

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market Dominant
Price Adjustment

Docket No. R2015-4

CHAIRMAN'S INFORMATION REQUEST NO. 14

(Issued February 23, 2015)

To clarify the issues raised by the Postal Service's Notice of Market Dominant Price Adjustment in Docket No. R2015-4,¹ the Postal Service is requested to provide a written response to the following request. Answers to the request should be provided as soon as they are developed, but no later than February 25, 2015.

Periodicals

1. In response to Chairman's Information Request No. 6 question 18,² the Postal Service confirmed that the proposed Periodicals FSS prices and mail preparation requirements necessitate adjustments to the billing determinants for bundles. As detailed in that question and response, Periodicals pieces entered at Carrier Route piece and Carrier Route bundle prices for FSS zones in FY 2014 will be required, after the implementation of this proceeding's planned prices, to pay FSS piece and bundle prices. The following question concerns the impact of the Periodicals FSS prices and mail preparation requirements on pallet and sack billing determinants.

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Notice).

² Response of the United States Postal Service to Questions 1, 4-16, and 18-19 of Chairman's Information Request No. 6, February 11, 2015, question 18.

- a. Please confirm that, as detailed in Docket No. ACR2014 Library Reference USPS-LR-FY14-04, Excel file "FY 2014 Periodicals.xls," in FY 2014 2,326,510 Periodicals Outside County Sacks were entered at 5-digit/Carrier Route presorted prices. If not confirmed, please explain.
- b. In Excel file "CAPCALC-PER-R2105.xls," the Postal Service modifies the FY 2014 Periodicals Outside County sack volume to account for the new preparation options implemented pursuant to the Docket Nos. R2013-10 and R2013-11 pricing and classification changes. Please confirm that the Postal Service estimates that 2,293,502 Periodicals Outside County Sacks would have entered at 5-digit/Carrier Route presorted prices if the Docket Nos. R2013-10 and R2013-11 prices had been implemented for all of FY 2014. If not confirmed, please explain.
- c. Please confirm that the Carrier Route, 5-digit, and 3-digit presorted pieces that are required to be entered at FSS piece prices will also be required to be entered at FSS sack prices instead of Carrier Route, 5-digit, and 3-digit sack prices. If not confirmed, please explain.
- d. Please estimate the number of Periodicals Outside County sacks that will be required to be entered at FSS presorted sack prices under this proceeding's planned prices and mail preparation requirements.
- e. Please confirm that, as detailed in Docket No. ACR2014 Library Reference USPS-LR-FY14-04, Excel file "FY 2014 Periodicals.xls," in FY 2014 227,716 Periodicals Outside County Pallets were entered at 5-digit presorted prices. If not confirmed, please explain.
- f. In Excel file "CAPCALC-PER-R2105.xls," the Postal Service modifies the FY 2014 Periodicals Outside County pallet volume to account for the new preparation options implemented pursuant to the Docket Nos. R2013-10 and R2013-11 pricing and classification changes. Additionally, pallet

volume is adjusted to account for the new Carrier Route pallet price.

Please confirm that the Postal Service estimates that 208,618 Periodicals Outside County pallets would have been entered at 5-digit and Carrier Route presorted prices if the Docket Nos. R2013-10 and R2013-11 prices had been implemented for all of FY 2014, and if the Carrier Route pallet option had been available. If not confirmed, please explain.

- g. Please confirm that the Carrier Route, 5-digit, and 3-digit presorted pieces that are required to be entered at FSS piece prices will also be required to be entered at FSS pallet prices instead of Carrier Route, 5-digit, and 3-digit pallet prices. If not confirmed, please explain.
- h. Please estimate the number of Periodicals Outside County pallets that will be required to be entered at FSS presorted pallet prices under this proceeding's planned prices and mail preparation requirements.
- i. Please revise the Periodicals price cap calculation workpapers to reflect the adjusted bundle, sack, and pallet billing determinants.

Package Services

- 2. The following table contains Bound Printed Matter (BPM) Flat volume data from Docket No. ACR 2014, Library Reference USPS-LR-FY14-4, Excel file "FY 2014 BPM.xls," tab "Presort Flats BD."

