

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

**Rate Adjustment Due to Extraordinary
Or Exceptional Circumstances, 2010**

Docket No. R2010-4

**AMERICAN POSTAL WORKERS UNION, AFL-CIO
PROPOSED QUESTIONS FOR THE PUBLIC HEARINGS
ON THE UNITED STATES POSTAL SERVICE
EXIGENT REQUEST
(August 5, 2010)**

Pursuant to 39 CFR 3010.65(c) and Order No. 485 issued July 8, 2010, the American Postal Workers Union, AFL-CIO hereby submits the following suggested questions for Postal Service witnesses at the August 10 –12, 2010 public hearings on the United States Postal Service exigent request. The questions have been categorized according the Postal Service witness believed to be most capable of providing a response.

Respectfully submitted,

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Questions Related to Statement of USPS Witness James M. Kiefer:

1. On pages 15-16 of Witness Kiefer's statement, he explains that single piece users of the mail will not change their use of First Class mail because of the price increases imposed upon them.
 - a. As used in this statement, do "single piece users of the mail" include small business mailers as well as household mailers? If so, how did you reach the conclusion that the reaction of household mailers would be the same as the reaction of small business mailers? If not, what is the expectation with regard to small business mailers?
 - b. Is the expectation regarding changes in the use of First Class mail by single piece users different for those users without internet access? Did you evaluate those without internet access differently from those that use the internet?

2. On pages 23-26 of Witness Kiefer's statement, he explains that passthroughs above 100% for various categories of presort mail is "needed to mitigate rate shock, consistent with Section 3622(e)(2)(B)."
 - a. Please define "rate shock" as used by the Postal Service in determining the need to exceed the 100% passthrough requirement of Section 3622(e)(2).
 - b. Please explain how the Postal Service determined at what level of increase "rate shock" would occur. Provide any supporting analysis and studies.
 - c. The exception found in Section 3622(e)(2)(B) requires that discounts above costs avoided be necessary to mitigate rate shock **and** "will be phased out over time." Please provide a detailed explanation of how the Postal Service intends to phase out the discounts that exceed costs avoided.

3. On page 24 of Kiefer's Witness statement, he explains that the Postal Service has increased the passthrough for the automation AADC rates from 110 to 120 percent and justifies this increase pursuant to Section 3622(e)(2)(B), as necessary to mitigate rate shock. Does the law allow for an increase in a passthrough rate that the Commission has already stated is too high? If so, please provide analysis supporting this response, including reference to the applicable legal provisions permitting such an increase.

4. In order to bring the rates for First Class automation rates close to full compliance with the requirements of Section 3622(e)(2), the Postal Service could raise the First Class automated mixed AADC rate to its appropriate relationship to the proposed First Class single piece rate of 46 cents (using a 100% passthrough) and adjust the other rates accordingly based on their cost avoidances. Another option would be to maintain the current proposed set of automation rates but hold the single piece First Class increase to 1 cent.
 - a. Did you evaluate these two methods of bringing the rates into full compliance with Section 3622(e)(2)? If so, what were the projected volume and revenue impacts of doing so?
 - b. If you did not evaluate these two methods, please provide a detailed explanation of why these were not considered.
 - c. Please identify all other possible First Class mail rate designs examined before determining that the rate design proposed in this docket was optimal. What were the projected volume and revenue impacts of the alternatives?

Question Related to Statement of USPS Witness Joseph Corbett:

5. The Postal Service provided a financial briefing to the Board of Governors on August 5, 2010 and provided the third quarter financial results for FY 2010. What revisions have been made to USPS estimates of the EOY 2010 financial situation based on those more up-to-date numbers?