

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT  
PRICE ADJUSTMENT

Docket No. R2015-4

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 5**  
(February 9, 2015)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 5, issued on February 2, 2015. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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John F. Rosato  
David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2986, Fax -6187  
[John.F.Rosato@usps.gov](mailto:John.F.Rosato@usps.gov)

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1. The following request concerns Library Reference USPS-LR-R2015-4/2, Excel file "CAPCALC-STD-R2015-4.xlsx," tab "FSS Blended Rate Auto."
  - a. Please reconcile the proposed prices in cells K144, K155, and K166 with the proposed prices in cells K93, K105, and K170.
  - b. For the FSS Scheme DFSS tables, please provide the sources for the rates listed in the following cells: K47, K48, X47, X48, AJ47, AJ48, K131, K132, X131, X132, AJ131, and AJ132.
  - c. Please confirm that the R2013-10 rates in cells J131 and AI131 should be \$0.163 and \$0.321, respectively. If not confirmed, please explain and reconcile the explanation with the R2013-10 rate listed in cell W131.

**RESPONSE:**

- a. Cells K93, K105, and K116 (the question inadvertently asked about cell K170) are the correct values and cells K144, K155, K166 should have those same values. The incorrect values have been corrected in "CAPCALC-STD-R2015-4-CHIR5.xlsx", submitted with this response. Also included in this file are revisions to Nonprofit EDDM prices, reflecting the errata filed on February 4, 2015 (see pages with footer "Attachment A, Part I (CPI) Page 28 [and 29] of 139"). All revisions to this file that were prompted by this question, and by questions below, are highlighted in yellow.
- b. The rates listed in these cells do not have sources because they are estimates of what prices would be in this docket if the cells were not being eliminated as part of the FSS restructuring.
- c. Confirmed.

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2. The following request concerns Library Reference USPS-LR-R2015-4/2, Excel file "CAPCALC-STD-R2015-4.xlsx," tab "FSS Blended Rate NonAuto."
  - a. For the FSS Scheme DFSS tables, please provide the sources for the rates listed in the following cells: K47, K48, X47, X48, AJ47, AJ48, K131, K132, X131, X132, AJ131, and AJ132.
  - b. For cell AJ43, please confirm that the rate should be \$0.554. If not confirmed, please explain.

**RESPONSE:**

- a. The rates listed in these cells do not have sources because they are estimates of what prices would be in this docket if the cells were not being eliminated as part of the FSS restructuring.
- b. Confirmed.

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3. Please explain where the volumes and prices for customers who previously entered flats under the High Density and Saturation FSS categories are reflected in Excel file "CAPCALC-STD-R2015-4.xlsx," tabs "HD-Sat-CR Com. Cap Wts.," "HD-Sat-CR NP Cap Wts.," "FSS Blended Rate Auto," and "FSS Blended Rate NonAuto."

**RESPONSE:**

The volumes for customers who previously entered flats (as FSS bundles) under the High Density and Saturation categories are located in the High Density and High Density Plus categories. It is assumed that these customers will prepare their flats as High Density and High Density Plus in order to get the lower High Density and High Density Plus prices.

Customers that previously entered High Density and High Density Plus at the DFSS are assumed to continue this practice. The FSS Facility prices for the High Density and High Density Plus were the same as the High Density and High Density Plus prices, so those absorbed volumes use the same current and proposed prices for High Density and High Density Plus. For FSS Scheme in High Density and High Density Plus, the current price uses the same price as the Docket No. R2013-10 FSS Scheme price, but the proposed prices shift to the same price as the proposed DSCF price.

There were never any FSS volumes or prices in the Saturation Flats category.

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4. The following request concerns Library Reference USPS-LR-R2015-4/2, Excel file "CAPCALC-STD-R2015-4.xlsx," tab "L-F-P New Prices."
- a. The prices for several cells in tab "L-F-P New Prices" differ from the prices listed in the proposed changes to the Mail Classification Schedule (MCS). See Notice, Attachment A, Part I, at 47-52. Please reconcile the following cells: E91, E97:H102, F28, F41, F121, K97:N102, L120, L121, Q97:T102, R33, and S93 with the rates listed in the proposed changes to the MCS.
  - b. In tab "L-F-P New Prices," the Postal Service does not list a price for Automation Mixed ADC Flats entered at a Destination Sectional Center Facility. See Cell M28. However, in the proposed changes to the MCS, the Postal Service lists a price of \$0.382 for Automation Mixed Area Distribution Center Flats entered at a Destination Sectional Center Facility. See Notice, Attachment A, Part I, at 48. Please reconcile this discrepancy.

