

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

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2015-4

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 10

The United States Postal Service hereby provides its response to Chairman's Information Request No. 10, issued on February 11, 2015. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

John F. Rosato
David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986, Fax -6187
David.H.Rubin@usps.gov

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1. Please refer to Excel file, "CAPCALC-STD-R2015-4-CHIR5.xlsx," tabs "FSS Blended Rate Auto" and "FSS Blended Rate NonAuto," which list the Docket Nos. R2013-10 and R2015-4 prices for the blended FSS price categories.
 - The following cells in tab "FSS Blended Rate Auto" contain reference errors: K31, X31, AJ31.
 - The following cells in tab "FSS Blended Rate NonAuto" contain reference errors: K48, X48, AJ48, K132, X132, AJ132.

These cells are used to calculate the blended Docket No. R2015-4 prices. Chairman's Information Request No. 5, February 2, 2015, questions 1 and 2 sought sources for these cells to correct the reference errors. In response, the Postal Service stated that the prices in the 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."¹ Please provide the prices for the cells identified above, as well as the underlying calculations, if applicable.

RESPONSE:

In the tab "FSS Blended Rate Auto", cell K31 is supposed to refer to cell G31 on the "L-F-P New Prices" tab, cell X31 is supposed to refer to cell M31 on the "L-F-P New Prices" tab, and cell AJ31 is supposed to refer to cell S31 on the "LFP new prices tab. The value for K31 is 0.333, the value for X31 is 0.219 and the value for AJ 31 is 0.544.

In the tab "FSS Blended Rate Non-Auto", the value for cells K48, X48, and AJ48 were supposed to be 0.377, 0.262, and 0.554 respectively. The values for cells K132, X132, and AJ132 from the same tab were supposed to be 0.229, 0.136, 0.451 respectively. 0.377 was calculated by taking the current piece price of the discontinued Commercial DFSS Scheme cell (0.366) and increasing it by

¹ See Responses of the United States Postal Service to Chairman's Information Request No. 5, February 9, 2015, questions 1a and 2a.

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2.942 percent. 0.262 was calculated by taking the current pound-piece price of the discontinued Commercial DFSS Scheme cell (0.253) and increasing it by 3.746 percent. 0.554 was calculated by taking the current pound-pound price of the discontinued Commercial DFSS Scheme cell (0.547) and increasing it by 1.215 percent. Because the goal was to create new base prices that would have resulted from Docket No. R2013-10, the percentage increases were the same amounts the discontinued cells were increased by in Docket No. R2013-10. Cells K132, X132, and AJ132 are the Nonprofit counterparts of the Commercial cells and their values were calculated in the exact same manner as the Commercial cells.

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2. On February 5, 2015, in the Postal Service Response to CHIR No. 6, the Postal Service provided Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls."² The following questions concern the source of the billing determinant adjustments for FSS Facility and FSS Scheme DFSS and DSCF entered sacks.
- a. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Regular Rate BD," cell H121 contains the adjusted FY 2014 volume for FSS Facility Sacks entered at the DFSS.
 - i. Please confirm the adjusted volume for DFSS sacks is calculated by multiplying the number of FSS Facility Sacks entered at the DSCF in FY 2014 by 20 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 20 percent factor and a rationale supporting its use.
 - b. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Regular Rate BD," cell H122 contains the adjusted FY 2014 volume for FSS Facility Sacks entered at the DSCF.
 - i. Please confirm the adjusted volume for DSCF sacks is calculated by multiplying the number of FSS Facility Sacks entered at the DSCF FY 2014 by 80 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 80 percent factor and a rationale supporting its use.
 - c. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Regular Rate BD," cell H129 contains the adjusted FY 2014 volume for FSS Scheme Sacks entered at the DFSS.
 - i. Please confirm the adjusted volume for DFSS sacks is calculated by multiplying the number of FSS Scheme Sacks entered at the DSCF in FY 2014 by 20 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 20 percent factor and a rationale supporting its use.
 - d. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Regular Rate BD," cell H130 contains the adjusted FY 2014 volume for FSS Scheme Sacks entered at the DSCF.
 - i. Please confirm the adjusted volume for DSCF sacks is calculated by multiplying the number of FSS Scheme Sacks entered at the DSCF in FY 2014 by 80 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 80 percent factor and a rationale supporting its use.

² Response of the United States Postal Service to Questions 3, 17, and 20 of Chairman's Information Request No. 6, February 5, 2015, question 17 (Postal Service Response to CHIR No. 6).

