



| Classes   | Eligible Pieces     | Percent | Tech Credits |
|---|---------------------|---------|--------------|
| First-Class Mail  | 42,255,728,206      | 34.2%   | \$22,464,743 |
| Periodicals   | 5,005,009,694       | 4.0%    | \$2,660,852  |
| Standard Mail   | 76,147,118,676      | 61.6%   | \$40,482,687 |
| Package Services  | 227,068,255         | 0.2%    | \$120,718    |
|   | 123,634,924,831     |         | \$65,729,000 |
| <b>Total Tech Credits Incentive</b>                     | <b>\$65,729,000</b> |         |              |
| Assumption:   |                     |         |              |
| The distribution is done based on total eligible pieces |                     |         |              |
| Volume Data Source: FY 2012 Billing Determinants        |                     |         |              |
| Tech Credit Amount Source:                              |                     |         |              |
| Payment Technology Group                                |                     |         |              |
| Credit Per Piece:                                       | \$0.000532          |         |              |

- a. Please confirm that the “Tech Credits” will be paid on a per mailer business location (CRID) basis, not a per piece basis. If not confirmed, please explain.
- b. Has the Postal Service calculated the number of mailer business locations (CRID) that will be eligible for a Tech Credit? If so, please provide this information. If not, please explain.
- c. Has the Postal Service calculated the number of mailer business locations (CRID) that will be eligible for a Tech Credit broken out by class of mail? If so, please provide this information. If not, please explain.
- d. The “Total Tech Credits Incentive” cell contains a hardcoded value of \$65,729,000. The source of this hardcoded value is listed as “Payment Technology Group.” Please provide specific source calculation information for this value and explain the derivation of this number.
- e. Please confirm that the average Tech Credit per piece mailed in FY 2012 is roughly half of the current full service IMb discount. If not confirmed, please explain and provide the ratio of the average Tech Credit per piece to the current full service IMb discount.

2. In its Notice, the Postal Service provided the following table, which contains the “projected” Tech Credits by class of mail and resulting Price Cap authority.

|                       | <b>First-Class Mail</b> | <b>Periodicals Mail</b> | <b>Standard Mail</b> | <b>Package Services</b> |
|-----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| 1 Hybrid Year Revenue | \$29,057,592,925        | \$1,681,205,730         | \$16,619,092,438     | \$854,220,447           |
| 2 Tech Credit Amount  | \$22,464,743            | \$2,660,852             | \$40,482,687         | \$120,718               |
| 3 Adjusted Revenue    | \$29,080,057,667        | \$1,683,866,582         | \$16,659,575,125     | \$854,341,165           |
| 4 Additional Cap      | 0.077%                  | 0.158%                  | 0.244%               | 0.014%                  |

The Postal Service states “[t]he calculation is preliminary because, at the time of the next market-dominant price change filing, there will be new billing determinants available for conducting the calculation. At that time, a final calculation can be made.” Notice at 6.

- a. Does the Postal Service intend to update line 1 of this table for the revenue during the period when the Tech Credit is offered, the year before the Tech Credit is offered, or at some other point in time? Please identify when the Postal Service expects to provide such final calculation information.
  - b. Does the Postal Service intend to update line 2 of this table for the actual Tech Credits paid by class, or the eligible mailers with updated volumes for the year before the Tech Credit is offered? If so, please identify when the Postal Service expects to provide such an update. If not, please explain.
3. The Postal Service appears to intend to create permanent price cap authority by offering the proposed Tech Credits. However, the proposed Tech Credits are a temporary one-time offer. How does the Postal Service plan on calculating effects on price cap authority once the temporary one-time discount is removed from the MCS?

4. Commission Rule 3010.23 entitled “Calculation of Percentage Change in Rates” details how price change percentages are calculated in dockets where the price cap rules apply.
- Please identify the FY 2012 rate cell(s) to which the proposed change in price applies.
  - Please identify the FY 2012 volume and price for those rate cell(s) identified in part a.
5. The following table contains the “Eligible Pieces” from the Postal Service file “PriceCapAnalysis.xls” tab “Tech Credits breakdown” and the FY 2012 volume from the FY 2012 ACD.

| Class / Product          | Eligible Pieces | Total FY 2012 Pieces | Percent of Pieces Eligible for Tech Credit |
|--------------------------|-----------------|----------------------|--|
| First-Class Presort Mail | 42,255,728,206  | 42,733,615,899       | 98.88%                                     |
| Periodicals              | 5,005,009,694   | 6,741,350,951        | 74.24%                                     |
| Standard Mail            | 76,147,118,676  | 79,496,105,354       | 95.79%                                     |
| Package Services         | 227,068,255     | 330,943,622          | 68.61%                                     |
|                          | 123,634,924,831 | 129,302,015,826      | 95.62%                                     |

- Please confirm that “Eligible Pieces” is calculated by aggregating the volume of mail from mailer CRIDs with over 125,000 mailpieces in volume in FY 2012. If not confirmed, please explain.
- Please confirm that 74.24 percent of Periodicals were mailed by a CRID with over 125,000 mailpieces in volume in FY 2012. If not confirmed, please explain.
- Please explain whether and how Periodicals and Package Services customers with under 125,000 mailpieces in FY 2012 volume (by CRID) will be provided any incentives to adopt full-service IMb beyond the per-piece IMb discount.
- Please confirm that starting January 26, 2014 all mailers will be required to apply Full Service IMb barcodes before their mailpieces will qualify as presorted mail pieces. If not confirmed, please explain.
- Please explain what prices the following current mailers who do not adopt Full Service IMb will pay starting on January 26, 2014: (I) First Class Presort Mailers, (II) Periodicals Mailers, (III) Standard Mailers, and (IV) Package Service Presort Mailers.

6. In Federal Register Notices 77 FR 26185 (May 3, 2012) and 77 FR 33314 (June 6, 2012), the Postal Service changed the automation eligibility preparation requirements for presorted mail.
  - a. Please confirm that the prices listed in Docket No. R2013-1 were implemented on January 27, 2013.
  - b. Please confirm that on January 28, 2013, mailers tendering presorted mail with postnet barcodes were not eligible for presort prices.
  - c. If your response to part b. is confirmed, please explain whether mailers tendering presorted mail with postnet barcodes that lost eligibility for presort prices on January 28, 2013 were subject to a *de facto* rate increase.
  
7. In Federal Register Notice 78 FR 23137 (April 18, 2013), the Postal Service changed the automation eligibility preparation requirements for presorted mail.
  - a. Please confirm that on January 26, 2014, mailers tendering presorted mail with basic IMb barcodes will not be eligible for presort prices.
  - b. If your response to part a. is confirmed, please explain whether mailers tendering presorted mail with basic IMb barcodes after January 26, 2014 will be subject to a *de facto* rate increase.

Respectfully Submitted,

/s/ Robert Sidman

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Docket No. R2013-6

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