FY 2014 BPM Flat Volume		
	Pieces	Percent
Basic Presort	146,678,674	63.83%
Carrier Route Presort	83,115,945	36.17%
Total	229,794,619	

- a. Please confirm that 146.7 million BPM Flats were mailed at Basic Presort prices in FY 2014. If not confirmed, please explain.
 - b. Please confirm that 83.1 million BPM Flats were mailed at Carrier Route Presort prices in FY 2014. If not confirmed, please explain.
3. The following table contains BPM Flat volume data from Docket No. ACR 2014, Library Reference USPS-LR-FY14-4, Excel file “FY 2014 BPM.xls” and Docket No. ACR 2014, Library Reference USPS-LR-FY 14-4 (Revised), Excel file “BPM_BDs_FY2014-WP_Rev.2.6.15.xls.”

FY 2014 BPM Flat Volume			
File	FY-14-4 “FY 2014 BPM.xls”	“BPM_BDs_FY2014-WP_Rev.2.6.15.xls”	Difference
Basic Presort	146,678,674	107,213,995	39,464,679
Carrier Route Presort	83,115,945	60,753,157	22,362,788
Subtotal	229,794,619	167,967,152	61,827,467
FSS Zone	-	61,587,575	(61,587,575)
Total	229,794,619	229,554,727	239,892

- a. Please confirm that 39.464 million BPM Flats were mailed at FSS zone Basic Presort prices in FY 2014. If not confirmed, please explain.
 - b. Please confirm that 22.362 million BPM Flats were mailed at FSS zone Carrier Route prices in FY 2014. If not confirmed, please explain.
4. In FY 2014, as proposed in Docket No. R2013-10, the Postal Service implemented FSS mail preparation requirements for BPM Flats. The BPM FSS prices were set equal to the Basic and Carrier Route prices, allowing mailers to enter BPM flats in FSS zones at both Basic and Carrier Route prices. In this proceeding, the Postal Service proposes to require BPM Flats in FSS zones to pay a new FSS price, removing the option to pay Basic or Carrier Route prices. In response to CHIR No. 1, question 3(c), the Postal Service stated that the BPM

billing determinant volume data used to calculate the price cap impact of this change did not need to be adjusted to reflect the new FSS requirements.³ The Postal Service stated that:

[s]ince all FSS volumes have been reported separately from non-FSS volumes for FY 2014, no billing determinant adjustments were needed. For example, FSS Presort DSCF Flats volume was reported as FSS Presort DSCF Flats. Additionally, the volume from Carrier Route FSS price cells, which will be eliminated as part of this case, have also been reported as FSS volume (rather than Carrier Route) during FY2014. *Id.*

- a. Please confirm that BPM Flats FSS prices were implemented in January 2014, roughly four months into FY 2014. If not confirmed, please explain.
 - b. Please explain if the BPM Flats FSS volumes detailed in Docket No. ACR 2014, Library Reference USPS-LR-FY 14-4 (Revised), Excel file “BPM_BDs_FY2014-WP_Rev.2.6.15.xls” contain FSS volume estimated for FY 2014 Quarter 1, before the implementation of FSS prices.
 - c. Please provide the volume of BPM Flats in FSS zones mailed at Basic and Carrier Route prices that will be required to pay FSS prices disaggregated for each quarter of FY 2014. Please provide volume data separately for both Basic and Carrier Route pricing options in FSS zones.
5. In the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file “R2015-4 Package Services Cap Calculations (2).xlsx,” BPM Flats FSS volumes are not disaggregated into volumes mailed at Basic and Carrier Route Presort prices.
- a. Please provide BPM Flat FSS volumes by rate category for FY 2014.

³ Response of the United States Postal Service to Questions 1-5 of Chairman’s Information Request No. 1, January 30, 2015, question 3.

