

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2008

Docket No. ACR2008

COMMISSION INFORMATION REQUEST NO. 4

(Issued February 13, 2009)

To clarify the basis of the Postal Service's estimates in its Annual Compliance Report, filed December 29, 2008, the Commission requests the Postal Service to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 20, 2009.

1. The table below shows the ECR Carrier Route Letter and Flat volume figures and their source.

<u>Rate Category</u>	<u>(1)</u>	<u>Volume (000s)</u> <u>(2)</u>	<u>(3)</u>
ECR Carrier Route Letters	1,014,236	1,014,236	909,729
ECR Carrier Route Flats	11,054,635	11,054,635	11,159,142

(1) UDCInputs08.xls Tab 'RPWShape' Cell C25; Tab 'RPWShape' Cell D25

(2) shp08prc.xls Tab 'Class' Cell H23; Tab 'Class' Cell I23

(3) 08 Standard BD.xls Tab 'G2-1' Cell H12+ Tab 'G4-1' Cell H12; Tab 'G2-2' Cell H12+ Tab 'G4-2' Cell H12

Please reconcile the figures in columns 1 and 2 with the figures in column 3.

2. The following questions concern the methodology of applying the USPS-FY08-13 Workbook 'D Report' Standard ECR High Density and Saturation Adjustment by cost segment.
 - (a) Please confirm that in the Delivery cost spreadsheet USPS-FY08-19, UDCModel08.xls, High Density and Saturation Letters costs and volumes are shifted to Flats in proportion to the volume of Letters rated as Flats *by rate category*, with 4.17 percent of High Density Letter delivery costs shifted to High Density Flats and 10.27 percent of Saturation Letter delivery costs shifted to Saturation Flats.
 - (b) Please confirm that the volume of High Density and Saturation Letters and Flats adjusted for Letters rated as Flats in USPS-FY08-19, UDCModel08.xls tab '1a.DAdjustment' are taken directly from USPS-FY08-14, spreadsheet MAILCHAR08V.xls tab 'Sat and HD'.
 - (c) Please confirm that in the ECR Mail Processing spreadsheet USPS-FY08-18, FY08 ECR Unit Cost.xls, High Density and Saturation Letters costs and volumes are shifted to Flats in proportion to the amount of Letters rated as Flats *by product*, with 8.75 percent of High Density and Saturation Letter mail processing costs shifted to High Density and Saturation Flats.
 - (d) Please confirm that the volume of High Density and Saturation Letters and Flats are adjusted for Letters rated as Flats in USPS-FY08-18, spreadsheet FY08 ECR Unit Cost.xls tab 'results' by shifting 8.75 percent of High Density and Saturation Letter volumes from USPS-FY08-14, spreadsheet MAILCHAR08V.xls tab 'Standard ECR Letters' to High Density and Saturation Flats from USPS-FY08-14 Spreadsheet MAILCHAR08V.xls tab 'Standard ECR Flats'.

- (e) The following table contains a summary of the adjustment factors described in (a)-(d).

	Percent of Volume and Cost shifted from Letters to Flats	
	Mail Processing	Delivery
ECR High Density	8.75%	4.17%
ECR Saturation	8.75%	10.27%

Please discuss the rationale for using separate adjustment factors in the attribution of Mail Processing and Delivery costs by rate category.

3. Please refer to the workbook 'CARMMKLTalev1all.public' provided in response to Commission Information Request (CIR) No. 2, Question 6.
 - (a) Please define "022 STD ECR High Density/Saturation Parent no DAL".
 - (b) Please describe the method of attribution for "022 STD ECR High Density/Saturation Parent no DAL" IOCS tallies and provide electronic spreadsheets showing the calculation and the sources of the input data.
4. Please provide the source documents and/or data underlying the DAL volumes shown in Library References FY08-32 and FY08-NP14, [I-Forms.xls], Worksheets: I-CS07 DALs and I-CS10 DALs which were hardcoded in the files submitted to the Commission. If the DAL volumes shown on the specified spreadsheets are the result of calculation(s), please provide such calculation(s) and any inputs thereto.
5. Please refer to the response to Commission Information Request No. 1, Question 2(b). The preliminary quality of service measurement results for the link to terminal dues for the year-to-date during calendar year 2008 suggests improvement in the percent of on-time service performance compared to the

same period last year. Please discuss the principal factors leading to the improvement in service performance.

6. This question refers to the calculation of worksharing discounts for 3-digit and 5-digit automation letters for Within County Periodicals.
 - (a) Please confirm that the discount for 3-digit automation letters should be based on the difference in rates between Basic and 3-digit automation letters found in Docket No. R2008-1, Notice of Market Dominant Price Adjustment, R08_Price_Charts.doc, Schedule 1305.
 - (b) Please confirm that the discount for 5-digit automation letters should be based on the difference in rates between 3-digit and 5-digit automation letters found in Docket No. R2008-1, Notice of Market Dominant Price Adjustment, R08_Price_Charts.doc, Schedule 1305.
 - (c) If you do not confirm (a) and/or (b), please explain.
 - (d) If you do confirm, please file a revised version of USPS-FY08-3.

7. USPS-FY08-NP10.doc at 3, states, in part, that Competitive Group-Specific (CGS) advertising cost “was provided by postal segment advertising personnel based on actual expenditures and is a portion of the total advertising costs shown in Cost Segment 16, component 246 of the FY 2008 Cost and Segments Report.”
 - a. Please explain what portion of advertising expenditures was determined to be specific to competitive products, and show how this percentage was derived.
 - b. Please identify the sources used for your calculations.

8. Please reconcile the different revenue amounts shown for Priority Mail in USPS-FY08-NP1, File: 08 Priority Mail BD.xls.xls, Cell O288, and USPS-FY08-NP11, File: FY08NonPublicCRA.xlsx, Sheet: Volume 3, Cell D18.

9. Please refer to the FY 2008 Group Specific Costs found in USPS-FY08-NP10.
 - (a) Please provide a copy of all surveys along with the results used to identify costs.
 - (b) For each survey, please provide:
 - i. The decision rules, or other criteria, used to classify Cost Segment 18 costs to a particular group of products, and
 - ii. The decision rules, or other criteria, used to analyze activities that may cease with the elimination of a product group.
 - (c) Please indicate:
 - i. How often the Postal Service plans to conduct such surveys; and
 - ii. Identify the additional cost segments the Postal Service plans to analyze for group specific costs.

10. Please provide a detailed explanation for the significant difference between advertising costs for Click N Ship and Carrier Pick Up (Cost Segment 16) between FY 2007 and FY 2008.

By the Commission.

Steven W. Williams
Secretary