

Before The  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

RATE ADJUSTMENT DUE TO EXTRAORDINARY  
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4

REVISED RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 2 AND 10 OF  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2 - ERRATA  
(July 29, 2010)

The United States Postal Service hereby provides its revised responses to Questions 2 and 10 of Presiding Officer's Information Request No. 2. The response to question 2 is updated to include responsive information for Address Correction Service, which was inadvertently omitted from yesterday's response, and to correct a docket number in the response for "PO Boxes." The Special Services spreadsheet from yesterday's zip file also is replaced with a new version that includes corrected Address Correction Service data. The response to question 10(b) was filed with an incomplete explanation, which is provided today. The responses are still sponsored by Dr. Kiefer.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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2. In the calculation of the percentage changes in rates for each class, the Postal Service indicates that it uses billing determinants for a hybrid year consisting of the last two quarters of FY 2009 and the first two quarters of FY 2010.
- a. For each class of mail, please provide spreadsheets containing the hybrid year billing determinants. The spreadsheets should show the quarterly billing determinants used as inputs and the calculation of the total volumes for the hybrid year as the sum of the inputs. The inputs should refer to (and be consistent with) documents previously filed with the Commission. If adjustments are made, please explain them fully.
  - b. Please also provide the source (e.g., Mail Characteristics Study) of the data underlying the First-Class Mail parcel volumes by presort level, ounce increment and indicia ("Retail" vs. "Commercial" single-piece) presented in USPS-R2010-4/1, "FirstClassMail\_Worksheets\_R2010-4.xls" tab "Hybrid Billing Determinants" rows 53-96.
  - c. Please confirm that the volume of QBRM letters first ounces used in the percentage change calculations reflects the revised FY2010 Quarter 2 Billing Determinants filed by the Postal Service on July 16, 2010. If not, please incorporate the revision into the responses.

**RESPONSE:**

(a) The spreadsheets for each class of mail are filed with this response as a zip file, POIR.2.Q.2.zip. Any adjustments are described below.

**First-Class Mail**

There were no adjustments made to First-Class Mail hybrid year billing determinants.

**Standard Mail**

The workbook Standard Mail BD Data—2009Q3-2010Q2.xls shows the billing determinants of the four quarters as filed. The billing determinants of these four quarters were summed to get the data used for the hybrid year billing

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determinants. This workbook also shows the allocation of the NSA volumes into the billing determinants for each of the four quarters. The NSA volumes for each of the four quarters were summed to get the total NSA volumes for the hybrid year. The NSA total volumes were then added to the hybrid year billing determinants data.

The workbook Master Standard BDs 2009Q3-2010Q2—MCS—WP.xls shows the hybrid year billing determinants using the data in workbook Standard Mail BD Data – 2009Q3-2010Q2.xls. The workbook also shows the hybrid year billing determinants split between “before rate change” and “after rate change.”

The workbook STD BD-LFP Crosswalk-FY09Q3-FY10Q2.xls, as filed July 6, 2010, shows the hybrid year billing determinants for Regular Letters, Flats, and Parcels from workbook Master Standard BDs 2009Q3-2010Q2—MCS—WP.xls, but in a different format. The workbook also shows the adjustments for parcel migration distributions; these adjustments are explained in the Preface, filed July 6, 2010.

The workbook STD BD-HDSatCR Crosswalk-FY09Q3-FY10Q2.xls shows the hybrid year billing determinants for High Density, Saturation, and Carrier Route Letters, Flats, and Parcels from workbook Master Standard BDs 2009Q3-2010Q2—MCS—WP.xls, but in a different format.

The workbook Standard Mail Worksheets R2010-4.xls, filed July 6, 2010, shows the hybrid year billing determinants from the workbooks STD BD-LFP Crosswalk-FY09Q3-FY10Q2.xls and STD BD-HDSatCR Crosswalk-FY09Q3-FY10Q2.xls. IM Program Incentive adjustments and Move Update adjustments

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were made, as explained in the Preface. NFM migration adjustments were also made in this workbook; these adjustments are explained in the Preface.

**Periodicals**

There were no adjustments made to the Periodicals hybrid year billing determinants. The hybrid year total volume was calculated by summing Q3 2009, Q4 2009, Q1 2010 and Q2 2010 volumes.

**Package Services**

i. Single-Piece Parcel Post

There were no adjustments made to Single-Piece Parcel Post hybrid year billing determinants.

ii. Single-Piece Bound Printed Matter Flats

File 09Q3-10Q2 Billing Determinants—Single-Piece Bound Printed Matter Flats sums included in each cell from E43 through K41 are not correct. The cells in row 23 were excluded in error. However, this sum is not used elsewhere in the workpaper. The numbers that have changed are highlighted in yellow.

There were no adjustments made to Bound Printed Matter hybrid year billing determinants for presort flats.

iii. Single-Piece Bound Printed Matter Parcels

File 09Q3-10Q2 Billing Determinants—Single-Piece Bound Printed Matter Parcels sums included in each cell from E43 through K41 are not correct. The

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cells in row 23 were excluded in error. However, this sum is not used elsewhere in the workpaper. The numbers that have changed are highlighted in yellow.

There were no adjustments made to Bound Printed Matter hybrid year billing determinants for presort parcels.

iv. Media Mail and Library Mail

There were no adjustments made to Media Mail and Library Mail hybrid year billing determinants.

