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Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Classification and Price Adjustments for First-Class Mail and Standard Mail Initiatives

Docket No. R2011-1

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO THE UNITED STATES POSTAL SERVICE NOTICE OF MARKET DOMINANT PRICE ADJUSTMENT

(November 23, 2010)

I. INTRODUCTION

On August 16, 2010, the United States Postal Service (Postal Service) filed a notice with the Postal Regulatory Commission (Commission) stating that the Governors have authorized an adjustment to the classification language and prices for its market dominant products.[1] Three adjustments are specified: (1) a new pricing initiative for mailers of First-Class Mail automation letters titled “Reply Rides Free”; (2) a new pricing initiative for Standard Mail Saturation and High Density mailers; and (3) an increase in the Move Update assessment charge for First-Class Mail and Standard Mail mailers subject to Move Update Standards. The Public Representative assumes that the Postal Service has filed its Notice pursuant to the requirements of 39 CFR 3010.10 et seq., which provide Rules for Rate Adjustments for Rates of General Applicability (Type 1-A and 1-B Rate Adjustments).

[1] United States Postal Service Notice of Market Dominant Price Adjustment, August 16, 2010 (Notice).

The Public Representative believes that the Postal Service's proposals generally comport with the provisions of Title 39 of the United States Code, and are in the best interests of the general public. However, (1) the price cap calculations exhibited in the Notice are flawed and should be corrected, (2) various assumptions relied upon for calculating percentage changes in rates are unsupported and should be clarified, and (3) the Mail Classification Schedules language proposed by the Postal Service does not sufficiently inform the public of the parameters of the various incentive programs and should be augmented with additional information.

II. APPLICATION OF PRICE CAP RULES

The Public Representative observes that the Postal Service did not follow the price cap calculation rules for either Type 1-A or Type 1-B rate adjustments in its Notice. The Public Representative assumes that since the Postal Service did not indicate the use of any unused rate adjustment authority from Docket Nos. R2008-1 or R2009-2, the rules for Type 1-A rate adjustments are applicable.

Under the Commission's rules, unused rate adjustment authority is generally calculated as the difference between the annual limitation and the actual change in rates. Since, the Postal Service did not calculate the annual limitation, it was unable to correctly calculate the new unused rate adjustment authority.

The Public Representative believes the calculations discussed below and in PublicRep.xlsx (appearing as an attachment to these comments) should be incorporated into the Commission's final order because the Postal Service requests both increases and decreases in rates. This will ensure that the Postal Service's future rate adjustments have an accurate calculation of unused rate adjustment authority, and future annual limitations.

A. Calculation of Annual Limitation

The Commission's rules explain that the annual limitation, *i.e.,* the 12-month percentage change in CPI-U, is the ratio of two 12-month averages of CPI-U figures twelve months apart, minus one. *See* CFR 3010.21. The annual limitation, based on the data available at the time of the Postal Service's Notice is calculated as shown in Table I.[2]

Table I: Annual Limitation Calculation

Components	12-Month Index	Value
R2011-1 Recent Average	September 2010 12-Month Average	217.369
R2011-1 Base Average	September 2009 12-Month Average	213.768
Annual Limitation	((R2011-1 Recent Average) / (R2011-1 Base Average)) -1	1.685%

Source: PublicRep.xlsx, tab: "Annual Limitation"

B. Calculation of Actual Change in Rates

The calculation of percentage change in rates is required by rule 39 CFR 3010.23(d). The Postal Service first makes adjustments to billing determinants to account for the classification changes concerning the Reply Rides Free program, Saturation High Density Incentive program, and the increase in Move Update Assessment Charge threshold. The Postal Service then calculates the changes in rates for First-Class Mail and Standard Mail that are shown in Table II.[3] For purposes of this

[2] The annual limitation also appears on the Commission website at prc.gov, tab: CPI-U, September 2010 "12-Month Change in CPI-U".

[3] The reasonableness of the assumptions used to make the adjustments is discussed in Section III, IV, and V of these comments.

section, the Public Representative assumes the Postal Service's calculation of the actual percentage change in rates is correct.

