

**USPS-LR-R2013-1/2
Standard Mail Cap Compliance**

I. PREFACE

The overall percentage increase for Standard Mail is 2.570 percent, equal to the annual limitation authority of 2.570 percent. USPS R2013-1/2 contains the workpapers which demonstrate that the percentage change in Standard Mail prices complies with the Available Rate Change Authority. It consists of this summary document, and two sets of Excel workpapers described in detail below.

II. ORGANIZATION

A. Overview of the Workpapers

The Standard Mail workpapers consist of two Excel workbooks, CAPCALC-STD-R2013.xls, that performs the revenue calculations required to determine the overall average price increase for Standard Mail resulting from the prices in this filing and Mail to Mobile Promotions-STD-R2013.xls, which calculates the dollar amount of the revenue forgone resulting from mail to mobile promotions based on actual historical volume data.

The workbook, CAPCALC-STD-R2013.xls, takes the FY 2011Q4-FY 2012Q3 billing determinants volume weights and, using current and new prices, develops the total Standard Mail revenues at current and new prices. The details of these calculations are described in subsection (B), below, and in the first worksheet in CAPCALC-STD-R2013.xls, titled "Description," which provides references to specific worksheets in the workbook. The last worksheet in CAPCALC-STD-R2013.xls performs the price change calculation for Standard Mail, showing that the overall price change is below the cap. It also calculates the Banked authority for Standard Mail resulting from the filing.

B. The Revenue Calculations

The adjusted billing determinants are used to calculate the price increase for Standard Mail in workbook CAPCALC-STD-R2013.xls. The data and calculations are described in the first worksheet "Description" and in the individual worksheets. The volumes used for the revenue calculations are taken from the FY 2011Q4-FY 2012Q3 Standard Mail billing determinants and are shown in worksheets "L-F-P Com. Cap Weights," "L-F-P NP Cap Weights," "Parcels-Regular Samples Wts," "HD-Sat-CR Com. Cap Wts.," "HD-Sat-CR NP Cap Wts.," and "Parcels-NP Samples Wt.s" As described in the "Description" worksheet, the billing determinants were adjusted to (i) reflect the new Simple Samples pricing structure, and (ii) introduction of High Density Plus price tier for

letters and flats in High Density and Saturation Letters and High Density and Saturation Flats.

The prices are the current Standard Mail prices from the MCS rate schedules and the new prices set forth in Attachment A to the Postal Service's Notice of Market-Dominant Rate Adjustment. The revenue calculations are presented in the four worksheets: "LFP Revenue@Current Prices," "LFP Revenue@New Prices," "HD-Sat-CR Revenue@Curr. Prices," and "HD-Sat-CR Revenue@New Prices." The final revenue calculation and percentage price increase for Standard Mail as a whole is presented in worksheet "Price Change Summary," which also contains the calculation of Banked authority and the average revenue calculation for all commercial and all nonprofit Standard Mail, showing that the new prices meet the 60 percent ratio requirement.

The second workbook Mail to Mobile Promotions-STD-R2013.xls calculates the revenue forgone from these promotions. The data and calculations are described in the first worksheet "Description" and in the individual worksheets. The volumes used for the promotions calculations are taken from the 2011 Mobile Barcode Promotion Program Data Collection Report, at 2 (Nov. 25, 2011) and are shown in worksheet "Promotions Data." The LFP tabs highlighted in purple calculate the total revenue forgone for Letters, Flats, and Parcels; the HD SAT CR tabs in green calculate the revenue forgone for HD/SAT/CR. The methodology is the same for both sets of worksheets: Letters, Flats, Parcels worksheets and High Density Letters, High Density Flats and Parcels and Carrier Route worksheets.

The first two worksheets "Total Vol Comm" and "Total Vol NP" show the volumes taken from the FY 2011Q4-FY 2012Q3 Standard Mail billing determinants. Then the historical volume in worksheet "Promotions Data" was used to distribute this volume to appropriate rate cells. This is shown in worksheet "Promotional Vol Comm" and "Promotional Vol NP." Then promotional revenue is calculated by multiplying the promotional volume and the promotional price in worksheets "Promotional Comm Revenue" and "Promotional NP Revenue." In addition, promotional volume is multiplied with R2013 price to calculate the promotional revenue had this volume paid R2013 price. This is shown in worksheets "Prom Comm Revenue R2013" and "Prom NP Revenue R2013." Finally, revenue forgone is calculated by subtracting promotional revenue using the promotional price from promotional revenue that pays R2013 price. These amounts are shown in worksheets "Revenue Forgone Comm" and "Revenue Forgone NP."

The calculated revenue forgone amounts in worksheets "Revenue Forgone Comm LFP," "Revenue Forgone NP LFP," "Revenue Forgone Comm HD SAT CR," and "Revenue Forgone NP HD SAT CR" are used in the CAPCALC-STD-R2013.xls file in worksheets "LFP Revenue@New Prices" and "HD-Sat-CR

Revenue@New Prices.” These amounts are added to the Total Revenue of Standard Mail.

In addition to the mail to mobile promotions, a second type of promotion is being added to the total in the CAPCALC-STD-R2013.xls workbook. This is the Earned Value Reply Mail promotion. The eligible volume is provided in “Derivation of Volumes for Earned Value Reply Promotion” – USPS-LR-R2013-1/6. The eligible volume is multiplied by the proposed per-piece postage credit to derive the forgone revenue for this promotion.