

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

ANNUAL COMPLIANCE REVIEW, 2014

Docket No. ACR2014

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
QUESTION 15 OF CHAIRMAN'S INFORMATION REQUEST NO. 7 -- ERRATA

The United States Postal Service hereby provides a revised response to Questions 15 of Chairman's Information Request No. 7. The revised answer completely replaces the answer originally filed on February 19, 2015.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7

15. On February 6, 2015, in response to CHIR No. 4, question 2, the Postal Service provided an updated Bound Printed Matter Flats workshare table which added a dropship discount for Basic DFSS Flats. See Excel file "ChIR4.Q2.FY14 BPM Flats Discount Tables.xlsx," filed as part of USPS-FY14-46. The dropship discount for Basic DFSS Flats exceeds the avoided cost. For Basic DFSS Flats, please provide a justification for the passthrough above 100 percent.

RESPONSE:

During FY2014, the time period covered by the ACR, the DFSS Workshare relationship was a mirror of the DSCF Workshare relationship in that the cost avoidances and the discounts were exactly the same. Therefore, the explanation why the DFSS passthrough is greater than 100 percent over that time period is no different from the explanation provided for the DSCF Workshare Passthrough. The FY2014 passthrough for the BPM Flats DSCF dropship discounts was 109.8 percent. On January 26, 2014, the discount was increased to 64 cents from 61.5 cents. These discounts were below the FY 2012 cost avoidances, which were used to set the discounts in Docket Nos. R2013-10 and R2013-11. Since then, the FY 2014 cost avoidances have dropped to 58.3 cents. Since there is no statutory workshare exception to account for the lag between the most recent price adjustments and the fiscal year cost avoidance calculations, the Postal Service is not relying on any exception in section 3622(e)(2). Rather, as it has done in recent years, the Postal Service will adjust these discounts to match the most currently known cost avoidance during the next market-dominant price change, taking into consideration other business and operational needs.

REVISED: FEBRUARY 23, 2015