Table II: Actual Percentage Change in Rates

Class of Mail	Percentage Change in Rates
First-Class Mail	-0.010%
Standard Mail	-0.024%

Source: Notice at 8.

C. Calculation of Unused Rate Adjustment Authority

The rules explain how unused rate adjustment authority is calculated in every instance when the Postal Service files a notice of rate adjustment. *See* 39 CFR 3010.26 for the specific calculations.

Because the Postal Service has waited longer than 12 months since its last rate adjustment, the unused rate adjustment authority is calculated pursuant to 39 CFR 3010.26(c). This rule specifies a three step process for calculating unused rate adjustment authority applicable when rate adjustments are greater than 12 months apart. The first step, 39 CFR 3010.26(c)(1), requires taking the difference of the maximum allowable percentage change in rates and the actual percentage change in rates.

> The unused rate authority for the 12 months represented by the annual limitation is computed as described in paragraph (b) of this section;

39 CFR 3010.26(c)(1). This rule directs the reader to paragraph (b), which states:

> …the new unused rate authority for each class is equal to the difference between the maximum allowable percentage change in rates under the applicable rate limitation and the actual percentage change in rates for that class.

39 CFR 3010.26(b).

The maximum allowable percentage change in rates for each class in the instant docket is equal to the annual limitation previously calculated in section A as 1.685 percent (*see* Table I). This is because the Postal Service decided not to use any unused rate adjustment authority from previous rate adjustments (Docket Nos. R2008-1 and R2009-2). The actual percentage change in rates was previously reported in section B as -0.010 percent and -0.024 percent (*see* Table II). The actual percentage change in rates is subtracted from the maximum allowable percentage change in rates. Table III shows the results of this step, 39 CFR 3010.26(c)(1), in the calculation of unused rate adjustment authority for First-Class Mail and Standard Mail.

Table III: Step One Unused Rate Adjustment Authority

Class of Mail	**Maximum Allowable Percentage Change in Rates**	**Actual Percentage Change In Rates**	**Difference**
	(1)	**(2)**	**(3)=(1)-(2)**
First-Class Mail	1.685%	-0.010%	1.695%
Standard Mail	1.685%	-0.024%	1.709%

Source: PublicRep.xlsx, Tab: “R2011-1 URAA”

Step two, 39 CFR 3010.26(c)(2), of the three step process, calculates the additional unused rate adjustment authority. For discussion purposes, this will be referred to as “interim authority.” This calculation allows the Postal Service to request rate adjustment greater than 12 months apart, and have the potential for longer periods with no price increases. Rule 39 CFR 3010.26(c)(2) states:

> The additional unused rate authority accrued is measured by dividing the Base Average applicable to the instant notice of rate adjustment (as developed pursuant to § 3010.21(a)) by the Recent Average utilized in the previous notice of rate adjustment (as developed pursuant to § 3010.21(a)) and subtracting 1 from the quotient. The result is expressed as a percentage;

39 CFR 3010.26 (c)(2).

As shown in Table IV, the “Base Average” applicable to the instant notice of rate adjustment is the September 2009 12-month average (213.768). The “Recent Average” utilized in the previous notice of rate adjustment is the December 2008 12-month average (215.303). Finally, to calculate the interim authority the ratio of these two figures, minus one, is calculated.

Table IV: Step Two Calculation of Interim Authority

Components	12-Month Index	Value
R2011-1 Base Average	September 2009 12-Month Average	213.768
R2009-2 Recent Average	December 2008 12-Month Average	215.303
Interim Authority	((R2011-1 Base Average) / (R2009-2 Recent Average)) -1	-0.713%

Source: PublicRep.xlsx, tab: “Annual Limitation”

The final step in the three step process, 39 CFR 3010.26(c)(3), adds the unused rate adjustment authority to the interim authority to arrive at the total unused rate adjustment authority (*i.e.,* “[t]he results from step 1 and step 2 are added together”) for each class to arrive at the total unused rate adjustment authority generated by the rate adjustment, shown in Table V.