**Special Services**

The original Special Services Billing Determinants used to develop USPS-R2010-4/5 were derived by taking the 2009 annual billing determinants and subtracting the first and second quarters of FY 2009, then adding the first and second quarters from FY 2010. The workbook filed with this response, adding the four quarters together as requested, produced four types of products and services: (1) those that had no change in total volumes and revenues included in the original USPS-R2010-4/5, (2) those that had a very small change due to rounding, (3) those that corrected an incorrect average revenue so that volume could be accurately derived from a total revenue, and (4) those that corrected a service-specific error.

The following worksheets have no changes:

“Certificates of Mailing”

“Certified Mail”

“Insurance”

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"Merchandise Return" (Merchandise Return Service Volumes)

"PAL" Parcel Airlift

"Premium Stamped Stationery"

"Premium Stamped Cards"

"Registered Mail"

"Return Receipts"

"Scheduled Pickup"

"Shipper-Paid Forwarding"

"Other Income"

"Per Mailing App" (Periodicals Applications)

The following worksheets have changes due to rounding:

"Bulk Parcel Return Service"

"Bulk Parcel Accounting Fee"

"Business Reply Mail"

"Media Mail Presort Permits"

"Restricted Delivery"

"Standard Mail Weighted Fee"

"Signature Confirmation"

The following worksheets have changes in the volume because an incorrect average unit revenue had originally been used to calculate the volume.

"Bulk Parcel Return Permits"

"First Class Presort Permits"

"Merchandise Return Acctg Fee"

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"Merchandise Return Permits"

"Parcel Return Serv Permits"

"Parcel Return Serv Acct Fee"

"Parcel Select Permits"

"Std Bulk Permit"

The following worksheets corrected service-specific issues:

"Address Correction Service" -- corrects transactions for Electronic ACS for First-Class Mail.

"ICOA" (Change of Address Credit Card Authentication) – corrects an understated volume and revenue that were reported in the Hybrid Billing Determinants that were originally submitted.

"COD" – Corrects an error in the calculation of the "Revenues from the Fees", which increases the revenue by \$38,649.

"Delivery Confirmation" – Corrects USPS volume, USPS volume is not used to calculate price increases so there is no impact.

"Stamped Cards" – Due to data errors for three of the 4 quarters in the hybrid billing determinants, the Postal Service believes that the best data to report for this product is the corrected FY 2009 annual billing determinant for Stamped Cards. The rationale for why the Postal Service believes these values to be correct is presented in the responses to POIR 1, Question 12 and POIR 2, Question 14.

"Confirm" – Corrects the quarterly billing determinants to reflect a revision that was provided at the end of the year.

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“Money Orders” – The Billing Determinants for the first quarter of 2009 were derived with a formula that contained an error that caused the revenue and volume for that quarter to be incorrect for all three types of Money Orders and the inquiry fees. This error is corrected.

“PO Boxes” -- The only adjustment made for PO Boxes was subtracting out the box volumes that were moved from Market Dominant to Competitive in Docket No. MC2010-20. This adjustment is shown starting on line 105 in tab “PO Boxes.”

“Stamped Envelopes” – Corrects double counting for FY10, quarter 1 for volumes and revenues from the premium features for the personalized stamped envelopes.

“Special Handling” – corrects volumes for Package Services lines that were based on unintentionally hard coded volumes in the Quarterly Billing Determinants that have been filed with the Commission.

(b) Hybrid Billing Determinants for First-Class Mail include two additional worksheets in the end: 'SP Parcels by Ind, Wt. Qtr' and 'Presort Parcels by Wt Incr.' These two sheets provide the additional data and the source for this data.

(c) Confirmed.



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**10.** Refer to Attachment A to the Postal Service Request at 10 of 84. The proposed MCS language for the First-Class Parcel Nonmachinable surcharge deletes the phrase "Weighs less than 2 ounces" from the description of the price category.

- a. Please provide the rationale for this apparent proposed classification change.
- b. Please provide an estimate of the portion of nonmachinable parcel surcharge volumes that are due to the 2 ounce requirement, as opposed to the remainder that are due to the lack of a barcode or noncompliance with machinability requirements.
- c. Please revise the calculation of the percentage changes in rates for First-Class Mail to reflect the two categories of nonmachinable parcel surcharge volume: (1) those subject to the surcharge under the current classification that will remain so; and (2) those currently subject to the surcharge that are not subject to the redefined surcharge.

**RESPONSE:**

- a. Generally speaking, pieces weighing less than two ounces fall into the nonmachinable category and are subject to the nonmachinable surcharge. In the current filing the Postal Service is proposing to charge a single price for parcels weighing up to 3 ounces, which leads to a significant increase in the prices for parcels weighing less than 2 ounces. This increase should cover the cost caused by the nonmachinable nature of these parcels.
- b. Approximately 688 thousand pieces (of the total 6.6 million pieces that were subject to the surcharge) may not be subject to the surcharge as a result of deleting the "Weighs less than 2 ounces" condition for the surcharge. See tab "Hybrid Billing Determinants," cells H45 and D102. This estimate is based on the assumption that only 0-1 ounce parcels reported in the Mail Characteristics Study were subject to the surcharge. The assumption is that all 1-2 ounce pieces have added enough

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advertising to reach, but not exceed, the 2 ounce threshold. It is possible that some parcels that weigh between 1 and 2 ounces were subject to the nonmachinable surcharge, but data are not available to provide an estimate.

- c. Please see the spreadsheet POIR.2.Q.1.8.10.xls filed with this response which includes the revisions reflecting the responses to questions 1, 8 and this question.