.
  - (b) If there are rate categories for which the volumes cannot be reconciled, please identify and explain which source is more appropriate for use as inputs to other models such as the worksharing cost avoidance models.
3. Please provide billing determinants for each market dominant product for FY 2008, with volumes separated between those sent before the implementation of the Docket No. R2008-1 rate increase (May 12, 2008) and those sent after the increase. Refer to the FY 2009 billing determinants for First-Class Mail (USPS-FY09-4, 09 FCM.xls) for an example of the format for this presentation.
4. Please refer to USPS-FY09-10, FCM Letter Costs Final.xls, tab 'PRODUCTIVITY'. The variability for 1OPBULK Opening Unit – BBM is taken from USPS-FY09-7, Preface to USPS-FY09-7-Table.xls, tab 'CS3 cost pools' cell G38 (Opening Unit–BBM operation). In the 2008 Annual Compliance Report, the same variability input used the value for the Preferred Mail Opening Unit. Please explain the rationale for the use of a different variability factor in this year's calculations. The response should discuss whether First-Class Mail is processed in the Opening Unit operation for BBM, Preferred Mail, or both.
5. Please refer to USPS-FY09-10, FCM Letter Costs Final.xls, tab 'WAGE RATES – PIGGYBACK FACTORS'. Please also refer to Docket No. ACR2008, Responses of the United States Postal Service to Questions 1-6 of Commission Information Request No. 3, February 13, 2009, question 2. In last year's letter cost model, the piggyback factor used for the MLOCR operation was for "Total OCR and DIOSS OCR Replacements" whereas this year's model uses the figure for "Total OCR and DIOSS OCR Replacements with RBCS workroom." Also, for the DBCS operation piggyback factor, last year's model used the figure for

- “DBCS (excluding CIOSS)” whereas this year’s model uses the figure for “BCS/DBCS – combined incoming and outgoing.” Please explain the rationale for the use of different piggyback factors for each of these operations.
6. Please reconcile the Volume and Revenue figures for market dominant negotiated service agreements (NSAs) contained in LR-FY09-30 file “ACR\_NSA\_FY09\_report.xls” with the data contained in FY09-LR-4 FY 2009 Domestic Market Dominant Billing Determinants files “09 FCM.xls” and “09 Standard Mail.xls.”
  7. This question is directed to the method of calculating the avoided costs of Within County, 3-Digit Automation Letters. Please refer to the File: ChIR.1.Q.10.Wrkshre.Discnt.2.1.10.xls, Sheet: Worksheet WC, Cell: J57. The discount for Within County 3-Digit Automation Letters is based on the difference in avoided costs between a Standard Basic Automation Letter and a Standard 3-Digit Automation Letter.
    - (a) Please confirm that the value of Basic Automation Letters as currently calculated is the volume weighted average of Mixed AADC and AADC Automation Standard Letter Unit Mail Processing and Delivery Unit Cost, where the volume weights are the volume of Standard Automation Mixed AADC and AADC Automation Letters, respectively.
    - (b) If you confirm, please file a revised version of Worksheet WC.
    - (c) If you do not confirm, please explain.
  8. Please refer to File: PER OC flts rev02.01.10.xls, Sheet: PIECE DENSITIES, Cells: D19 and E19. Please also refer to Docket No. RM2010-4, Order No. 399, at 13.
    - (a) Please confirm that values in cells D19 and E19 should be zero or blank.
    - (b) If you do not confirm, please explain.

9. Please refer to USPS-FY09-NP25 Excel file: Shape Indicia FY 2009V.xlsx tab: Package Services. Please confirm that the revenue, weight, and pieces associated with “PSVC PRESORTED DDU BOUND PRINTED MATTER FLATS” should be moved from the “Parcels” columns to the “Flats” columns. If not confirmed, please explain.
10. Please provide supporting spreadsheets to verify the costs for Collaborative Logistics provided in USPS-FY09-NP27.pdf Section E.1.
11. Please confirm that the source for USPS-FY09-NP15, tab: Volume Data column [6] should be USPS-FY09-NP1.
12. Please refer to USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet Revenue Reconciliation w RPW. Cell C43 shows the revenue for Total International, obtained from the worksheet A Pages Summary. However, the sum of the column entitled “Booked” exceeds the Total International revenue in cell C43. Please confirm that the amount by which sum of the column entitled “Booked” exceeds Total International revenue in cell C43 reflects the double counting of the figure for Inbound Direct Entry—once for Inbound Direct Entry, and a second time in International Business Reply Mail. If not confirmed, please explain.
13. Please refer to USPS-FY09-NP2, Excel file “Reports (Booked).xls.”
  - (a) In the worksheet Cost Reconciliation w CRA, cells D11 and D9, show the Adjusted Benchmarked Booked Costs and the CRA Volume Variable Costs (less Product Specific), respectively. Please explain the rationale for calculating and then reconciling the Adjusted Benchmarked Booked Costs to the CRA Volume Variable Costs (less Product Specific), rather than using the Total International volume variable costs found in the worksheet A Pages Summary at cell F60.