Table V: Step Three Total Unused Rate Adjustment Authority Generated in Docket No. R2011-1

Class of Mail	Step One: Generated Unused Rate Adjustment Authority	Step Two: Generated Interim Authority	Sum Step One Authority and Ste Two Authority
	(1)	(2)	(3) = (1) + (2)
First-Class Mail	1.695%	-0.713%	0.982%
Standard Mail	1.709%	-0.713%	0.996%

D. Future Use of Unused Rate Adjustment Authority

Rule 39 CFR 3010.27 allows the Postal Service to use a first-in, first-out (FIFO) method to use unused rate adjustment authority. Table VI, below, shows the unused rate adjustment authority available for First-Class Mail and Standard Mail in the order it must use it in future rate adjustments (R2008-1, then R2009-2, then R2011-1).

Table VI: Unused Rate Adjustment Authority Available for Future Rate Adjustment

Class of Mail	R2008-1 Unused Rate Adjustment Authority	R2009-2 Unused Rate Adjustment Authority	R2011-1 Unused Rate Adjustment Authority	Sum Unused Rate Adjustment Authority
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
First-Class Mail	0.014%	0.030%	0.982%	1.026%
Standard Mail	0.062%	0.041%	0.996%	1.099%

Rule 39 CFR 3010.28 limits the maximum amount of unused rate adjustment used in a rate adjustment at the lesser of two percent or the sum of all available unused rate adjustment authority. Column (4) in Table VI shows that neither the sum of the unused rate adjustment authority for First-Class Mail nor Standard Mail exceeds two

percent; therefore each class may use all of the unused rate adjustment authority shown in column (4) at the time of the next rate adjustment.

E. Future Rate Adjustments

At the time of the next general rate adjustment, the annual limitation for First-Class Mail and Standard Mail will differ from that of Periodicals, Package Services, and Special Services. The rate adjustment requested in the instant docket "restarts the clock" for First-Class Mail and Standard Mail. If, for example, the instant docket is approved, and the Postal Service files a Notice of Rate Adjustment for all classes of mail using the January 2011 12-month average, the Base Average for First-Class Mail and Standard Mail will be the September 2010 figure, while the Base Average for the other classes of mail (Periodicals, Package Services and Special Services) will be the January 2010 figure. In this example, the calculation of the annual limitation for First-Class and Standard Mail will follow 39 CFR 3010.22 (less than annual limitation), and the annual limitation for Periodicals, Package Services, and Special Services will be calculated using 39 CFR 3010.21, and include a calculation of interim authority using 39 CFR 3010.26(c).

F. Postal Service Response to Chairman's Information Request No. 1

The Postal Service filed a response to Chairman's Information Request No. 1 concerning the price cap calculations.[4] In its Response, the Postal calculates the 12-month change in CPI-U correctly at 1.685 percent as of November 2, 2010. Response at 4. The Postal Service also correctly calculates interim authority of -0.713 percent. Response at 6. However, the Postal Service's application of 39 CFR 3010.26 is incorrect because this rule only requires the calculation of unused rate adjustment

[4] Response of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 1, November 16, 2010 (Response).

authority, not the use of any generated authority. Since the Postal Service is filing a Type 1-A adjustment, there are several flawed and unnecessary calculations in the Postal Service's Response that are discussed below.[5]

First, in Table 2 of the Response, the Postal Service adds the "3010.26.c Look-back" (aka Interim Authority) to the 12-month average to obtain the "General Price Cap". Response at 6. This is incorrect. The Interim Authority is unused rate adjustment authority, and can be used as described in 39 CFR 3010.25 and 3010.28. Therefore, the Postal Service has the option to use unused rate adjustment authority, but is never required to add it to the annual limitation as the Postal Service does in Table 2 of the Response.

Second, in Table 3 of the Response, the Postal Service continues to base its price cap on the addition of the Annual Limitation and the "3010.26.c.2 Adjustment", which is incorrect. In Table 3 of the Response, the Postal Service takes the "General Price Cap" and adds it to the "Unused Authority" to calculate the "Class Price Cap Authority." Since the Postal Service has chosen not to use unused rate adjustment authority it the instant docket these calculations are superfluous to the Commission's rules. The Postal Service goes on to uses this incorrect "Class Price Cap Authority" in Table 5 of the Response, which is therefore also unnecessary.

