

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

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

**FIRST RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO COMMISSION REQUESTS FOR ADDITIONAL INFORMATION
IN THE FY 2016 ANNUAL COMPLIANCE DETERMINATION**
(April 27, 2017)

In its Fiscal Year 2016 Annual Compliance Determination, issued on March 28, 2017, the Postal Regulatory Commission requested additional information from the Postal Service regarding several matters. The Postal Service's response to the first matter, due within thirty days, is attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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POSTAL SERVICE RESPONSES TO ACD REQUESTS

1. Competitive NSAs

The Commission directs the Postal Service to report within 30 days on the result of the Postal Service's renegotiation efforts and evaluations relating to Priority Mail Contract 150, Priority Mail Contract 160, and Parcel Return Service Contract 10. The Postal Service shall discuss the corrective actions taken or the actions the Postal Service plans to take to improve cost coverage.

RESPONSE:

The Postal Service is taking the following actions for these contracts:

Priority Mail Contract 150

The customer has provided the Postal Service with updated data regarding its package characteristics that align with what was expected when the contract was initially signed. With these changes, there should be an increase in cost coverage for this contract such that the Postal Service expects it will cover its costs in FY 2017. The Postal Service will continue to monitor this contract closely, to ensure compliance.

Priority Mail Contract 160

The Postal Service is currently renegotiating an amendment to this contract that will include increased prices, which will result in the contract covering its costs going forward. The Postal Service expects this amendment will be signed and filed with the Commission within approximately the next month.

Parcel Return Service Contract 10

The Postal Service recently performed an updated study of the customer's package characteristics, and is analyzing the data from this study. Based on the Postal

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Service's findings, the Postal Service plans to negotiate an amendment with increased prices and/or submit a revised financial analysis reflecting the new package characteristics. With either approach, the contract is expected to cover its costs in FY 2017.