

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

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2 AND 3 OF
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2
(August 10, 2010)

The United States Postal Service hereby provides revised responses to questions 2 and 3 of Presiding Officer's Information Request No. 2. The original responses were filed on July 28, 2010. For question 2, the main response is unchanged. But a small correction is made to one Excel file filed with the original response: cells B87 and L87 in file "Parcel Post Hybrid BD Q309-Q210 R2010-4.xls", tab "BD Total Q3FY09-Q2FY10" are revised, as described in the response to POIR #4, Question 8 (also filed today). The revised file is titled "Parcel Post POIR2.Q2.Revd 8-10.xls."

The revised response to question 3 corrects the second paragraph of the original response to clarify that the Full Service IMb option is not currently planned as a requirement for mailpieces to qualify for automation prices.

The response to question 2 is changed only by filed the revised file. Question 3 is stated verbatim and is followed by the revised response, which is sponsored by James Kiefer.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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August 10, 2010

RESPONSE OF JAMES M. KIEFER TO QUESTION 3 OF
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2,
AS REVISED AUGUST 10, 2010

3. Refer to USPS-R2010-4/1, "First-Class Mail Preface R2010-4.doc" at pages 2-3, "Standard Mail Preface R2010-4.doc" and "Periodicals Preface R2010-4.doc" at pages 2-3, which state that the percentage usage of Full-Service IMb for March 2010 is used as a proxy for the annual percentage. The rationale given is that the upward trend in the percentage usage would cause the actual average percentage usage to underestimate the full-year percentage. Please define the conditions (*e.g.*, the length of time after implementation and/or the slowing of initial growth) that will determine when the Postal Service believes it will be appropriate to use the actual previous four quarters of billing Determinants Volume for Full-Service IMb to calculate percentage changes in rates.

RESPONSE:

At the present time, it is challenging to project Full Service IMb usage in the mail classes in which the Full Service IMb program is available. The Postal Service's approach in this docket is discussed in the prefaces to the worksheets as follows: on pages 2-3 of the First-Class Mail preface (USPS-R2010-4/1), pages 5-6 of the Standard Mail preface (USPS-R2010-4/2), and pages 2-3 of the Periodicals preface (USPS-R2010-4/3). Given that the discounts for use of the Full Service IMb option became effective only on November 29, 2009, and taking into consideration that usage requires up-front planning and investment, it is not surprising that the actual usage figures are trending upward and have not leveled off. Adoption of new technologies takes time, especially in the current economic environment.

The Postal Service expects the upward trend in usage to continue at least until May 2011, when the use of either the Basic or Full Service IMb option will be required to receive automation prices. The possibility of using a full year of data to project future Full Service IMb usage will be considered then. On the other hand, as mailer adoption of the Full Service IMb option is likely to continue its upward trend, the Postal Service

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may determine not to use a full year, fixed percentage of volume to calculate future usage until later in the adoption curve, when usage is more predictable and has leveled off.