

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
QUESTIONS 2-12 OF CHAIRMAN'S INFORMATION REQUEST NO. 15**
(February 27, 2015)

The United States Postal Service hereby provides its responses to questions 2 thru 12 of Chairman's Information Request No. 15, issued on February 25, 2015. The response to question 1 is still being prepared. Each question is stated verbatim and is followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:
Daniel J. Foucheaux
Chief Counsel, Pricing and 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
John.F.Rosato@usps.gov

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2. In the Notice, the Postal Service details its plan to eliminate the option for DFSS pricing for BPM Flats that are not destined for FSS zones. Notice, Attachment A, Part I at 70-73.
 - a. Please confirm that BPM Flats mailed at DFSS prices in FY 2014 that were not destined for FSS zones will be required to pay DSCF prices after the implementation of the planned Docket No. R2015-4 prices. If not confirmed, please explain.
 - b. If part a. is confirmed, please confirm that the adjustments have been accounted for in the Postal Service's Package Services price cap calculation workpapers. If not accounted for, please explain, and if necessary, provide revised workpapers.

RESPONSE:

- a. Not confirmed. FSS preparation was required for volume destinating in FSS zones in 2014. The only volume that could be entered at the DFSS was FSS scheme bundles on scheme pallets. DSCF prices did not apply. Volume destined for non-FSS zones was, and will be, required to pay the entry prices for the facility where the volume is entered: DSCF, DNDC, etc.
- b. N/A

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3. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "F-2 COD," cell H23, the existing revenue per transaction for Bulk Collect-On-Delivery is calculated by dividing the revenue in FY 2014 by the total volume of transactions for FY 2014.
- a. Please confirm that in FY 2014, Docket No. R2013-1 and Docket No. R2013-11 prices were in effect. If not confirmed, please explain.
 - b. Please provide the average revenue per transaction for Bulk Collect-On-Delivery for the portion of FY 2014 that Docket No. R2013-1 prices were in effect.
 - c. Please provide the average revenue per transaction for Bulk Collect-On-Delivery for the portion of FY 2014 that Docket No. R2013-11 prices were in effect.
 - d. Please provide the Docket No. R2013-11 price increase for Bulk Collect-On-Delivery as compared to the Docket No. R2013-10 prices.
 - e. Please provide the Bulk Collect-On-Delivery revenue per transaction at Docket No. R2013-10 price in FY 2014.
 - f. Please explain why the fractional value of 9.717615 is appropriate for the price of Bulk Collect-On-Delivery at Docket No. R2013-10 prices instead of a price with 2 or 3 decimal places.

RESPONSE:

- a. Confirmed.
- b. \$9.26559612
- c. \$10.03676762
- d. In R2013-10 the volume weighted price increase for Collect-On-Delivery was 4.1 percent; in R2013-11 the volume weighted price increase for Collect-On-Delivery was 4.2 percent.

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- e. \$ 9.632214605 (this is derived by dividing the average revenue per piece in part c. by 104.2, which reflects the overall average price increase for COD pieces that were not bulk).
- f. The average price was \$9.717615 (1,184,208/121,862). This number was not rounded, because rounding would have caused the actual revenue received to be less than the revenue reported in the Price Cap calculation. The unrounded price allows the Postal Service to calculate the most accurate revenue number. Additionally, it is consistent with how the average price has been derived and reported since PAEA was implemented.

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4. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "H-4 First Class Presort Permits," cell F7, the Postal Service uses a volume of 26,334.6062 paid First-Class Mail Presort Permits to calculate the price increase for this Special Service.
- a. Please confirm that the FY 2014 Special Services billing determinants detail a total of 7,610 paid First-Class Mail Presort Permits for FY 2014. If not confirmed, please explain.
 - b. Please provide the rationale for using the volume of 26,334.6062 for paid First-Class Mail Presort Permits to calculate the price increase for this Special Service.
 - c. Please explain why the volume of First-Class Mail Presort Permits is not a whole number.
 - d. If the Postal Service believes that the volume of 26,334.6062 for paid First-Class Mail Presort Permits is the appropriate volume for the calculation of the price increase for this Special Service, please provide the source of this volume and supporting documentation.

RESPONSE:

- a. Confirmed.
- b. This number was unintentionally carried over from the R2013-10 workpapers as a hardcoded number. The correct number of permits is 24,389, which is derived by dividing \$ 5,212,584 by \$213.7293729 (this is the weighted average price for a permit in FY 2014).
- c. Historically the number of First-Class Mail Presort Permits in the workpapers is not a whole number because the volume is derived by dividing the revenue by the appropriate price.
- d. See response to part b. of this question.