Third, in Tables 4 and 6 of the Response, the Postal Service adds in unused rate adjustment authority from Docket Nos. R2008-1 and R2009-2 to the annual limitation, which is unnecessary because the Postal Service did not to use any of this authority. Therefore, Tables 4 and 6 of the Response are unnecessary for purposes of the instant docket. Table 6 of the Response goes on to calculate "New Class Authority" as the sum

[5] The Postal Service states that it has filed a Type 1-B adjustment. Response to CHIR No. 1 at 7. This is incorrect. CFR 3010.4 states, "A Type 1–B rate adjustment is a rate adjustment which uses unused rate adjustment authority in whole or in part. A rate adjustment using unused rate adjustment authority may not result in an increase for the class that exceeds the applicable annual limitation plus 2 percentage points." The Postal Service has not chosen to use any unused rate adjustment authority in the instant docket.

of unused rate authority from Docket Nos. R2008-1, R2009-2, and the proposed authority from R2011-1. This is incorrect, because the unused rate adjustment authority included in the sum expires at different times and must be used on a first-in, first-out basis. *See* PublicRep.xlsx, tab: URAA FIFO for an accurate accounting of unused rate adjustment authority and dates the unused authority is scheduled to expire.

An additional flaw concerns the Postal Service statement, “the adjustment would not apply because the period prior to the last 12 months was a period of deflation, and the Postal Service has filed a Type 1-B filing”. [6] The Commission’s rules do not distinguish between inflationary or deflationary periods; therefore the rules should be followed at all times, even if it results in negative unused rate adjustment authority. This will ensure that the rules are followed consistently and not interpreted to benefit any specific postal stakeholder.

The Postal Service concludes that:

> Because the net effect of the changes was an average price decrease (or an increase [of] the Postal Service’s banked authority) in both First-Class and Standard Mail, the approach used balanced the uncertainty with the need to move forward with these proposals in an expeditious manner.

Response at 3. While it is true that there are overall decreases in prices for Standard Mail and First-Class Mail, there are increases in prices for Move Update Assessments. In previous dockets, such as Docket No. R2009-4, the Postal Service has requested rate decreases and no credit to their unused rate adjustment authority. The Commission has approved these adjustments. However, in the instant docket the Postal Service is requesting an unused rate adjustment credit for the decrease in rates. Therefore, the Public Representative believes it is necessary to incorporate the

[6] As discussed before the Postal Service’s filing appears to be a Type 1-A adjustment since it did not use any of its unused rate adjustment authority.

calculations presented in these comments and PublicRep.xlsx, to ensure the price cap rules are applied consistently and correctly in all circumstances.

The Public Representative disagrees with the Postal Service's statement that it "does not believe that any revision to its November 2, 2010 Notice in this docket is appropriate." Response at 8. The Public Representative believes it is necessary to include accurate annual limitation and unused rate adjustment authority calculations in the instant docket to ensure that the Commission's rules are followed consistently, and do not vary to benefit any group of postal stakeholders now or in the future. Therefore, the Public Representative believes the calculations presented in these comments and PublicRep.xlsx should be incorporated into the Commission's final order.

III. REPLY RIDES FREE

The Reply Rides Free program effectively allows a First-Class Mail automation letter mailpiece weighing more than one ounce, but less than one and two-tenths ounces, to pay the one ounce price when the letter includes a reply card or reply envelope.

The Public Representative believes this program may be beneficial to the public, mailers, and the Postal Service. The public may benefit from the convenience of receiving an appropriately sized return envelope or card, while the mailer may find it more likely to receive a response from the recipient. The Postal Service may benefit from increased mail volume.

A. Financial Analysis

The Postal Service is required to make reasonable adjustments to billing determinants when requesting rate adjustments. *See* 39 CFR 3010.23(d). In making these adjustments, the Postal Service assumes that the volume for statements and transactions is 26.5 billion, 8 percent of these transactions will participate in the Reply Rides Free program, and 1.3 percent of a participant's volume is between 1 ounce and 1.2 ounces. These assumptions result in 28 million pieces weighing between 1 ounce and 1.2 ounces paying the 1 ounce rate (Reply Rides Free participants).[7]

The Postal Service does not support or provide a rational for these assumptions. However, the adjustments are shown to cause a slight decrease in rates, which is the correct outcome based on the incentive. Therefore, the Public Representative believes the assumptions are reasonable.