**RESPONSE:**

- a. All of the above prices are correct in the MCS and incorrect in USPS-LR-R2015-4/2. Corrections to cells E97:H102, K97:N102, and Q97:T102 were made in the USPS response to CHIR 3, Question 4, in file "*CAPCALC-STD-R2015-4-CHIR3Q4b.xlsx*." Corrections to all other cells appear in "*CAPCALC-STD-R2015-4-CHIR5.xlsx*", filed with this response.
- b. In this instance, the CAPCALC file is correct. The MCS error was corrected in errata filed on February 4, 2015. See page with footer "Attachment A, Part I (CPI) Page 48 of 139".

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5. The Postal Service proposes to restructure the FSS price categories. The Postal Service states that “[u]nlike the current rate structure, FSS pricing categories will no longer exist for Carrier Route, High Density, or High Density Plus categories.” Notice at 22. In Excel file “CAPCALC-STD-R2015-4.xlsx,” tab “HD-Sat-CR New Prices,” which contains the proposed R2015-4 rates, the Postal Service lists DFSS Scheme prices for High Density and High Density Plus.
- a. Please confirm that the Postal Service plans to discontinue offering DFSS Scheme price categories for High Density and High Density Plus.
  - b. If confirmed, please explain why the price categories appear in tab “HD-Sat-CR New Prices” and are used in tab “HD-Sat-CR Revenue@New Prices” to calculate the after-price increase revenue for High Density and High Density Plus.
  - c. If not confirmed, please propose revised price tables for the MCS, which currently shows DFSS price categories struck through. See Notice, Attachment A, Part I, at 27-32.
  - d. If necessary, please provide an updated Excel file that accurately reflects the Postal Service’s proposed R2015-4 pricing structure.

**RESPONSE:**

- a. Confirmed.
- b. The DFSS volumes that previously reflected FSS Scheme pieces in High Density and High Density Plus will remain in High Density and High Density Plus to receive prices that are lower than the new FSS prices. The proposed DFSS High Density and High Density Plus prices are now identical to DSCF High Density and High Density Plus prices. In hindsight, it may have been less confusing to move the DFSS volumes and prices from the FSS Scheme row into the High Density and High Density Plus row. What the Postal Service meant to convey is that High Density and High Density Plus flats entered at DFSS will still be able to get the High Density and High Density Plus prices.
- c. N/A

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- d. For revisions that improve the clarity of the new structure, please see excel workbook "*CAPCALC-STD-R2015-4-CHIR5.xlsx*", filed with this response.

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6. The following request concerns Library Reference USPS-LR-R2015-4/2, Excel file "CAPCALC-STD-R2015-4.xlsx," tab "HD-Sat-CR New Prices." In the tab "HD-Sat-CR New Prices," the Postal Service lists piece-rated piece prices for the new 5-Digit Pallets Carrier Route price category. See Lines 37 and 72.
  - a. Please identify where these prices appear in the proposed changes to the MCS.
  - b. If necessary, please file revisions to the proposed MCS language or Excel file "CAPCALC-STD-R2015-4.xlsx," tab "HD-Sat-CR New Prices."

**RESPONSE:**

- a. They were added to the MCS in errata filed on February 4, 2015. Please see the page with footer "Attachment A, Part I (CPI) Page 36 of 139".
- b. This is not necessary because of the February 4 errata filing.

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7. The following request concerns Library Reference USPS-LR-R2015-4/2, Excel file "CAPCALC-STD-R2015-4.xlsx," tab "Parcels-Samples New Prices."
  - a. Please reconcile the "Handling Fees for DNDC/DSCF Entry" prices in tab "Parcels-Samples New Prices" with the prices listed in the proposed changes to the MCS. See Notice, Attachment A, Part I, at 30 and 38.
  - b. Please reconcile the Detached Address List prices in tab "Parcels-Samples New Prices" with the prices listed in the proposed changes to the MCS. See Notice, Attachment A, Part I, at 32.

**RESPONSE:**

- a. The MCS is correct in this instance; necessary to the CAPCALC file appear in "*CAPCALC-STD-R2015-4-CHIR5.xlsx*", filed with this response.
- b. The MCS is correct in this instance; necessary to the CAPCALC file appear in "*CAPCALC-STD-R2015-4-CHIR5.xlsx*", filed with this response.

