

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 1-2 OF CHAIRMAN'S INFORMATION REQUEST NO. 17**
(April 24, 2015)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 17, issued on April 22, 2015. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
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1. In its response to Order No. 2398, the Postal Service stated that it intends to implement the Earned Value promotion, effective May 1, 2015 through July 31, 2015. Response to Order No. 2398 at 3. It also stated that it plans to implement all other prices for First-Class Mail on May 31, 2015. *Id.* Please also refer to Library Reference PRC-LR-R2015-4/1, CAPCALC-FCM-R2015-4 PRC.xlsx, which shows the Commission's price cap calculations for First-Class Mail.

- a. Please confirm that the promotion will be in effect for 2 months after the Docket No. R2015-4 prices for First-Class Mail are implemented compared with 3 months in the Postal Service's original filing. If not confirmed, please explain.
- b. Please confirm that to reflect the time period the promotion will be in effect after the Docket No. R2015-4 prices for First-Class Mail are implemented, the volumes in workbook tab "Earned Value Promotion," Cells C29 to C42 should be reduced by one third as follows:

Cell	Original	Revised
(a)	(b)	(c)=(b) * (2/3)
C29	4,845	3,230
C31	12,151	8,100
C32	42,289	28,193
C33	34,910	23,273
C34	130,818	87,212
C37	921	614
C39	1,087	725
C40	1,363	909
C41	4,001	2,667
C42	5,668	3,778

If not confirmed, please explain.

- c. Please confirm that the New CPI Authority Used and Unused New Authority for First-Class Mail are 1.965 percent and 0.001 percent, respectively. If not confirmed, please explain.

RESPONSE:

- a. Confirmed for all prices other than the promotion itself. The Postal Service Governors have made the MCS changes for the Earned Value promotion effective May 1, 2015, while delaying the other price changes

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until May 31.¹ The Docket No. R2015-4 Earned Value promotion therefore will be in effect for 3 months (May 1 through July 31), and there is no justification to withhold the cap space for the first month. Just like the 2014 promotion, there will be a 3-month period during which Business Reply Mail (BRM) and Courtesy Reply Mail (CRM) pieces will be counted to determine the postage credit that can be used by each mailer on future mailings. However, postage credits earned by mailers cannot be redeemed to pay First-Class Mail postage until August 1, 2015, at the earliest. See United States Postal Service Notice of Market-Dominant Price Adjustment, Attachment D, at 2-3 (January 15, 2015).

- b.** Not confirmed. The volumes in the Commission's cap calculation from Order No. 2365 still apply, because the Docket No. R2015-4 establishes a 3-month promotion, and the cap calculation reflects a 3-month count of BRM and CRM pieces returned during the similar 2014 promotion. See CAPCALC-FCM-R2015-4 PRC.xls, tab Earned Value Promotion, cells C4 to C42.² The cap calculation should continue to reflect the full 3-month

¹ Response of the United States Postal Service to Order No. 2398, at 3 (April 16, 2015).

² Note that the table in part (b) of the question does not actually reflect a true copy the volumes in cells C29 to C42 into the "original (b)" column. Instead, column (b) reflects the original volumes after they have already been multiplied by 2/3. Multiplying these volumes by 2/3 again to reach the results in column (c) might lead to an overstatement in the price cap adjustment, if one were to assume (incorrectly) that the promotion will only count volumes for two months. As it turns out, however, it appears that the volumes in column (b), and not those in column (c), were the ones used in the calculations to produce the results presented in part (c) of the question, so the presentation error in the table in part (b) of the question does not flow through to part (c).

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promotion, consistent with the two implementation dates for the Docket No. R2015-4 prices (May 1 and May 31, 2015). Starting August 1, mailers will be able to mitigate the effects of the price increase (with a consequent cap impact) using the full 3 months of postage credits from the promotion.

- c.** Not confirmed. Based on the above responses, the “New CPI Authority Used” and “Unused New Authority” for First-Class Mail remain at 1.956 percent and 0.010 percent, respectively, as found in Order No. 2365, page 7 (February 24, 2015).

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2. In its response to Order No. 2398, the Postal Service states that it intends to implement the Earned Value promotion, effective May 1, 2015 through July 31, 2015. Response to Order No. 2398 at 3.
 - a. Please confirm that the Postal Service does not intend to implement the Earned Value Mail Reply promotion for Standard Mail until Standard Mail rates and classification changes are approved by the Commission. If not confirmed, please explain the legal basis for implementing the Earned Value Mail Reply promotion for Standard Mail before Standard Mail rates and classification changes are approved by the Commission.
 - b. If the answer to subpart a is confirmed, please file revised MCS language for Standard Mail reflecting the corrected date range for the Earned Value promotion.
 - c. Please confirm that the New CPI Authority Used and Unused New Authority for Standard Mail are 1.942 percent and 0.024 percent, respectively, assuming the promotion is in effect for 2 months under the planned Standard Mail prices for Docket No. R2015-4. If not confirmed, please explain.

RESPONSE:

- a-b. Confirmed. The postage credits cannot be redeemed to pay postage for Standard Mail mailings until the Standard Mail rates and classification changes are approved by the Commission. However, this does not affect the MCS dates for the Earned Value Reply Mail promotion, because those dates indicate the period during which First-Class Mail Business Reply Mail (BRM) and Courtesy Reply Mail (CRM) pieces are counted to determine the postage credit amounts for participating mailers. Postage credits cannot be redeemed to pay Standard Mail postage until August 1, 2015 at the earliest. See United States Postal Service Notice of Market-Dominant Price Adjustment, Attachment D, at 2-3 (January 15, 2015),

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which states: "At the end of the promotion, the reply pieces will be totaled and the earned postage credit . . . can be used for future mailings."

- c. Not confirmed. The "New CPI Authority Used" and "Unused New Authority" for Standard Mail are not affected by the delayed implementation date, since, like the similar 2014 promotion, postage credits will be earned over a three-month period, and Standard Mail mailers will not be able to use the postage credits before August 1, 2015. Starting then, mailers will be able to mitigate the effects of the price increase (with a consequent cap impact) using the full 3 months of postage credits from the promotion.