

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Petition of the United States Postal Service
For The Initiation of A Proceeding to
Consider Proposed Changes in Analytical
Principles (Proposals One Through Five)

Docket No. RM2013-6

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued September 10, 2013)

To clarify the record, the Postal Service is requested to provide written responses to the following questions. Answers should be provided no later than September 16, 2013.

Proposal One

1. Please refer to Proposal One at page 3, footnote 1, which states, "Calculations based on estimated Alaska Bypass Service costs of \$105.4 million in FY 2012." A review of the FY 2012 cost segment 14 workpapers, ACR2012-LR-32, shows Alaska Air costs of \$131.4 million which are 100 percent attributable before the application of the Alaska Air Adjustment. Please explain the derivation of the estimated Alaska Bypass Service cost of \$105.4 million as used in the determination of the impact of Proposal One and reconcile this estimate with the \$131.4 million shown in the Cost Segment 14 workpapers.
2. The table below shows the estimated impact of the proposed change in the calculation of the Alaskan Air Adjustment, using component 681, Domestic Alaska Air. Please confirm the estimated impact of Proposal One as shown in the table, or if not confirmed, please explain.

Component Name	Domestic Alaska Air Unadjusted	Alaska Adjustment Factor [Inserted in all non-total rate categories]	Adjusted Domestic Alaska Air	Proposed Alaska Adjustment Factor [Inserted in all non-total rate categories]	Proposed Adjusted Domestic Alaska Air	Difference
Component Number	(681)	0510	0681	0510	0681	
	(\$ 000)		(\$ 000)		(\$ 000)	(\$ 000)
DOMESTIC MARKET DOMINANT PRODUCTS						
First-Class Mail						
Single Piece Letters	171	0.0702	12	0.1433	24	12
Single Piece Cards	0	0.0702	0	0.1433	0	0
Total Single Piece Letters and Cards	171		12		24	12
Presort Letters	0	0.0702	0	0.1433	0	0
Presort Cards	0	0.0702	0	0.1433	0	0
Total Presort Letters and Cards	0		0		0	0
Flats	78	0.0702	5	0.1433	11	6
Parcels	46	0.0702	3	0.1433	7	3
Total First-Class	294		21		42	21
Standard Mail						
High Density and Saturation Letters	18	0.0702	1	0.1433	3	1
High Density and Saturation Flats and Parcels	23	0.0702	2	0.1433	3	2
Carrier Route	718	0.0702	50	0.1433	103	52
Letters	352	0.0702	25	0.1433	50	26
Flats	310	0.0702	22	0.1433	44	23
Not Flat-Machinables and Parcels	35	0.0702	2	0.1433	5	3
Total Standard Mail	1,456		102		209	106
Periodicals						
In County	0	0.0702	0	0.1433	0	0
Outside County	239	0.0702	17	0.1433	34	17
Total Periodicals	239		17		34	17
Package Services						
Alaska Bypass	105,400	0.0702	7,399	0.1433	15,104	7,705
Bound Printed Matter Flats	35	0.0702	2	0.1433	5	3
Bound Printed Matter Parcels	125	0.0702	9	0.1433	18	9
Media and Library Mail	176	0.0702	12	0.1433	25	13
Total Package Services	105,736		7,423		15,152	7,729
U.S. Postal Service	276	0.0702	19	0.1433	40	20
Free Mail	0	0.0702	0	0.1433	0	0
Total Domestic Market Dominant Mail	108,001		7,582		15,477	7,895
Total Domestic Market Dominant Attributable Costs	108,001		7,582		15,477	7,895
Total Domestic Competitive Attributable Costs	23,390		1,642		3,352	1,710
INTERNATIONAL MAIL AND SERVICES	0	0.0702	0	0.1433	0	0
TOTAL ATTRIBUTABLE COSTS	131,391		9,224		18,829	9,605
OTHER COSTS	0		122,168		112,563	-9,605
TOTAL COSTS	131,391		131,391		131,391	0

Proposals Two and Three

3. Please provide the proposed distribution factors for both Proposal Two and Proposal Three with the competitive products distributions separated by product.

Proposal Three

4. Please confirm that the changes in attributable costs by class and product, as shown in the table below, reflect the cost changes for Highway and Rail Plant Load transportation costs as proposed. If not confirmed, please provide the differences in costs by class and product, including individual competitive products, as developed using the proposed distribution proxy.