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5. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "F-3 Insurance," cell G62, the existing revenue per transaction for Merchandise Return Service (MRS) Insurance is calculated by dividing the total revenue in FY 2014 by the volume of transactions for FY 2014.
- a. Please confirm that in FY 2014, Docket No. R2013-1 and Docket No. R2013-11 prices were in effect. If not confirmed, please explain.
 - b. Please provide the average revenue per transaction for MRS Insurance for the portion of FY 2014 that Docket No. R2013-1 prices were in effect.
 - c. Please provide the average revenue per transaction for MRS Insurance for the portion of FY 2014 that Docket No. R2013-11 prices were in effect.
 - d. Please provide the Docket No. R2013-11 price increase for MRS Insurance as compared to the Docket No. R2013-10 prices.
 - e. Please provide the MRS Insurance revenue per transaction at the Docket No. R2013-10 price.
 - f. Please explain why a fractional value of 3.7753 for the price of MRS Insurance at Docket No. R2013-10 prices instead of a price with 2 or 3 decimal places is appropriate.

RESPONSE:

- a. Confirmed.
- b. \$4.220263442
- c. \$3.598903549
- d. MRS Insurance was not a separate reporting category in Docket Nos. R2013-10 and R2013-11. Accordingly, the information requested cannot be provided.

Nevertheless, the volume weighed price increases for insurance in Docket Nos. R2013-10 and R2013-11 were 3.1 percent and 4.5 percent, respectively.

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- e. \$3.443926841 (this is derived by dividing the average revenue per piece in part c. by 1.045, which reflects the overall average price increase for Insured pieces that were not bulk insurance).
- f. The average price was \$3.7753. This number was not rounded, because rounding would have caused the actual revenue received to be less than the revenue reported in the Price Cap calculation. The unrounded price allows the Postal Service to calculate the most accurate revenue number. Additionally, it is consistent with how the average price has been derived and reported since PAEA was implemented.

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6. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "F-3 Insurance," cell G63, the existing revenue per transaction for Bulk Insurance is calculated by dividing the total revenue in FY 2014 by the volume of transactions for FY 2014.
- a. Please confirm that in FY 2014, Docket No. R2013-1 and Docket No. R2013-11 prices were in effect. If not confirmed, please explain.
 - b. Please provide the average revenue per transaction for Bulk Insurance for the portion of FY 2014 that Docket No. R2013-1 prices were in effect.
 - c. Please provide the average revenue per transaction for Bulk Insurance for the portion of FY 2014 that Docket No. R2013-11 prices were in effect.
 - d. Please provide the Docket No. R2013-11 price increase for Bulk Insurance as compared to the Docket No. R2013-10 prices.
 - e. Please provide the Bulk Insurance revenue per transaction at the Docket No. R2013-10 price.
 - f. Please explain why the fractional value of 5.0731 is appropriate for the price of Bulk Insurance at Docket No. R2013-10 prices instead of a price with 2 or 3 decimal places.

RESPONSE:

- a. Confirmed.
- b. \$ 4.753515185
- c. \$ 5.266096435
- d. In R2013-10 the volume weighted price increase for insurance was 3.1 percent; in R2013-11 the volume weighted price increase for insurance was 4.5 percent.
- e. \$ 5.039326733 (this is derived by dividing the average revenue per piece in part c. by 1.045, which reflects the overall average price increase for insured pieces that were not bulk insurance).

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- f. The average price was \$5.0731. This number was not rounded, because rounding would have caused the actual revenue received to be less than the revenue reported in the Price Cap calculation. The unrounded price allows the Postal Service to calculate the most accurate revenue number. Additionally, it is consistent with how the average price has been derived and reported since PAEA was implemented.

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7. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "G-4 Merchandise Return," cell G10, the volume of paid Merchandise Return Accounting Fees for FY 2014 is 704.587. Please explain why the fractional value of 704.587 versus using a whole number is the Postal Service's best estimate of volume of paid Merchandise Return Accounting Fees for FY 2014.

RESPONSE:

The volume is derived by dividing revenue by the appropriate average price. In this case the resulting number was not a whole number. Using a whole number would result in a less accurate average revenue calculation. Additionally, this methodology is consistent with how the volume has been derived and reported since PAEA was implemented.

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8. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "F-6 Registered Mail," cell G41, the existing revenue per transaction for Merchandise Return Service (MRS) Registered Mail is calculated by dividing the volume of transactions in FY 2014 by the total revenue for FY 2014.
- a. Please confirm that in FY 2014, Docket No. R2013-1 and Docket No. R2013-11 prices were in effect. If not confirmed, please explain.
 - b. Please provide the average revenue per transaction for MRS Registered Mail for the portion of FY 2014 that Docket No. R2013-1 prices were in effect.
 - c. Please provide the average revenue per transaction for MRS Registered Mail for the portion of FY 2014 that Docket No. R2013-11 prices were in effect.
 - d. Please provide the Docket No. R2013-11 price increase for MRS Registered Mail as compared to the Docket No. R2013-10 prices.
 - e. Please provide the MRS Registered Mail revenue per transaction at the Docket No. R2013-10 price.
 - f. Please explain why the fractional value of 12.67494 is appropriate for the price of MRS Registered Mail at Docket No. R2013-10 prices instead of a price with 2 or 3 decimal places.

