

FIRST-CLASS MAIL CAP COMPLIANCE

I. PREFACE

The overall percentage increase for First-Class Mail is 2.570 percent, equal to the annual limitation authority of 2.570 percent. USPS-LR-R2013-1/1 contains the workpapers which demonstrate that the percentage change in First-Class Mail prices complies with the Available Rate Change Authority. It consists of this summary document, and one set of Excel workpapers described in detail below.

II. ORGANIZATION

For purposes of calculating the percentage change in prices, First-Class Mail includes both domestic First-Class Mail and Single-Piece First-Class Mail International (FCMI). The Excel file labeled **CAPCALC-FCM-R2013.xls** contains the billing determinants, current prices, adjusted prices and revenue calculations for First-Class Mail. The percentage rate change calculations in this file include total revenue and volume from Outbound and Inbound Single-Piece First-Class Mail International (FCMI) derived from the Excel files labeled **CAPCALC-FCMI-R2013.xls** and **Inbound CAPCALC-FCMI-R2013.xls**, respectively. These two files contain the billing determinants, current prices, adjusted prices, and revenue calculations for Outbound and Inbound Single-Piece FCMI. Details of the International price change including the above two files are provided in USPS-LR- R2013-1/NP1.

The remainder of this document describes the contents of the above referenced workpaper: CAPCALC-FCM-R2013.xls.

III. First-Class Mail

A. Billing Determinants

As described below, the workpapers in CAPCALC-FCM-R2013.xls are based upon the hybrid billing determinants using the last quarter of FY2011 and the first three quarters of FY2012. After the cover page and the index there are twenty tabs. There are two tabs for the billing determinants. "Quarterly BDs" provide the First-Class Mail billing Determinants by quarters. The next tab "Hybrid Yr. Billing Determinants" adds up the relevant quarters to get the hybrid year weights used in the preparation of this filing.

The next two tabs, "Mail to Mobile Promotions" and "Earned Val. Rply Mail Promotion" deal with the historical data used to recover the forgone revenue resulting from some of the promotions offered in calendar year 2013. The "Mail to Mobile Promotions" tab uses the data from a report that was filed with the Postal Regulatory Commission on November 25, 2011. The report is titled "2011 Mobile Barcode Promotion Program Data Collection Report". This data that provides the

shape differentiation are then distributed to the appropriate rate cells using the hybrid billing determinants. The forgone revenue is calculated by estimating the difference in revenue using proposed prices and promotional prices.

The next tab uses the data provided in “Derivation of Volumes for Earned Value Reply Promotion” – UPS-LR-R2013-1/6. This eligible volume is multiplied by the proposed per-piece postage credit to derive the forgone revenue for this promotion.

Tab “SP Residual Pieces” provides the data for single-piece residual pieces by ounce increments to estimate the volume and additional ounces associated with residual pieces.

B. Revenue and Percentage Rate Change Calculations

The prices for each First-Class Mail rate cell are presented in USPS Notice of Price Adjustment, Attachment A.

As explained above, in CAPCALC-FCM-R2013.xls, the hybrid billing determinants were used as the basis for the weighting to calculate the percentage rate changes for domestic First-Class Mail.

A tab titled “Cost Avoidances” presents the mail processing and delivery costs (wherever applicable) that are used in calculating workshare discounts. The following pair of CAPCALC-FCM-R2013.xls tabs -- “Single-Piece” and “Presort” -- provides the volume multiplied by the current and adjusted rates for single-piece and presort price cells, respectively. Most of the volume cells are linked to the previous tabs. Revenue is calculated by multiplying the same volume by the current and adjusted rates.

The next four tabs in CAPCALC-FCM-R2013.xls, provide the same information for each of the following:

- *SP [Single-Piece] Letters and Cards;*
- *Presort Letters & Cards;*
- *Flats;*
- *Parcels.*

These tabs provide the Before and After Rates postage using the same volume, and calculate the percent increase for each product.

The next tab, ‘FCM International’ provides the before and after revenues for all the Outbound and Inbound categories as discussed above.

The next tab, 'Percent Change Summary' provides percent changes for the products within First-Class Mail and FCM International.

The next three tabs titled:

- *First-Class Single-Piece*
- *First-Class Discount Letter*
- *First-Class Discount Flats and*

provide the current and new prices for each price cell, and the resulting percent change for each price cell.

The last three tabs in CAPCALC-FCM-R2013.xls are:

- *Passthru FCM SP Letters, Cards*
- *Passthru FCM Bulk Ltrs, Cards*
- *Passthru FCM Flats*

The discounts in these tabs are calculated on the basis of the adjusted Docket No. R2013-1 prices. The cost avoidances match the estimates used in ACD 2011 in the relevant First-Class Mail section.

Passthroughs that are above 100 percent are discussed in USPS Notice of Price Adjustment, in the section Workshare Discounts.