[7] The Pubic Representative requests that the Postal Service be directed to incorporate the Reply Rides Free program volumes and revenues into all future First-Class Mail quarterly billing determinants.

B. Reply envelope or reply card requirements

The Public Representative is concerned over the possibility of potential mailer abuse of the Reply Rides Free program. An additional requirement for participation in the program should be included (if not already required) which requires that the reply envelope or reply card must be associated with a response to the original mail owner. Reply envelopes or reply cards that are not associated with the mail owner, *e.g.,* returnable advertising inserts, should not qualify.

The Public Representative assumes that a reply envelope or reply card associated with the mail owner has a more likely chance of being returned than an unrelated advertising insert. Thus, restricting qualifying return mailpieces to those associated with the mail owner should provide more benefit to the Postal Service than allowing advertising inserts to qualify. Without a return mailpiece restriction, only the mailer may benefit, and not the Postal Service, by being allowed to mail additional advertising at a reduced rate. This may needlessly lead to lost Postal Service revenue.

C. Mail Classification Schedule

The Mail Classification Schedule language proposed by the Postal Service does not provide an adequate description of the incentive program.

> *Reply Rides Free Program*
>
> Provides a per-piece credit (equal to the amount paid for the second ounce) on all qualifying pieces mailed during the program period above an established threshold, for mailers enrolled in the program. Qualifying pieces must be automation First-Class Mail letters mailed under the full-service Intelligent Mail Option and must contain a reply card or envelope, either courtesy reply or business reply.

See Request, Appendix A, at 2. This language fails to inform potential customers of important information in regard to qualifying for the incentive program. The proposed language also may allow the Postal Service to modify important parameters of the incentive program without having to seek the Commission's further approval.

The Public Representative proposes the following Mail Classification language to provide a more robust description of the incentive program. The Public Representative requests that the Commission consider incorporating this language into its final order, assuming approval of the incentive program.

Reply Rides Free Program

a. The Reply Rides Free Program provides a per-piece credit equal to the amount paid for the second ounce on all qualifying pieces mailed to mailers enrolled in the program. The program is structured as an annual incentive.

b. Qualifying pieces must contain a reply card or envelope, either courtesy reply or business reply.

c. Qualifying pieces must weigh more than one (1) ounce and no more than one and two-tenths (1.2) ounces.

d. Qualifying pieces must be automation First-Class Mail letters mailed under the full-service Intelligent Mail Option. Exception: First-Class Mail automation letters will qualify until May 1, 2011.

e. Companies that mailed First-Class Mail Presort and Automation Letters in FY 2009 and FY 2010 qualify to take advantage of this initiative. The volume commitment is defined as the trend in a mailer's First-Class Mail Presort and Automation Letter volumes in FY 2009 and FY 2010 plus 2.5 percent. Customers who did not mail in these categories in FY 2009 will not be able to participate. All presort and automation letter volume will count towards the volume threshold(s), but mail that is presorted without being automation-eligible would not qualify for the incentive.

IV. SATURATION AND HIGH DENSITY INCENTIVE

The Postal Service requests approval of a new Saturation and High Density Incentive Program to “encourage Standard Mail Saturation and High Density customers to increase their mail volume by rewarding them with a rebate on incremental mail pieces above a predetermined volume baseline.” Notice at 4. Given that High Density and Saturation Letters and Flats exhibited high cost coverages in FY 2009, the Public Representative believes the incentive may be beneficial to grow existing volumes on price categories that already provide a healthy contribution to institutional costs, with little risk to Postal Service revenues.

The proposed credits for eligible participants are shown in Table VII.

