

FY 2013 Special Cost Studies Workpapers Special Services (Public Portion) USPS-FY13-28

I. PREFACE

USPS-FY13-28 documents the unit cost estimates for selected domestic Special Services, supplementing the cost information provided in USPS-FY13-1. These cost studies include: Address Management Services (including Correction of Mailing Lists and ZIP Coding of Mailing Lists), Caller Service, Certificate of Mailing, Credit Card Authentication (Public Portion), Insurance, Money Order Inquiry and Money Order Float, Periodicals Applications, Philatelic Sales, P.O. Box Key Replacement and Lock Changes, Restricted Delivery, Return Receipt, Signature Confirmation (Public Portion), Stamped Cards, Stamped Envelopes (including Personalized Stamped Envelopes Shipping), Stamp Fulfillment Services, and USPS Tracking (Public Portion).

B. Predecessor Documents

USPS-FY12-28

C. Methodology

USPS-FY13-28 relies on the Postal Regulatory Commission (PRC) cost methodology based on USPS-FY12-28 and Order No. 1153, Docket No. RM2012-1.

In order to be consistent with the current Cost and Revenue Analysis (CRA) methodology, the Postal Service filed Proposal 14 (Docket No. RM2012-1) on November 1, 2011. Proposal 14 proposed updates to several Special Services cost models by adding the appropriate waiting time adjustment factor and miscellaneous factors. These models include: Caller Service, Certificate of Mailing, Correction of Mailing List, Signature Confirmation, Periodicals Applications, PO Box Key and Lock, Restricted Delivery, and ZIP Coding of Mailing List. Proposal 14 was subsequently approved in Order No. 1153, after the FY11 ACR was filed. The latest approved version of these Special Services cost models is used for FY13.

The Postal Service also proposed to correct and improve the cost models related to Return Receipt service in Proposal 15 (also in Docket No. RM2012-1). Proposal 15 was also approved in Order No. 1153. As a result, the latest approved version of the Return Receipt cost model is used for FY13.

In order to align with the product descriptions in the Mail Classification Schedule (MCS), the Postal Service filed Proposal Six (Docket No. RM2014-1) on November 8, 2013. Proposal Six seeks to update the methodology for calculating the costs of Philatelic Sales and the handling costs of Stamp Fulfillment Services (SFS). Proposal Six is still pending before the Commission. The Postal Service intends to submit the original and the proposed version of the cost models, with each described separately in the "Input/Output" section below.

D. Input/Output

Generally, these cost studies use inputs from USPS-FY13-1, USPS-FY13-2, USPS-FY13-7, USPS-FY13-8, USPS-FY13-24, and USPS-FY13-25.

1. Address Management Services

This cost study is contained in the EXCEL file "AMS2013.xlsx." It contains the cost models and cost sheets that are used to develop Address Management Services costs. A Direct Labor Survey was conducted in FY13 to determine the number of hours spent by the employees and contractors for Address Management Services (AMS). Using the surveyed hours and appropriate wage rates, direct labor costs were calculated for FY13. The direct labor to total labor cost ratio is then calculated and applied to the total costs to derive AMS costs. The costs of AMS are reported in the D report (USPS-FY13-31).

2. Caller Service

This cost study is contained in the EXCEL file "Caller Service2013.xlsx." It contains the cost models and cost sheets that are used to develop Caller Service costs.

3. Certificate of Mailing

This cost study is contained in the EXCEL file "Certificate of Mailing2013.xlsx." It contains the cost models and cost sheets that are used to develop Certificate of Mailing costs.

4. Credit Card Authentication (Public Portion)

This cost study is contained in the EXCEL file "CreditCardPub2013.xlsx." It contains the cost models and cost sheets that are used to develop Credit Card Authentication costs. The calculation in USPS-FY13-28 does not reflect the Revenue Agreement with Imagitas. As a result, the revenue and expense figures in USPS-FY13-28 cannot be used to calculate the cost coverage. The cost of Credit Card Authentication is reported in the D report (USPS-FY13-31).

5. Correction of Mailing Lists

This cost study is contained in the EXCEL file "Correction of Mailing Lists2013.xlsx." It contains the cost models and cost sheets that are used to develop Correction of Mailing Lists costs.

6. Insurance

This cost study is contained in the EXCEL file "Insurance Costs2013.xlsx." It contains the cost models and cost sheets that are used to develop Insurance costs.

7. Money Order Inquiry and Money Order Float

This cost study is contained in the EXCEL file "Money Order Inquiry and Float2013.xlsx." The "Money Order Inquiry" sheet contains the cost models and cost sheets that are used to develop Money Order inquiry costs. The "ACTUAL TOTALS" sheet contains float information for money orders.

8. Periodicals Applications

This cost study is contained in the EXCEL file "Periodicals App Fee2013.xlsx." It contains the cost models and cost sheets that are used to develop Periodicals Application costs.