- b. Please confirm that in tab “BPM Flats Revs.@Curr. Prices,” cells G116 to G133, the Postal Service assumes that no BPM Flats volume in FSS zones was mailed at Carrier Route prices in FY 2014. If not confirmed, please explain.
 - c. Please revise the Excel file “R2015-4 Package Services Cap Calculations (2).xlsx” to account for the BPM Flats volume in FSS zones that was mailed at Carrier Route prices for all of FY 2014.
6. In FY 2014, as proposed in Docket No. R2013-10, the Postal Service implemented FSS mail preparation requirements for Package Services BPM Flats. As detailed on page 26 of the Notice 123,⁴ prices for zones with FSS required preparation were set equal to non-FSS zones. DDU entry options were included for both FSS and Non-FSS zones.
- a. Please confirm that, as of January 26, 2014, BPM Flats mailers were allowed to enter DDU presorted Flats at DDU prices in FSS zones. If not confirmed, please explain.
 - b. Please confirm that in the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file “R2015-4 Package Services Cap Calculations (2).xlsx,” tab “BDs for BPM Presort Flats,” cell Q23 details that 1.312 million BPM Flats were mailed at DDU prices after January 26, 2014. If not confirmed, please explain.
 - c. Please confirm that in the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file “R2015-4 Package Services Cap Calculations (2).xlsx,” tab “BDs for BPM Presort Flats,” cell K51 details that 1.419 million pounds of BPM Flats were mailed at DDU prices after January 26, 2014. If not confirmed, please explain.

⁴ Price List available at <http://pe.usps.com/text/dmm300/Notice123.htm> (Notice 123).

- d. Please confirm that in the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices," cell E133, the Postal Service assumes that all BPM Flats in FSS zones were mailed at the DFSS piece price instead of at the DDU price. If not confirmed, please explain.
- e. Please confirm that in the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices," cell E165, the Postal Service assumes that all BPM Flats in FSS zones were mailed at the DFSS pound price instead of at the DDU price. If not confirmed, please explain.
- f. In the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BDs for BPM Presort Flats," cell P23 states that 59.325 million BPM Flats were mailed at DSCF prices after January 26, 2014. Please confirm that this figure includes volume entered at both DSCF and DFSS prices. If not confirmed, please explain.
- g. In the Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BDs for BPM Presort Flats," cell J51 states that 88.173 million pounds of BPM Flats were mailed at DSCF prices after January 26, 2014. Please confirm that this figure includes pounds entered at both DSCF and DFSS prices. If not confirmed, please explain.
- h. The Docket No. R2013-10 prices for FSS zones include DSCF, DFSS, and DDU price options. In file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BDs for BPM Presort Flats," volumes and pounds are reported for only two categories. Please disaggregate BPM Flats billing determinant data into three categories for DSCF, DFSS, and

DDU entry options and revise Excel file "R2015-4 Package Services Cap Calculations (2).xlsx."

7. As part of the proposed new FSS prices in this proceeding, the Postal Service eliminates the option of DDU prices for BPM Flats mailed to FSS zones. Mailers that entered BPM Flats volume in FSS zones during FY 2014 will be required to pay DFSS prices after the implementation of the proposed prices and will no longer be able to enter mail at DDU prices. The Package Services cap calculation file, Library Reference USPS-LR-R2015-4/4, Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BDs for BPM Presort Flats" appears to identify BPM Flats in FSS zones mailed at DDU prices, as further detailed in question 6 of this CHIR.
 - a. Please confirm that in Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices," cell E133, the Postal Service assumes that 1.312 million pieces were mailed at the DFSS price of \$0.629. If not confirmed, please explain.
 - b. Please confirm that the 1.312 million BPM Flats pieces were actually mailed at the DDU price and that in Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices," cell E133 should be \$0.482. If not confirmed, please explain.
 - c. Please confirm that in Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices," cell E165, the Postal Service assumes that 1.419 million pounds were mailed at the DFSS price of \$0.040. If not confirmed, please explain.
 - d. Please confirm that the 1.419 million pounds were actually mailed at the DDU price and that in Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices," cell E165 should be \$0.022. If not confirmed, please explain.

- e. Please confirm that when the Excel file "R2015-4 Package Services Cap Calculations (2).xlsx," tab "BPM Flats Revs.@Curr. Prices" is corrected to reflect that DDU Presorted BPM Flats in FSS zones were mailed at DDU prices, the Package Services price adjustment for Docket No. R2015-4 increases to 1.992 percent. If not confirmed, please explain.

By the Acting Chairman.

Robert G. Taub