

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

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 4 OF PRESIDING OFFICER'S
INFORMATION REQUEST NO. 2
(August 3, 2010)

The United States Postal Service hereby provides its response to question 4 of Presiding Officer's Information Request No. 2, filed July 20, 2010. The question is stated verbatim and is followed by the response. The response is sponsored by Dr. Kiefer.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986, FAX: -6187
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4. Refer to USPS-R2010-4/1, "First-Class Mail Preface R2010-4.doc" at page 3 and "FirstClassMail_Worksheets_R2010-4.xls" tab 'Move Update Adjustment'. The number of First-Class mailings paying the Move Update Assessment Charge in FY 2010 Q2 is divided by the Presort First-Class Mail (letters and cards) volume for the same period, producing a ratio of mailings to volume. This percentage is then multiplied by the hybrid year Presort First-Class Mail volume (letters, flats, and cards) "to estimate total First-Class Mail volume that would pay the assessment charge for the full-year period."
- a. Multiplying the quarterly ratio of mailings to volume (cell C7) by annual volume (cell C8) produces an estimate of the annual number of mailings subject to the Move Update Assessment Charge, not the number of pieces. Please revise the calculations to incorporate the factor (assessed pieces per assessed mailing) necessary to estimate the volume of assessed pieces, as opposed to the volume of assessed mailings.
 - b. Please provide the source data for the Q2 First-Class mailings that were tested for PBV Move Update Compliance Assessment. The data should provide sufficient details about each PBV-tested mailing to enable the reproduction of the number of assessed pieces given the current (30 percent) and proposed (25 percent) tolerance levels. At the minimum, for each tested mailing, the data should include the number of pieces, the number of pieces sampled, the number of addresses in the sample with address changes on file, and the number of such addresses in the sample that were not updated. Please also provide the same data for Standard Mail.
 - c. Using the actual volumes and failure rates of Move Update PBV Assessments, please revise the calculation of percentage changes in rates for First-Class Mail and Standard Mail. The calculations should reflect two categories of volumes for Move Update Assessment Charges, (1) pieces subject to the charge at the current tolerance level; and (2) the pieces that are not subject to the charge at the current tolerance level, but are subject to the charge at the proposed tolerance level. As with other rate change calculations (*e.g.*, parcel classification changes), no assumptions should be made about changes in mailer behavior in response to the proposed classification changes.

RESPONSE:

- a. Please see POIR2.Q.4ab.xls, filed with this response. The volume of assessed pieces is shown in worksheet "Summary", cell I10.

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- b. The source data for both First-Class Mail and Standard Mail are provided in POIR2.Q.4ab.xls, worksheets "Detail < 70%" and "Detail >=70% but <75%". Note that the Postal Service does not have the number of pieces, the number of pieces sampled, the number of addresses in the sample with address changes on file, and the number of such addresses in the sample for mailings in the 70 to 75 percent category. Instead the spreadsheet calculates the average assessment for mailings in the 65 to 70 percent category, and assumes that assessment amount would apply to the mailings in the 70 to 75 percent category. See cells P1 through T6 in worksheet "Detail >=70% but <=75%".
- c. Please see POIR2.Q.4c.FCM70.xls, POIR2.Q.4c.FCM75.xls, POIR2.Q.4c.STD70.xls, and POIR2.Q.4c.STD75.xls, filed with this response. The first two workbooks calculate the percent changes for First-Class Mail using the 70 and 75 percent thresholds, respectively. These two workbooks supplement the file POIR.2.Q.1.8.10.xls filed on July 28, 2010. They also add a new row 34 in "Presort Ltrs & Crds", to include the previously omitted move update assessment in the calculation of revenue and percent changes for Presort Letters and Cards. The last two workbooks calculate the percent changes for Standard Mail using the 70 and 75 percent thresholds, respectively.