Table VII: Saturation and High Density Incentive Program Credits

Price Categories	Per-Piece Credit of Average Revenue Per Piece on Incremental Volume above Threshold
Commercial Saturation Letters and Flats	22 percent
Nonprofit Saturation Letters and Flats	8 percent
Commercial High Density Letters and Flats	13 percent
Nonprofit High Density Letters and Flats	8 percent

A. The Saturation and High Density Incentive Program supersedes the Saturation Mail Volume Incentive Program

The Postal Service, in the text of its Request, fails to mention that the “Saturation and High Density Incentive Program” supersedes the “Saturation Mail Volume Incentive Program.” However, the Postal Service does indicate that this is the case in its proposed Mail Classification Schedule language. Request, Appendix A, at 4, 6.

The Public Representative requests that the Commission confirm that the "Saturation Mail Volume Incentive Program" will no longer be available to mailers upon approval of the "Saturation and High Density Incentive Program." If confirmed, the Public Representative also requests that the Commission's final order indicate this fact and direct removal of all references to the discontinued "Saturation Mail Volume Incentive Program" from the draft Mail Classification Schedule.

B. Financial Analysis

The Postal Service bases volumes for the Incentive on FY 2009 distributions. However, the Postal Service does not provide a source for the data on participating customers or participating customer volume (*See* USPS-R2011-1-2_Std_Mail_Worksheets.xlsx, tab: HD-Sat Incentive Data). The Postal Service should provide a source to these figures, so that the Commission can verify the accuracy of the adjustments.

In Library Reference "USPS-R2011-1-2_Std_Mail_Worksheets.xlsx" the Postal Service calculates the "The Revenue @ Current Prices" using the full price not the price including the credits approved in Docket No R2009-2 for Saturation Letters and Saturation Flats. The Public Representative believes the Postal Service should provide a recalculation of the percentage change in rates for Standard Mail to reflect the current prices approved in Docket Nos. R2009-2 to determine the actual percentage change in rates as a result of the new Incentive. The Public Representative believes the new incentive may result in a decrease in the per-piece credit available to eligible mailers compared to the former Saturation Mail Volume Incentive Program, which may translate into a rate increase for some mailers.

C. Incentive termination date

The Postal Service explains that “[t]he volume baseline for each participant will be the aggregate total Standard Mail Saturation and High Density volume in calendar year 2010 plus 5.0 percent.” Request at 4.

This implies that the incentive will only be in effect for calendar year 2011. Otherwise, a calendar year 2012 incentive could be based upon old, 2010, volumes and not provide an appropriate incentive in calendar year 2012, if a mailer’s 2011 volumes already exceeded its calendar year 2010 volumes (plus 5.0 percent).

Therefore, the Public Representative requests that the Commission either clarify whether the Postal Service meant to base the incentive on “previous calendar year volumes” and not on calendar year 2010 volumes, or include a termination date for this incentive program with an end date of the close of calendar year 2011 in its final order (assuming approval).

D. Mail Classification Schedule

The Mail Classification Schedule language proposed by the Postal Service does not provide an adequate description of the incentive program.

> *Saturation and High Density Incentive Program*
>
> Commercial Saturation Letters: Provide a per-piece credit of 22 percent of the average revenue per piece during the program period, on incremental volume above an established threshold, for mailers that comply with the enrollment and eligibility requirements of the program.
>
> Nonprofit Saturation Letters: Provide a per-piece credit of 8 percent of the average revenue per piece during the program period, on incremental volume above an established threshold, for mailers that comply with the enrollment and eligibility requirements of the program.
>
> Commercial High Density Letters: Provide a per-piece credit of 13 percent of the average revenue per piece during the

> program period, on incremental volume above an established threshold, for mailers that comply with the enrollment and eligibility requirements of the program.
>
> Nonprofit High Density Letters: Provide a per-piece credit of 8 percent of the average revenue per piece during the program period, on incremental volume above an established threshold, for mailers that comply with the enrollment and eligibility requirements of the program.

See Request, Appendix A, at 4, 6 (the language above is applicable to letters, similar language is provided that is applicable to flats). The language fails to inform potential customers of important information in regard to qualifying for the incentive program. The proposed language also may allow the Postal Service to modify important parameters of the incentive program without having to seek the Commission's further approval.