RESPONSE:

- a. Confirmed.
- b. \$ 12.08723724
- c. \$ 12.76701244
- d. In R2013-10 the volume weighted price increase for Registered Mail was 2.2 percent; in R2013-11 the volume weighted price increase for Registered Mail was 4.1 percent.

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- e. \$ 12.26418102 (this is derived by dividing the average revenue per piece in part c. by 1.041, which reflects the overall average exigent surcharge for Registered Mail pieces that were not bulk).
- f. The average price was \$12.67494. This number was not rounded, because rounding would have caused the actual revenue received to be less than the revenue reported in the Price Cap calculation. The unrounded price allows the Postal Service to calculate the most accurate revenue number. Additionally, it is consistent with how the average price has been derived and reported since PAEA was implemented.

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9. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "F-6 Registered Mail," cell G42, the existing revenue per transaction for Bulk Registered Mail is calculated by dividing the total revenue in FY 2014 by the volume of transactions for FY 2014.
- a. Please confirm that in FY 2014, Docket No. R2013-1 and Docket No. R2013-11 prices were in effect. If not confirmed, please explain.
 - b. Please provide the average revenue per transaction for Bulk Registered Mail for the portion of FY 2014 that Docket No. R2013-1 prices were in effect.
 - c. Please provide the average revenue per transaction for Bulk Registered Mail for the portion of FY 2014 that Docket No. R2013-11 prices were in effect.
 - d. Please provide the Docket No. R2013-11 price increase for Bulk Registered Mail as compared to the Docket No. R2013-10 prices.
 - e. Please provide the Bulk Registered Mail revenue per transaction at the Docket No. R2013-10 price.
 - f. Please explain why the fractional value of 24.06513 is appropriate for the price of Bulk Registered Mail at Docket No. R2013-10 prices instead of a price with 2 or 3 decimal places.

RESPONSE:

- a. Confirmed.
- b. \$ 26.33517521
- c. \$ 23.21070153
- d. In R2013-10 the volume weighted price increase for Registered Mail was 2.2 percent; in R2013-11 the volume weighted price increase for Registered Mail was 4.1 percent.

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- e. \$ 22.29654325 (this is derived by dividing the average revenue per piece in part c. by 1.041, which reflects the overall average exigent surcharge for Registered Mail pieces that were not bulk).
- f. The average price was \$24.06513. This number was not rounded, because rounding would have caused the actual revenue received to be less than the revenue reported in the Price Cap calculation. The unrounded price allows the Postal Service to calculate the most accurate revenue number. Additionally, it is consistent with how the average price has been derived and reported since PAEA was implemented.

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10. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "F-12 Signature Confirmation," cell I11, the existing revenue per piece for NSA Signature Confirmation of 1.950004 is calculated by dividing the total revenue in FY 2014 by the volume of transactions for FY 2014. Please confirm the value of cell I11 should be 1.95. If not confirmed, please explain.

RESPONSE:

Not Confirmed. The total reported revenue divided by the total volume was \$1.950004.

This is not a published price, so the revenue reported and the volume reported were used to derive the average revenue per piece.

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11. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "G-6 Standard Mail Weighted Fee," cell D12, the existing revenue for Standard Mail Weighted for FY 2014 is detailed as \$3,525,802. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "Change Calc," cell C43, the existing revenue for Standard Mail Weighted for FY 2014 is detailed as \$4,360,820. Please reconcile this apparent discrepancy.

RESPONSE:

The revenue reported in the "G-6 Standard Mail Weighted Fee" cell (\$3,525,802) is correct.

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12. In Excel file "CAPCALC-SpecServ-R2015-4 Rev 2-13," tab "Computerized Delivery Sequence," cell F9, the volume of Computerized Delivery Sequence for FY 2014 is detailed as 281,089,981.25.

- a. Please explain why the volume of Computerized Delivery Sequence is not a whole number.
- b. Please provide a source for this volume estimate of Computerized Delivery Sequence.

RESPONSE:

- a. Though revenue for this product was reported to the penny level, the unit price is less than a penny. When a customer is charged for the service their total charge will frequently need to be rounded up or down, since the volume multiplied by the unit price can result in a total charge that contains tenths of a cent. As a result of this rounding, there are frequently situations where total revenue divided by the unit price results in fractional volume.
- b. While responding to this information request, the Postal Service discovered that the CDS volume reported was incorrect. This error resulted from the unintentional retention of a number from the R2013-10 Cap. Calc. file. Using the methodology provide above (i.e. revenue divided by unit price), the correct CDS volume is 266,985,242.222222.