

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

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2015-4

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 2-7 OF CHAIRMAN'S INFORMATION REQUEST NO. 14**
(March 3, 2015)

The United States Postal Service hereby provides its responses to questions 2-7 of Chairman's Information Request No. 14, issued on February 23, 2015. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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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.

RESPONSE:

- a-b. Not Confirmed. The Postal Service is today filing revised Package Services billing determinants in Docket No. ACR2014. In that set of Billing determinants the volumes are:

FY 2014 Presort BPM Flat Volume		
	Volume	Share of Total
Basic Presort	133,276,297	54.10%
Carrier Route Presort	113,061,251	45.90%
Total	246,337,548	

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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.

RESPONSE:

- a. Not confirmed. See *ChIR 14 Qu5 Response.xlsx*, tab “BD’s for BPM Presort Flats”, Cell R32. The corrected number is 5.275 million BPM Flats mailed at FSS zone Basic Presort prices in FY 2014. The original number included Basic Presort DSCF dropship volume that was mislabeled in the Special Weight Report source data as FSS presort DSCF dropship.
- b. Not confirmed. See *ChIR 14 Qu5 Response.xlsx*, tab “BD’s for BPM Presort Flats”, Cell X32. The revised number is 5.434 million BPM Flats mailed at FSS zone Carrier Route prices in FY 2014. The original number included Basic Presort DSCF

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dropship volume that was mislabeled in the Special Weight Report source data as

FSS presort DSCF dropship.

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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.¹ 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

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

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disaggregated for each quarter of FY 2014. Please provide volume data separately for both Basic and Carrier Route pricing options in FSS zones.

RESPONSE:

- a. Confirmed.
- b. The volumes do not contain FSS volume estimated for FY 2014 Quarter 1, before the implementation of FSS prices.
- c. Quarterly data are not available, as the basic and carrier route FSS data were not broken out until Quarter 4 in the RPW source data. In quarters 2 and 3 all FSS volume (including FSS carrier route) was reported under the FSS basic presort line. The total volumes of BPM Flats in FSS zones mailed at Basic and Carrier Route Prices are provided in the new *ChIR 14 Qu5 Response.xlsx*, tab "BD's for BPM Presort Flats", Cells R32 and X32. This is based on an annualized distribution of 10.709 million BPM Flats mailed at FSS prices in FY 2014. FSS volumes from January 27, 2014 to the end of FY 2014 were inflated based on delivery days before and after January 27 to adjust the volumes prior to the price change. Those volumes were then distributed based on the global distribution by cell of non-FSS volumes for all of FY 2014.

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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.
 - 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.

RESPONSE:

- a. See *ChIR 14 Qu5 Response.xlsx*, tab "BD's for BPM Presort Flats", Cells N23 – X32.
- b. Confirmed. See *ChIR 14 Qu5 Response.xlsx*, where cells G116 to G133 now reflect disaggregated FSS Carrier Route and FSS Presort volumes.
- c. See *ChIR 14 Qu5 Response.xlsx*.

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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 123,² 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.
 - 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,

² Price List available at <http://pe.usps.com/text/dmm300/Notice123.htm> (Notice 123).

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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.”

RESPONSE:

- a. Confirmed.
- b. Not Confirmed. The column labeled as DDU (Cell Q20) should have been labeled as DFSS. That volume was DFSS Volume. See *ChIR 14 Qu5 Response.xlsx*, tab “BD’s for BPM Presort Flats”, Cell Q20.

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- c. Not Confirmed. The weight was correctly identified as DFSS weight as the label in cell K48 shows.
- d. Not Confirmed. See *ChIR 14 Qu5 Response.xlsx*, tab "BPM Flats Revs.@Curr. Prices", cell E133. Using RPW source data, the volumes and revenues recorded in Cells D133 and F133 correctly reflect those volumes entered for FSS zones as DFSS. Additionally, DDU volume is reported as reflected in "BPM Flats Revs.@Curr. Prices", cell G134.
- e. Not Confirmed. See *ChIR 14 Qu5 Response.xlsx*, tab "BPM Flats Revs.@Curr. Prices", cell E166. Using RPW source data, the weights and revenues recorded in Cells D166 and F166 correctly reflect those weights entered for FSS zones as DFSS. Additionally, DDU weight is reported as reflected in "BPM Flats Revs.@Curr. Prices", cell D167.
- f. Not Confirmed. As specified in the response to part b, the column heading in Q20 should have been DFSS. Thus, DFSS and DSCF are reported separately. See *ChIR 14 Qu5 Response.xlsx*, tab "BDs for BPM Presort Flats", Cells P23 and Q23.
- g. Not Confirmed. As specified in the response to part c., the column heading in K48 is correctly labeled as DFSS. Thus, DFSS and DSCF are reported separately. See *ChIR 14 Qu5 Response.xlsx*, tab "BDs for BPM Presort Flats", Cells J51 and K51.
- h. See *ChIR 14 Qu5 Response.xlsx*.

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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

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prices, the Package Services price adjustment for Docket No. R2015-4 increases to 1.992 percent. If not confirmed, please explain.

RESPONSE:

- a. Not confirmed. See *ChIR 14 Qu5 Response.xlsx*, which shows that 79,725 Basic Presort Flats pieces were mailed at the DFSS price of \$0.629, tab "BPM Flats Revs.@Curr. Prices", cell D133. Using RPW source data, the volumes and revenues recorded in Cells D133 and F133 correctly reflect those volumes entered for FSS zones as DFSS.
- b. Not Confirmed. See *ChIR 14 Qu5 Response.xlsx*. Using RPW source data, the volumes and revenues recorded in Cells D133 and F133 correctly reflect those volumes entered for FSS zones as DFSS. The appropriate price for these volumes is \$0.629 as shown in cell E133.
- c. Not Confirmed. See *ChIR 14 Qu5 Response.xlsx*, which shows that 2,077,190 pounds were mailed at the DFSS price, tab "BPM Flats Revs.@Curr. Prices", cell D166. Using RPW source data, the weights recorded in cell D166 correctly reflect those volumes entered for FSS zones as DFSS.
- d. Not Confirmed. *ChIR 14 Qu5 Response.xlsx*. Using RPW source data, the volumes and revenues recorded in Cells D166 and F166 correctly reflect those volumes entered for FSS zones as DFSS. The appropriate price for these volumes is \$0.040 as shown in cell E166.

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- e. Not Confirmed. See *ChIR 14 Qu5 Response.xlsx*, which shows that based on all of the changes made to the file, the Package Services price adjustment for Docket No. R2015-4 increases to 2.001 percent.