The Public Representative proposes the following Mail Classification language to provide a more robust description of the incentive program.[8] The Public Representative requests that the Commission consider incorporating this language into its final order, assuming approval of the incentive program.

> *Saturation and High Density Incentive Program*
>
> a. The Saturation and High Density Incentive Program provides a current Saturation and High Density customer a rebate in the form of a credit on incremental mail volume which exceeds the customer's aggregate total Standard Mail Saturation and High Density volume in calendar year 2010 plus 5 percent.
>
> - Commercial Saturation Letters may qualify for a per-piece credit of 22 percent of the average revenue per piece.

[8] The Public Representative's proposed language is provided for the High Density and Saturation Letters product. Appropriate modifications have to be made to make this language applicable to the High Density and Saturation Flats/Parcels product.

- Nonprofit Saturation Letters may qualify for a per-piece credit of 8 percent of the average revenue per piece.
- Commercial High Density Letters may qualify for a per-piece credit of 13 percent of the average revenue per piece.
- Nonprofit High Density Letters may qualify for a per-piece credit of 8 percent of the average revenue per piece.

b. Mailers must be current Saturation or High Density customers with at least 6 combined Saturation or High Density mailings in FY 2010.

c. Mailers must be the permit holders (*i.e.,* owners) of a permit imprint advance deposit account(s) at a postal facility having PostalOne! capability, or the owners of qualifying mail volume entered through the permit imprint advance deposit account of a mail service provider at a postal facility having PostalOne! capability.

d. Only volume from mail owners will be eligible. Mail Service Providers and customers supplying inserts, enclosures, or other components included in the Saturation or High Density mailings of another mailer are not eligible to participate.

e. Mailers must electronically submit postage statements and mailing documentation to the Postal One! system for the duration of the specified period. Applicants choosing to participate within a defined market area(s) must electronically submit postage statements and mailing documentation to Postal One! using Mail.dat or Mail.XML. All other applicants may optionally submit postage statements via Postal Wizard.

f. Customers are prohibited from participating in any other Standard Mail incentive or “sale” which includes the Saturation or High Density products during their participation in the Saturation and High Density Incentive.

g. Customers will be given the option to participate under a Total Market (or National) Volume of a Specific Geographic Markets model.

- Total Market (or National) Volume – Customers are measured by their total national mail volume of Saturation and High Density mail. Customers must demonstrate increased total volume of Saturation and High Density mail letters and flats over the base year for their total market.
- Specific Geographic Markets – Customers will designate specific geographic target markets or specific USPS Sectional Center Facilities (SCFs) to demonstrate increased volume over their predetermined baseline. Customers can select up to 20 individual SCF areas in which to participate or up to 5 target markets (consisting of multiple contiguous SCFs). All geographic areas must be approved by the USPS during the application process. Customers will be required to have made the qualifying 6 mailings during FY 2010 for each market in which they plan to participate.

V. INCREASE IN MOVE UPDATE ASSESSMENT CHARGE THRESHOLD

For First-Class Mail and Standard Mail that is subject to Move Update Standards, the Postal Service proposes to increase the threshold for application of the Move Update Assessment Charge from 70 to 75 percent (a reduction in the tolerance from 30 to 25 percent). In Docket No. R2010-1, the Postal Service explained, "[i]nitially, the Postal Service will use a tolerance of 30 percent. We intend to reduce this tolerance as necessary to ensure that address quality improves (after providing the appropriate public notice)."[9]

In adjusting the billing determinants to reflect the proposed change, the Postal Service assumes that the same mailers subject to the Move Update Assessment Charge at the 70 percent threshold also will pay the assessment at the 75 percent threshold. The Postal Service also assumes that the same proportion of mailers that withdrew their mailings between the 65 percent level and the previous 70 percent threshold (in FY 2010 Quarters 2 and 3) will also withdraw their mailings between the 70 percent level and the newly proposed 75 percent level. The Public Representative believes these assumptions are reasonable.

It has been one year since the Commission approved the Move Update Assessment Charge with a 30 percent tolerance.[10] The Public Representative believes the Postal Service's request to decrease the tolerance to 25 percent is not unreasonable. The proposed change may result in more mailers being subject to the Move Update Assessment Charge, and result in a small revenue increase to the Postal Service. The proposed change also may increase the incentive for mailers to comply with Move Update Standards, and result in the more efficient processing of mail.