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- e. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "NonProfit BD," cell H113 contains the adjusted FY 2014 volume for FSS Facility Sacks entered at the DFSS.
 - i. Please confirm the adjusted volume for DFSS sacks is calculated by multiplying the number of FSS Facility Sacks entered at the DSCF in FY 2014 by 20 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 20 percent factor and a rationale supporting its use.
- f. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "NonProfit BD," cell H114 contains the adjusted FY 2014 volume for FSS Facility Sacks entered at the DSCF.
 - i. Please confirm the adjusted volume for DSCF sacks is calculated by multiplying the number of FSS Facility Sacks entered at the DSCF in FY 2014 by 80 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 80 percent factor and a rationale supporting its use.
- g. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "NonProfit BD," cell H121 contains the adjusted FY 2014 volume for FSS Scheme Sacks entered at the DFSS.
 - i. Please confirm the adjusted volume for DFSS sacks is calculated by multiplying the number of FSS Scheme Sacks entered at the DSCF in FY 2014 by 20 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 20 percent factor and a rationale supporting its use.
- h. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "NonProfit BD," cell H122 contains the adjusted FY 2014 volume for FSS Scheme Sacks entered at the DSCF.
 - i. Please confirm the adjusted volume for DSCF sacks is calculated by multiplying the number of FSS Scheme Sacks entered at the DSCF in FY 2014 by 80 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 80 percent factor and a rationale supporting its use.
- i. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Classroom BD," cell G113 contains the adjusted FY 2014 volume for FSS Facility Sacks entered at the DFSS.
 - i. Please confirm the adjusted volume for DFSS sacks is calculated by multiplying the number of FSS Facility Sacks entered at the DSCF in FY 2014 by 20 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 20 percent factor and a rationale supporting its use.
- j. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Classroom BD," cell G114 contains the adjusted FY 2014 volume for FSS Facility Sacks entered at the DSCF.

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- i. Please confirm the adjusted volume for DSCF sacks is calculated by multiplying the number of FSS Facility Sacks entered at the DSCF in FY 2014 by 80 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 80 percent factor and a rationale supporting its use.
- k. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Classroom BD," cell G121 contains the adjusted FY 2014 volume for FSS Scheme Sacks entered at the DFSS.
 - i. Please confirm the adjusted volume for DFSS sacks is calculated by multiplying the number of FSS Scheme Sacks entered at the DSCF in FY 2014 by 20 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 20 percent factor and a rationale supporting its use.
- l. In Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls," tab "Classroom BD," cell G122 contains the adjusted FY 2014 volume for FSS Scheme Sacks entered at the DSCF.
 - i. Please confirm the adjusted volume for DSCF sacks is calculated by multiplying the number of FSS Scheme Sacks entered at the DSCF in FY 2014 by 80 percent. If not confirmed, please explain.
 - ii. Please provide the source for the 80 percent factor and a rationale supporting its use.

RESPONSE:

a – l:

- i: All Confirmed.
- ii: FSS sacks are prepared either as residual volume after pallet preparation, or by small publications when the publication does not have sufficient volume to make an FSS Scheme or FSS Facility pallet. Typically customers will also prepare sacks for mail destinating in non-FSS zones, and also not meeting pallet minimums. The residual nature of these sacks makes estimating their entry and preparation difficult. However, in instances when the DFSS and DSCF are not co-located, it is reasonable to assume that the costs of depositing mail at two separate locations would outweigh the benefits, at low volumes. This is to say that if a low volume mailer had both FSS Facility sacks

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and sacks for non-FSS zones, they would likely deposit all sacks at the single location that can accept both (the DSCF), rather than deposit mail at both the DSCF and DFSS. But some mailers would choose to enter mail in FSS Facility sacks at the DFSS. The Postal Service has no data showing how these sacks would be entered, but believes there would be this strong bias towards DSCF entry. Thus, 80 percent DSCF and 20 percent DFSS are applied to the sack volumes.

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3. The proposed Mail Classification Schedule language for this proceeding contains two sets of prices. Notice, Attachment A, Part I contains the proposed prices without the exigent surcharge, and Part II contains the proposed prices with the exigent surcharge. On page 66 of Part I, the price for Outside County FSS Machinable Barcoded Flats without the exigent surcharge is listed as \$0.230. On page 66 of Part II, the price for Outside County FSS Machinable Barcoded Flats with the exigent surcharge is listed as \$0.240.
- a. Please confirm that the exigent surcharge for Outside County FSS Machinable Barcoded Flats is \$0.010. If not confirmed, please explain.
 - b. The following table contains the results of a method for calculating the exigent surcharge for Outside County FSS Machinable Barcoded Flats. This method was used in Excel file "CAPCALC-PER-R2015-4-ChIR6Q17.xls" to determine the historical price of the new FSS Automation Machinable category.

	Exigent Surcharge	Volume Percentage	New Surcharge
3-Digit Automation Machinable	\$ 0.0140	2.51%	\$0.00035
5-Digit Automation Machinable	\$ 0.0130	24.00%	\$0.00312
Carrier Route Basic	\$ 0.0080	73.49%	\$0.00588
New FSS Automation Machinable Surcharge			\$0.00935

- i. Please confirm that applying the method used for the calculation of the historical price of FSS Machinable Barcoded Flats to the calculation of the exigent surcharge for FSS Machinable Barcoded Flats results in an exigent surcharge of \$0.00935. If not confirmed, please explain.
- ii. Outside County Periodicals piece prices are rounded at the third digit after the decimal place. Please explain why the exigent surcharge for FSS Machinable Barcoded Flats is \$0.010 instead of \$0.009.

RESPONSE:

- a. Not Confirmed. The Exigent surcharge of \$0.0935 was added to the unrounded CPI price, resulting in an Exigent price that rounded up to \$0.240. The actual CPI price was rounded down to \$0.230, creating the appearance of an \$0.010 Exigent surcharge. The Postal Service

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recognizes that the Exigent price should be calculated using the actual (rounded) CPI price, so errata to Attachment A, Part II will be filed to correct this price.

b.

i. Confirmed.

ii. See the response to part a.