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8. The following request concerns Excel file "(Attachment B).xls," tab "Standard Mail Letters."
- a. Please confirm that in Excel file "(Attachment B).xls," tab "Standard Mail Letters," the Postal Service does not report dropship discounts for Standard Mail Letters.
  - b. If confirmed, please clarify why dropship discounts are not reported in tab "Standard Mail Letters."
  - c. If not confirmed, please identify the dropship discounts.

**RESPONSE:**

- a. Confirmed.
- b. The proposed elimination of pound prices for letters changes the discount from a per-pound discount into a per-piece discount. It was an oversight to exclude these new discounts from the Standard Mail Letters tab. The new discounts are \$0.035 per piece for the DNDC/Origin workshare and \$0.044 per piece for the DSCF/Origin workshare. These discounts are included in "*Revised\_Attachment B\_CHIR5.xls*".<sup>1</sup> All revisions responsive to this question are highlighted in yellow.

Lowering the DNDC and DSCF passthroughs to 100 percent for Standard Mail Letters would result in price increases of 10.1 percent and 14 percent, respectively. Lowering the DNDC and DSCF passthroughs to 100 percent for Carrier Route Letters would result in price increases of 8.8 percent and 12.2 percent, respectively. Lowering the DNDC and DSCF passthroughs to 100 percent for High-Density/Saturation Letters would result in price increases of 10.5 percent and 15.4 percent, respectively. The Postal Service considers these price

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<sup>1</sup> *Revised\_AttachmentB\_CHIR5.xls* also includes updates that were made in response to CHIR1, Q5 and CHIR2, Q2. Accordingly, this file represents the most up to date version of Attachment B to the Postal Service's Notice of Market-Dominant Price Adjustment.

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increases to constitute price shock. Accordingly, these passthroughs are justified pursuant to 39 U.S.C. § 3622(e)(2)(b).

c. N/A

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9. Please reconcile the calculation of the dropship discounts in Excel file "(Attachment B).xls," tabs "Standard Mail Prcls & Mkt Prcls," "Standard Mail Carrier Route," "Standard Mail HD-Sat Letters," "Standard Mail HD-Sat Flts-Prcls," with the prices listed in the proposed changes to the MCS. See Notice, Attachment A, Part I.

**RESPONSE:**

Substantial revisions were made to tab "Standard Mail Prcls & Mkt Prcls" in excel workbook "*Revised\_Attachment B.xls*", filed with the Postal Service's answers to CHIR 2 on February 2, 2015. That revised Attachment B file matches the MCS. The Postal Service is revising Attachment B again to ensure that the discounts use the MCS prices, in tabs "Standard Mail Carrier Route", "Standard Mail HD-SAT Letters", and Standard Mail HD-Sat Flts-Prcls". See excel workbook "*Revised\_Attachment B\_CHIR5.xls*", submitted with this response. All revisions responsive to this question are highlighted in yellow.

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10. In the Notice, Attachment A, Part I of the proposed changes to the MCS, the following language appears on page 23:

*Saturation, High Density Plus, and High Density Letters (more than 3.35 ounces) Commercial and Nonprofit*

Saturation, High Density Plus, and High Density letter-shaped pieces, and letter-shaped pieces without eligible barcodes or not meeting automation letter standards, that weigh more than 3.5 ounces must pay the prices shown in the applicable Standard Mail (Commercial and Nonprofit) Saturation, High Density Plus, and High Density Flats price tables (1210.6). These pieces cannot be entered at a DDU and must be prepared as letters.

This language does not appear on the corresponding page of the Notice, Attachment A, Part II of the proposed changes to the MCS. Please reconcile the discrepancy.

**RESPONSE:**

This language was added to Attachment A, Part II in errata filed February 4, 2015.

Please see page with footer "Attachment A, Part II (Exigent) Page 23 of 139".

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11. In the Notice, Attachment A, Part I of the proposed changes to MCS, the following language appears on page 42:

*Nonautomation Pieces weighing greater than 3.35 ounces*

Letters pieces without eligible barcodes or not meeting automation letter standards, that weigh more than 3.5 ounces must pay the prices shown in the applicable Standard Mail (Commercial and Nonprofit) Flats price tables (1225.6). These pieces cannot be entered at a DDU and must be prepared as letters.

This language does not appear on the corresponding page of the Notice, Attachment A, Part II of the proposed changes to the MCS. Please reconcile the discrepancy.

**RESPONSE:**

This language was added to Attachment A, Part II in errata filed February 4, 2015.

Please see page with footer "Attachment A, Part II (Exigent) Page 42 of 139".