

Docket No. R2013-10
USPS-LR-R2013-10/1
First-Class Mail Workpapers

PREFACE

Revisions of 10/18/13 are discussed in BOLD at end of this document.

The overall percentage increase for First-Class Mail is 1.587 percent, 0.109 percent less than the annual limitation authority of 1.696 percent. USPS-LR-R2013-10/1 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.

A. Overview of Workpapers

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-R2013-10.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-R2013-10.xls** and **Inbound CAPCALC-FCMI-R2013-10.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-R2013-10/NP1. The remainder of this document describes the contents of the above referenced workpaper: CAPCALC-FCM-R2013-10.xls.

B. Billing Determinants

The workpapers in CAPCALC-FCM-R2013-10.xls are based upon the hybrid billing determinants using the last quarter of FY2012 and the first three quarters of FY2013. After the cover page and the index there are twenty tabs. There are two tabs for the billing determinants. "Quarterly BDs" provides 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. "Letters by Indicia" provides Single-Piece Letters volume by indicia, which is used to estimate the volume of Stamped and PVI mail. Tab "DVD Mail Adj." provides the DVD volume data for the hybrid year.

C. Revenue and Percentage Rate Change Calculations

The prices for each First-Class Mail rate cell are taken from the Notice of Price Adjustment, Attachment A.

In CAPCALC-FCM-R2013-10.xls, the hybrid billing determinants were used as the basis for the weighting to calculate the percentage rate changes for domestic First-Class Mail.

The tab titled “Cost Avoidances” contains the latest Cost Avoidance estimates for First-Class Mail, and the calculated weighted average of AADC and 3-Digit Automation Letters and Cards pursuant to Order Nos. 1753 and 1793 in Docket No. RM2012-6. It presents the mail processing and delivery costs (wherever applicable) that are used in calculating workshare discounts. The following pair of CAPCALC-FCM-R2013-10.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 five tabs in CAPCALC-FCM-R2013-10.xls, provide the same information for each of the following:

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

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 Auto Flats*

The discounts in these tabs are calculated on the basis of the adjusted Docket No. R2013-10 prices. The cost avoidances match the estimates used in ACD 2012 in the relevant First-Class Mail section, except for AADC and 5-Digit Automation Letters and Cards as discussed above.

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

Revisions of 10/8/13:

In the first section on page 1, in the first sentence of this document, the parts of the sentence highlighted in gray on page 1 should be changed so that the sentence as revised reads as follows:

The overall percentage increase for First-Class Mail is 1.618 percent, 0.078 percent less than the annual limitation authority of 1.696 percent.