- (b) In Docket No. RM2009-10, Proposal Eleven (*i.e.*, Excel file Reports (Booked).xls, worksheet Cost Reconciliation w CRA), the Postal Service used ICRA [Booked] Volume Variable Costs to calculate Adjusted ICRA Volume Variable Costs, which were then reconciled to CRA Volume Variable Costs. With respect to Library Reference USPS-FY09-NP2, Excel file "Reports (Booked).xls, please explain why the Postal Service did not use same methodology presented in Docket No. RM2009-10, Proposal Eleven, to reconcile ICRA booked volume variable costs to CRA volume variable costs.
- (c) Using the methodology presented in Docket No. RM2009-10, Proposal Eleven, please confirm that for FY 2009, virtually the entire difference between ICRA booked volume variable costs and CRA Volume Variable Costs can be explained by the fact that the ICRA includes settlement costs for market dominant and competitive Registered Mail, non-transportation "segment" costs for all mail, and "segment" costs and domestic transportation costs associated with International Business Reply Service not identified or included in the CRA. If not confirmed, please explain.
14. Please refer to USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet A Pages (c). For International Negotiated Service Agreements, Outbound International, under the line Global Plus 2 Contracts, there are two entries: Global Bulk Economy and Global Direct. The revenue, volume variable cost, pieces, and net/gross pounds for Global Bulk Economy and Global Direct are linked to hardcoded figures. Please provide the revenue, volume variable cost, pieces, and net/gross pounds for each contract (identified by contract number) that equal the sum of the revenue, volume variable cost, pieces, and net/gross pounds for Global Bulk Economy and Global Direct shown in worksheet A Pages.

15. In the periodic reports for the non-public RPW, please refer to the Excel file, `Fy2009_RPWsummaryreport_restricted.xls`, worksheet FY 2009. Also, please refer to USPS-FY09-NP2, Excel file `Reports (Booked).xls`, worksheet A, pages (c), Table A-2, which reports revenues, costs, and volumes for inbound Global Direct Entry with Foreign Postal Administrations under the heading International Negotiated Service Agreements. Please explain where revenues and volumes for inbound Global Direct Entry with Foreign Postal Administrations are reported in the non-public RPW.
16. In the periodic reports for the non-public RPW, please refer to the Excel file `Fy2009_RPWsummaryreport_restricted.xls`, worksheet FY 2009.
  - (a) The restricted RPW reports revenues for the following international market dominant products: Inbound Single-Piece Letter-Post and inbound Surface Parcel Post (at UPU Rates). Please explain why the non-public RPW does not report volumes for these products.
  - (b) The non-public RPW reports revenues for the following international competitive products: Inbound International Expedited Services, Inbound Air Parcel Post, and Inbound Surface Parcel Post (at Non-UPU rates). Please explain why the non-public RPW does not report volumes for these products.
17. In the periodic reports for the non-public RPW, please refer to the Excel file `Fy2009_RPWsummaryreport_restricted.xls`, worksheet FY 2009. Under the heading Package Services mail, the non-public RPW reports revenue and volume for the line entitled Inbound International Negotiated Service Agreement Mail. Please identify and describe the agreements and contracts included in Inbound International Negotiated Service Agreement Mail. Also, please reconcile the reported revenue and volume from the non-public RPW with the ICRA.