[9] United States Postal Service Notice of Market Dominant Price Adjustment and Classification Changes, October 15, 2009 at 3-4 [footnotes omitted].

[10] Order No. 348, Order Reviewing Price Adjustment and Classification Changes Related to Move Update Assessments, November 25, 2009.

VI. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

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Calculation of Annual Limitation
And Interim Authority

As of November 2, 2010

Row	Month-Year	BLS Monthly CPI-U Index	12-Month Average CPI-U Index	R2011-1 Component
	(a)	(b)	(c)	(d)
1	D-08	210.228	215.303	Docket No. R2009-2 Recent Average
2	J-09	211.143	215.3	
3	F-09	212.193	215.3	
4	M-09	212.709	215.3	
5	A-09	213.240	215.1	
6	M-09	213.856	214.9	
7	J-09	215.693	214.7	
8	J-09	215.351	214.3	
9	A-09	215.834	214.0	
10	S-09	215.969	213.768	Docket No. R2011-1 Base Average
11	O-09	216.177	213.7	
12	N-09	216.330	214.1	
13	D-09	215.949	214.5	
14	J-10	216.687	215.0	
15	F-10	216.741	215.4	
16	M-10	217.631	215.8	
17	A-10	218.009	216.2	
18	M-10	218.178	216.5	
19	J-10	217.965	216.7	
20	J-10	218.011	217.0	
21	A-10	218.312	217.2	
22	S-10	218.439	217.369	Docket No. R2011-1 Recent Average

Annual Limitation 1/		
R2011-1 Recent Average:	217.4	A= d22
R2011-1 Base Average:	213.8	B= d10
Annual Limitation:	**1.685%**	C= A / B - 1

Interim Authority 2/		
R2011-1 Base Average	213.8	D= d10
R2009-2 Recent Average	215.3	E= d1
Annual Limitation:	**-0.713%**	F= D / E -1

Calculation of Unused Rate Adjustment Authority (URAA)

for Standard Mail and First-Class Mail

Annual Limitation:	**1.685%**	1/
First Class Mail		
Actual Change in Rates:	-0.010%	2/
CFR 2010.26(c)(1) URAA	1.695%	3/
CFR 2010.26(c)(2) URAA	-0.713%	4/
CFR 2010.26(c)(3) Total URAA	**0.982%**	**5/**
Standard Mail		
Actual Change in Rates:	-0.024%	6/
CFR 2010.26(c)(1) URAA	1.709%	7/
CFR 2010.26(c)(2) URAA	-0.713%	8/
CFR 2010.26(c)(3) Total URAA	**0.996%**	**9/**

1/ Tab: Annual Limitation, Cell: C70
2/ USPS-R2011-1-1_FCM_Worksheets.xlsx, tab: "Percent Change Summary", Cell: E9
3/ = 1/ - 2/
4/= Tab: Annual Limitation, Cell: C75
5/=3/ + 4/
6/ USPS-R2011-1-2_Std_Mail_Worksheets.xlsx, tab: "Price Change Summary", Cell: C14
7/ = 1/ - 6/
8/= Tab: Annual Limitation, Cell: C75
9/= 7/ + 8/

Unused Rate Adjustment Authority

Summary by Class

As of November 2, 2010

Class of Mail	R2008-1 Unused Rate Adjustment Authority 1/	R2009-2 Unused Rate Adjustment Authority 2/	R2011-1 Unused Rate Adjustment Authority 3/	Sum Unused Rate Adjustment Authority
(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)
First Class Mail	0.014%	0.030%	0.982%	1.026%
Standard Mail	0.062%	0.041%	0.996%	1.099%
Expiration Date of Generated Authority:	2/12/2013	2/11/2014	11/1/2015	

1/ Order No. 69 for Standard Mail and Order No. 66 for First Class Mail
2/ Order No. 201 for Standard Mail and Order No. 191 for First Class Mail
3/ Tab: R2011-1 URAA