

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Market Dominant
Price Adjustment

Docket No. R2017-1

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued October 18, 2016)

To further clarify the Postal Service's Notice of Market Dominant Rate Adjustment in Docket No. R2017-1,¹ the Postal Service is requested to provide written responses or additional filings, when appropriate, to the following questions. Responses should be provided to individual questions as soon as they are developed, but no later than October 21, 2016.

Standard Mail

1. Please refer to Library Reference USPS-LR-2017-1/2, Excel file "BD Adustments.xls." The Postal Service calculates blended prices in many tabs including tabs with names ending in "OP" and tabs ending in "HSplit." In each of these tabs, the Postal Service divides the "Combined Revenues" by "Combined Volumes" to calculate a blended price. Please confirm that revenues associated with NSA pieces use generally applicable prices, consistent with 39 C.F.R. § 3010.24, which requires that NSA pieces be included in the calculation of percentage change in rates "as though they paid the appropriate rates of general applicability." If not confirmed, please explain how the NSA pieces were accounted for and how that method is consistent with 39 C.F.R. § 3010.24.

¹ United States Postal Service Notice of Market Dominant Price Adjustment, October 12, 2016 (Notice).

2. Please refer to Attachment B to the Notice and Library Reference USPS-LR-R2017-1/2, Excel file "CAPCALC-STD-R2017-1.xls."
 - a. Attachment B (at page 11 of 19) reports the discount for Automation ADC Flats as \$0.018. In Excel file "CAPCALC-STD-R2017-1.xls," tab "L-F-P New Prices," the price for origin Automation Mixed ADC Flats is \$0.550 and the price for origin ADC Flats is \$0.533. This results in a discount of \$0.017. Please resolve this discrepancy and make necessary corrections to Excel file "CAPCALC-STD-R2017-1.xls" or Attachment B.
 - b. Attachment B (at page 15 of 19) reports the discount for Commercial and Nonprofit High Density Letters as \$0.091. In Excel file "CAPCALC-STD-R2017-1.xls," tab "HD-Sat-CR New Prices," the price for nonprofit origin Carrier Route Letters is \$0.209 and the price for nonprofit origin High Density Letters is \$0.124. This results in a discount of \$0.085. Please resolve this discrepancy and make necessary corrections to Excel file "CAPCALC-STD-R2017-1.xls" or Attachment B. In addition, if necessary, please provide a justification for the nonprofit discount differing from the commercial discount.
 - c. Attachment B (at page 16 of 19) reports the discount for Commercial and Nonprofit High Density Flats as \$0.042. In Excel file "CAPCALC-STD-R2017-1.xls," tab "HD-Sat-CR New Prices," the price for nonprofit origin Carrier Route Flats is \$0.209 and the price for nonprofit origin High Density Flats is \$0.166. This results in a discount of \$0.043. Please resolve this discrepancy and make necessary corrections to Excel file "CAPCALC-STD-R2017-1.xls" or Attachment B. In addition, if necessary, please provide a justification for the nonprofit discount differing from the commercial discount.

Package Services

3. Please refer to Library Reference USPS-LR-R2017-1/4, Excel files “CAPCAL-
PACKSERV-R2017-1.xls,” and “Crosswalk FSS Rollback Package Services.xls.”
 - a. Please provide the RPW extract file for each quarter used for the distribution of BPM FSS volume. Specifically, please provide extract files for Quarter 4 FY 2014, Quarter 1 FY 2015, and Quarter 2 FY 2015.
 - b. In Excel file “Crosswalk FSS Rollback Package Services.xls,” tab “Distribution Key,” footnote two states “Q2 FY 2015 was used twice to replace Q3 FY 2015, because of the price change that was implemented in Q3 FY 2015, on May 31, 2015.” Please provide an explanation for using Quarter 2 FY 2015 twice, as opposed to a different quarter or an average of the three previous quarters.
 - c. The FY 2015 Quarter 4 billing determinants for Package Services identifies a FSS Scheme DDU volume of 227,368. See Excel file “4Q15 BPM_BDs.xls,” tab “Presort Flats BD Q4,” cell O17. Excel file “Crosswalk FSS Rollback Package Services.xls,” tab “FSS Volume,” does not identify any FSS Scheme DDU volume. Please explain what price the DDU volume paid in FY 2015 Quarter 4. Also, please explain how the DDU volume was distributed between DFSS F and DFSS S for the hybrid year within the “FSS Volume” tab of the crosswalk file, and provide supporting workpapers.
4. Please refer to the Notice at page 54 concerning the passthroughs for the BPM Parcels workshare discounts. The Notice states that the passthrough for the DDU BPM Parcels discount is set at 107.7 percent. However, Attachment B of the Notice, page 19, shows that the 107.7 percent passthrough is for the Basic Carrier Route DNDC BPM Parcels discount. Please confirm that the

passthrough for Basic Carrier Route DNDC BPM Parcels is 107.7 percent and the passthrough for DDU BPM Parcels is 112.5 percent.