18. The FY 2009 attributable costs exceed revenues for the following services: Address List Services, Registered Mail, and Stamped Cards. Please discuss the Postal Service's plan to improve the cost coverage for each for FY 2010.
19. Please refer to USPS-FY09-NP26, Excel file "COACreditCard2009.xls."
  - (a) Please confirm that the value in cell B5, Credit Card Fees, includes the value in cell B14, USPS Credit Card Fees. If not confirmed, please explain the purpose of cell B14. If necessary, please provide a revised worksheet that includes cell B14 in the total cost calculation of COA Credit Card Authentication.
  - (b) For the COA Credit Card Authentication product, please provide the cost coverage and show all underlying calculations.
20. Please refer to the FY 2009 Special Services Billing Determinants, Excel file "09 Special Services.xls," worksheet Stamped Cards. Also, please refer to the First Class Mail Billing Determinants, Excel file "09 FCM.xls," worksheet A-2 Single-Piece Cards. For Stamped Cards, please reconcile the volume listed in the Special Services billing determinants, 22,631,750 (cell B10), with the volume of stamped cards included in the First Class Mail billing determinants, 41,281,893 (cell I14). If necessary, please reconcile the revenue listed in the Special Services billing determinants.
21. Please refer to the FY 2009 Special Services Billing Determinants, Excel file "09 Special Services.xls," worksheet Stamped Envelopes. In addition, please refer to the Public Cost and Revenue Analysis (PCRA). For Stamped Envelopes, please reconcile the revenue listed in the billing determinants, \$15,414,860 (cells D34+D45), with the revenue listed in the PCRA, \$16,543,434.

22. The public Cost and Revenue Analysis (PCRA) lists the revenue for Money Orders as \$191,100,000. Please confirm that the revenue figure is accurate. If confirmed, please show the derivation of the interest earned on the domestic float and any other figures used to develop the total revenue figure for Money Orders. If not confirmed, please provide the correct revenue figure along with all calculations used to derive the figure.
23. Please refer to the response to CHIR No. 1, Question 22(c), which requested that the Postal Service reconcile the revenue for Confirm Service listed in the PCRA with the revenue listed in the Special Services billing determinants. In its response, the Postal Service explains that both figures are incorrect and that the actual revenue for Confirm Service is \$2,352,100. Please provide a revised Confirm Service billing determinants worksheet that displays the revenue for each Tier and Additional ID option that sum to the total revenue for Confirm Service.
24. Please refer to the response to CHIR No. 1, Question 21, which requested that the Postal Service provide source documents for the unit revenue and unit cost figures. In its response, the Postal Service provides a table that displays the development of the unit cost figure (see table below). Please show the derivation of the volume figures (column 1) for each service under Address List Services.

| <b>Address List Services</b>        |  |  | <b><u>Volume</u></b> | <b><u>Unit Cost</u></b> | <b><u>Total Cost</u></b> |
|-------------------------------------|--|--|----------------------|-------------------------|--------------------------|
|                                     |  |  | <b><u>(\$)</u></b>   | <b><u>(\$)</u></b>      |                          |
|                                     |  |  | [1]                  | [2]                     | [3]                      |
|                                     |  |  |                      |                         |                          |
| ZIP Coding of Mailing Lists         |  |  | 14                   | 85.03                   | 1,190.46                 |
| Correction of Mailing Lists         |  |  | 59,814               | 0.36                    | 21,274.88                |
| Carrier Sequencing of Address Cards |  |  | -                    | 85.03                   | -                        |
| Address Changes for Election Boards |  |  | 35,265               | 0.36                    | 12,543.20                |
| <b>Total</b>                        |  |  | <b>95,093</b>        |                         | <b>35,008.54</b>         |

25. Please refer to the FY 2008 Annual Compliance Determination at 78. In footnote 41, the Commission recommended that the Postal Service “attempt to provide billing determinants and costs for anticipated changes in post office box reclassifications that result in the migration of post office boxes from one rate category to another.”
- (a) For FY 2009, please provide for each post office box Fee Group, the number of post offices (or other postal facilities) that were moved from a higher number to a lower number Fee Group, or from Group E to a numbered Fee Group.
  - (b) For FY 2009, please provide for each post office box Fee Group, the number of post offices (or other postal facilities) that were moved from a lower number to a higher number Fee Group, or from a numbered Fee Group to Group E.
  - (c) Please provide for each post office box Fee Group, the number of post offices (or other postal facilities), if any, that began offering post office box service during FY 2009.
  - (d) Please provide for each post office box Fee Group, the number of post offices (or other postal facilities), if any, that ceased providing post office box service during FY 2009.

By the Chairman.

Ruth Y. Goldway