	Current Highway Plant Load	Proposal Three Highway Plant Load	Highway Plant Load Difference	Current Rail Plant Load	Proposal Three Rail Plant Load	Rail Plant Load Difference
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
First-Class	1,520	1,648	129	0	266	266
Standard Mail	7,276	8,635	1,359	377	1,395	1,018
Periodicals	3,020	3,146	126	2,131	508	-1,623
Package Services	391	0	-391	1	0	-1
Total Market Dominant Products	12,210	13,429	1,219	2,509	2,169	-340
Competitive Products	3,323	2,105	-1,219	0	340	340
International Mail	0	0	0	0	0	0
Total Attributable	15,534	15,534	0	2,509	2,509	0
Total Institutional	1,771	1,771	0	25	25	0
Total Costs	17,305	17,305	0	2,533	2,533	0

Proposal Four

5. Refer to Proposal Four, at page 12, where it states that “the residual CS14 Purchased International Surface Transportation costs are *approximately equal* to the ICRA’s Imputed costs for Outbound Canada Air Mail Diverted to Highway Transportation.” (Emphasis added.) Also, refer to the Excel file Attachment 1.xls

referenced in Proposal Four. Please provide, and identify where in Library Reference USPS-FY12-NP2 (Revised 2-8-13), Excel file cs14.fy12.nonpublic.dec06.xls, the cost figures that comprise the residual CS14 Purchased International Surface Transportation costs, which are approximately equal to the ICRA's imputed costs for Outbound Canada Air Mail Diverted to Highway Transportation shown in the Excel file Attachment 1.xls, worksheet tab Adjusted Intl Transportation, cells P13 and Q13.

6. Refer to Proposal Four, and the Excel file Attachment 1.xls. In worksheet tab Outbound Airmail kg, cell O7, the total outbound air mail kilograms for Canada non-ISAL letterpost consist of the sum of alc, acd, fcmi-ltr, and pmi_env, *excluding* aip. In worksheet tab Air and Surface Trans Costs, the imputed air transportation costs to Canada for letterpost consist of alc, acd, fcmi-ltr, pmi_env, *and* aip. Please reconcile these two worksheets.
7. Refer to Proposal Four, and the Excel file Attachment 1.xls. In worksheet tab Booked Intl Transportation, Canada Air Transportation costs for isl and imb shown in cells J7 and K7 include both Canada Air Transportation and Canada Air Diverted to Highway costs from worksheet tab Adjusted Intl Transportation. Please confirm that in worksheet tab Booked Intl Transportation, the Canada Air Transportation costs for isl and imb should include only Canada Air Transportation costs from worksheet tab Adjusted Intl Transportation. If not confirmed, please explain.

8. Refer to Proposal Four, at page 19, where it states, in referring to the Excel file Attachment 1.xls, that “[t]he <Intl Trans Without Diversion> [tab] shows the *Imputed* International Transportation costs by Product for Canada and the rest of the world if all of Canada’s Outbound Air Mail were transported by Air, and none of it were diverted to Highway.” (Emphasis added.) Also, refer to worksheet tabs Intl Trans Without Diversion and Adjusted Intl Transportation. Please explain why the imputed Total Additive International Air Transportation Cost from ICM Costing Module (\$000) for Non-ISAL and ISAL in worksheet tab Intl Trans Without Diversion differs from the corresponding amounts in worksheet tab Adjusted Intl Transportation. Also, please provide a citation to the ICM Costing Module, identifying the Excel file, worksheet tab, and cell references where the cost figures for Non-ISAL and ISAL can be found.

Proposal Five

9. Refer to the document entitled “Responses of the United States Postal Service to Commission Requests for Additional Information in FY 2012 Annual Compliance Determination,” dated June 26, 2013, and Response No. 3, revised July 31, 2013, which states that “the Postal Service rate schedules charged for GDEO [Admail] account for the . . . complexity and mirror the [rate] schedule [of the Canada Post Corporation].” Response No. 3 (as revised) also states that the Postal Service does not know “shipment-level details.” In addition, refer to the Excel file Attachment 1.xls, worksheet tab Booked Version Before, showing the NSA partner companies shipping outbound Admail to Canada in FY 2012.
 - a. Please confirm that the NSA partner companies referenced in worksheet tab Booked Version Before submit to the Postal Service a mailer manifest for each mailing listing the shape, weight per piece, and sortation-level data for all outbound Admail to Canada. If not confirmed, please explain

how, in the absence of such manifests, the Postal Service determines the rates to be paid for Admail shipped by, and revenue received from, each of the NSA partner companies during FY 2012. If confirmed, please explain why the Postal Service does not use the mailer manifests from each of the NSA partner companies plus the Admail rate schedule from the Canada Post Corporation to calculate the settlement costs for each company.

- b. Please explain why mailer manifests do not provide sufficient shipment-level detail to enable the Postal Service to calculate the settlement costs for each company. In responding, please identify all shipment-level details necessary to make that calculation.

By the Chairman.

Ruth Y. Goldway