- a. Please see Excel file "Crosswalk FSS Rollback Package Services.xls," tab "FSS Volume," cells F15 and G15, and compare with Excel file "CAPCAL-PACKSERV-R2017-1.xls," tab "BPM Presort Flats BDs," cells Q33, R33, W33, and X33. Please confirm that the volumes of DFSS Facility and DFSS Scheme in "FSS Volume" are different from "BPM Presort Flats BDs." Please reconcile this discrepancy.
- b. Please refer to Excel file "Crosswalk FSS Rollback Package Services.xls." Please provide a detailed version of this file that is not internally hardcoded, *i.e.* tabs "FSS Volume" and "Volume to be Distributed" are linked.
- c. Please refer to Excel file "Crosswalk FSS Rollback Package Services.xls," tab "Volume to be Distributed," cells C10:R10. Please provide a narrative that explains the rationale for including the 1,288 pieces that were missing from the FSS volume derived from the hybrid billing determinants covering period Quarter 4 FY 2015 through Quarter 3 FY 2016. Please explain why this volume is not included in Excel file "CAPCAL-PACKSERV-R2017-1.xls."
- d. Please provide a version of Excel file "CAPCAL-PACKSERV-R2017-1.xls" with the FSS volumes linked to the Excel file "Crosswalk FSS Rollback Package Services.xls."

FSS Billing Determinant Adjustments

5. Standard Mail, Periodicals, and Package Services all contain adjustments to billing determinants to reflect the elimination of FSS prices. Notice at 28, 31 and 33.
- a. Please confirm that for Standard Mail, the Postal Service adjusts the applicable volume from each quarter based on a similar quarter when the FSS prices did not exist. See Library Reference USPS-LR-R2017-1/2. The table below shows the basis for these adjustments. If not confirmed, please explain.

Hybrid Year Quarter	Basis for FSS Distribution
FY 2015 Quarter 4	FY 2014 Quarter 4
FY 2016 Quarter 1	FY 2015 Quarter 1
FY 2016 Quarter 2	FY 2015 Quarter 2
FY 2016 Quarter 3	FY 2014 Quarter 3

- b. Please confirm that for Periodicals, the Postal Service adjusts the hybrid year volume based on FY 2014 Quarter 3 through FY 2015 Quarter 2 volume. See Library Reference USPS-LR-R2017-1/3. If not confirmed, please explain.
- c. Please confirm that for Package Services, the Postal Service adjusts the hybrid year volume based on FY 2014 Quarter 4 through FY 2015 Quarter 2 with FY 2015 Quarter 2 used twice to replace FY 2015 Quarter 3. See Library Reference USPS-LR-R2017-1/4. If not confirmed, please explain.

- d. Please provide a narrative that explains the rationale for using different distribution methods to adjust the billing determinants to eliminate FSS prices in the Standard Mail, Periodicals, and Package Services library references.

Domestic First-Class Mail

6. Please refer to the volume calculation for Nonautomation Presort Letter Shaped DVD Mail in Library Reference USPS-LR-R2017-1/1.² Please confirm that the formula in this cell should be “=SUM(‘Quarterly BDs’!E30:H30).” If not confirmed, please explain why the included formula is correct. If applicable, please file amended workpapers.

First-Class Mail International

7. Please refer to Library Reference USPS-LR-R2017-1/NP1, Excel file “Inbound CAPCALC-FCMI-R2017-1_100316.xls,” tab “IB FCMI Revenue Calculation.”³ Please confirm that the Universal Postal Union (UPU) terminal dues rates for Country Code 916 should be calculated by using the per item and per kilogram terminal dues rate and not the combined per kilogram terminal dues rate.
 - a. If confirmed, please file amended workpapers.

² See Library Reference USPS-LR-R2017-1/1 - First-Class Mail Workpapers, October 12, 2016, Excel file “CAPCALC-FCM-R2017-1.xlsx,” tab “DVD RT Ltrs&Flts Mail,” cell C5.

³ See Library Reference USPS-LR-R2017-1/NP1 - First-Class Mail International Workpapers (Nonpublic), October 12, 2016, Excel file “Inbound CAPCALC-FCMI-R2017-1_100316.xls,” tab “IB FCMI Revenue Calculation.”

- b. If not confirmed, please provide UPU documentation that supports using the combined per kilogram rate.

By the Acting Chairman.

Robert G. Taub