9. Philatelic Sales

In FY2012, about fifty percent (50%) of Philatelic items were sold and fulfilled by the Stamp Fulfillment Services (SFS) organization. The rest of the Philatelic items were sold directly at retail locations (e.g. Post Offices). In FY2012, only the Philatelic Sales that were sold and fulfilled by SFS were included in the Philatelic Sales cost estimation work paper. In order to capture the window costs associated with Philatelic products sold in retail, Cost Studies Support Team observed a total of 725 retail Philatelic items sold from January through April 2013, and the average time per Philatelic item is 0.67 minute (40 seconds). The original cost study (without window costs) is contained in the EXCEL file "Philatelic Sales20132013.xlsx." It contains the cost models and cost sheets that are used to develop Philatelic Sales handling costs. The proposed cost study is contained in the EXCEL file "Philatelic Sales2013_proposed.xlsx." The cost of Philatelic Sales is reported in USPS-FY13-NP27.

10. P.O. Box Key Replacement and Lock Changes

This cost study is contained in the EXCEL file "PO Boxes2013.xlsx." It contains the cost models and cost sheets that are used to develop P.O. Box Key Replacement and lock change costs.

11. Restricted Delivery

This cost study is contained in the EXCEL file "Restricted Delivery2013.xlsx." It contains the cost models and cost sheets that are used to develop Restricted Delivery costs.

12. Return Receipt

This cost study is contained in the EXCEL file "Return Receipt2013.xlsx." It contains the cost models and cost sheets that are used to develop Return Receipt costs.

13. Signature Confirmation-Public Portion

This cost study is contained in the EXCEL file "SigConPub-FY 2013.xlsx." It contains the cost models and cost sheets that are used to develop Signature Confirmation costs.

14. Stamped Cards

This cost study is contained in the EXCEL file "Stamped Cards2013.xlsx". It contains the cost models and cost sheets that are used to develop Stamped Card costs.

15. Stamped Envelopes

This cost study is contained in the EXCEL file "Stamped Envelopes2013.xlsx." It contains the cost models and cost sheets that are used to develop Stamped Envelope costs.

16. Stamped Envelopes (Personalized Stamped Envelope Shipping Costs)

This cost study is contained in the EXCEL file "Stamped Envelopes _PSES2013.xlsx." It contains the cost models and cost sheets that are used to develop Personalized Stamped Envelope Shipping Costs. The Personalized Stamped Envelope Shipping Costs is reported in the D report (USPS-FY13-31).

17. Stamp Fulfillment Services (Handling)

In the FY2012 Annual Compliance Determination (ACD), the Commission expressed concern about the calculation of attributable costs for SFS. Specifically, the calculation of SFS handling costs appears to double count employee work hours that have already been attributed to Philatelic Sales. While the Postal Service responded to Docket No. ACR2012, ChIR No. 11, Question 2 that there is no double counting, the misunderstanding could relate to a mismatch between the MCS and the way the costs and revenue are classified and calculated. For Philatelic Sales, the Postal Service estimates the “end-to-end” costs. In other words, it estimates the costs from all activities that are related to Philatelic Sales, including “handling.” For SFS handling cost and revenue, the current methodology estimates all the handling costs and all the revenue of the products handled by the Stamp Fulfillment Services organization, including Philatelic Sales, Stamps, and Retail Products. The MCS, however, classifies the “Handling” for Philatelic Sales as “Philatelic Sales,” and not part of “SFS Handling.”

In order to align with the MCS, the Postal Service filed Proposal Six (Docket No. RM2014-1) on November 8, 2013 to update the cost model of handling costs of SFS and the way the handling revenue is classified. In other words, the handling costs and revenue for Philatelic Sales will NOT be included in the SFS handling workpaper going forward. Under the proposal, the handling costs of Philatelic Sales would be included solely in the Philatelic Sales cost estimation work paper.

The original cost study is contained in the EXCEL file “SFS2013.xlsx.” It contains the cost models and cost sheets that are used to develop Stamp Fulfillment Services (Handling) costs. The proposed cost study is contained in the EXCEL file “SFS2013_proposed.xlsx.” The cost of Stamp Fulfillment Services (Handling) from the file “SFS2013_proposed.xlsx” is reported in the D report (USPS-FY13-31).

18. USPS Tracking-Public Portion (Formerly Delivery Confirmation)

This cost study is contained in the EXCEL file USPSTrackingPub-FY 2013.xlsx. It contains the cost models and cost sheets that are used to develop USPS Tracking unit cost estimates. The distribution of costs to the host products is reported in the D report (USPS-FY13-31).

19. ZIP Coding of Mailing Lists

This cost study is contained in the EXCEL file “Zip Coding of Mailing Lists2013.xlsx.” It contains the cost models and cost sheets that are used to develop ZIP Coding of Mailing Lists costs.