

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. 11
(February 18, 2015)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 11, issued on February 12, 2015. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. February 17, 2015 In Excel file "Revised_AttachmentB_CHIR5.xlsx," tab "Standard Mail HD-Sat Letters," the commercial High Density Letters presort discount (\$0.078) differs from the nonprofit High Density Letters presort discount (\$0.082). The Notice does not explain why these two discounts differ. Please discuss the rationale for setting different discount amounts for commercial High Density Letters presort and nonprofit High Density Letters presort.

RESPONSE:

This was the inadvertent result of the overall pricing development; the plan is to align the discounts in the next price adjustment.

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2. In Excel file "Revised_AttachmentB_CHIR5.xlsx," tab "Standard Mail HD-Sat Flts-Prcls," the commercial High Density Flats presort discount (\$0.050) differs from the nonprofit High Density Flats presort discount (\$0.054). The Notice does not explain why these two discounts differ. Please discuss the rationale for setting different discount amounts for commercial High Density Flats presort and nonprofit High Density Flats presort.

RESPONSE:

This was the inadvertent result of the overall pricing development; the plan is to align the discounts in the next price adjustment.

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- 3.** Please refer to Excel file "CAPCALC-STD-R2015-4-CHIR5.xlsx," tab "FSS Blended Rate Auto."
- a. Please confirm that cell J42 should be \$0.337. If not confirmed, please explain.
 - b. Please confirm that cell J43 should be \$0.327. If not confirmed, please explain.
 - c. Please confirm that cells W41:W43 should be \$0.214. If not confirmed, please explain.

RESPONSE:

- a-c. Confirmed.

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4. In response to Chairman's Information Request No. 6, question 18, the Postal Service confirmed that Outside County Periodicals mailers will be required to pay FSS bundle prices when entering FSS presorted mail. The Postal Service estimated that over 42 million bundles that were Carrier Route presorted in FY 2014 will be FSS presorted under the new mailing requirements. The Postal Service has not revised the Periodicals Price Cap Calculation spreadsheet to reflect the required bundle preparation changes. The spreadsheet attached to this request contains billing determinants and price adjustments based on the data provided by the Postal Service. The tab "bundle analysis" contains calculations intended to account for the change in mail preparation requirements for bundles in the billing determinants. The attached spreadsheet also incorporates FY 2014 Q4 FSS piece data provided in response to Chairman's Information Request No. 6, question 19, with the new data in tab "FSS Piece Data q4."

a. The following table details the revenue for Outside County Periodicals bundle prices. Please confirm that incorporating the adjustment to the billing determinants due to the planned FSS pricing requirements leads to a change in calculated revenue of negative \$9.8 million. If not confirmed, please explain.

	Bundle Revenue		
	Revenue @ R2013-10 Prices	Revenue Adjusted Prices	Change in Revenue
Without Bundle Adjustment	\$ 89,314,058	\$ 173,163,983	\$ 83,849,925
With Bundle Adjustment	\$ 89,314,058	\$ 163,326,036	\$ 74,011,978
Difference	\$ -	\$ (9,837,947)	\$ (9,837,947)

b. The following table details the overall Periodicals price change for the proposed prices with the incorporation of the bundle billing determinant adjustment. Please note that the small difference in Revenue at Docket No. R2013-10 prices is due to the incorporation of the FY 2014 Q4 FSS data and rounding. Please confirm that incorporating the bundle billing determinant adjustment and the FY 2014 Q4 FSS data leads to a change in the calculated price increase of negative 0.626 percentage points. If not confirmed, please explain.

	Overall Price Change			
	Revenue @ R2013-10 Prices	Revenue Adjusted Prices	Revenue	Percentage
Without Bundle Adjustment	\$ 1,564,837,544	\$ 1,595,594,294	\$ 30,756,751	1.965%
With Bundle and FSS Adjustment	\$ 1,564,835,021	\$ 1,585,801,076	\$ 20,966,055	1.340%
Difference	\$ (2,523)	\$ (9,793,218)	\$ (9,790,695)	-0.626%

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- c. In its original filing, the Postal Service proposed to use almost its full price cap authority (1.965% vs. 1.966%) for Periodicals. Notice at 5. In light of the Postal Service's recent corrections to its calculations, the utilized price cap is now projected to be 1.340%. Please explain why the Postal Service has decided to undertake such a different approach from the prices proposed in its original filing.

RESPONSE:

- a. Confirmed.
- b. Confirmed
- c. The Postal Service's intention was to increase Periodicals prices by 1.965 percent. However, the change described in the question shows that the prices noticed in the January 2015 filing unintentionally reflect a percent price increase for Periodicals that is below the goal of 1.965 percent.