

ORDER NO. 25

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

Before Commissioners:

Dan G. Blair, Chairman;
Dawn A. Tisdale, Vice Chairman;
Mark Acton; Ruth Y. Goldway; and
Tony L. Hammond

Rate and Service Changes To Implement
Baseline Negotiated Service Agreement
With Life Line Screening

Docket No. MC2007-5

NOTICE AND ORDER ON FILING OF REQUEST
SEEKING RECOMMENDATION OF
BASELINE NEGOTIATED SERVICE AGREEMENT

(Issued August 10, 2007)

On August 8, 2007, the United States Postal Service filed a request seeking a recommended decision from the Postal Regulatory Commission approving a Negotiated Service Agreement with Life Line Screening of America (Life Line Screening).¹ The Negotiated Service Agreement is proffered as a new baseline agreement. The

¹ Request of the United States Postal Service for a Recommended Decision on Classifications and Rates to Implement a Baseline Negotiated Service Agreement with Life Line Screening, August 8, 2007 (Request).

Request, which includes six attachments, was filed pursuant to chapter 36 of title 39, United States Code.²

The Postal Service has identified Life Line Screening, along with itself, as parties to the Negotiated Service Agreement. This identification serves as notice of intervention by Life Line Screening. It also indicates Life Line Screening shall be considered a co-proponent, procedurally and substantively, of the Postal Service's Request during the Commission's review of the Negotiated Service Agreement. Rule 191(b) [39 CFR § 3001.191(b).] An appropriate Notice of Life Line Screening of Appearance and Filing of Testimony as Co-Proponent, August 8, 2007, also was filed.

In support of the Request, the Postal Service has filed Direct Testimony of Michelle K. Yorgey on Behalf of the United States Postal Service, August 8, 2007 (USPS-T-1) and library reference USPS-LR-L-1, MC2004-3 Opinion and Further Recommended Decision Analysis for the Life Line Screening NSA. Life Line Screening has separately filed Direct Testimony of Eric Greenberg on Behalf of Life Line Screening, August 8, 2007 (LLS-T-1). The Postal Service has reviewed the Life Line Screening testimony and, in accordance with rule 192(b) [39 CFR § 3001.192(b)], states that such testimony may be relied upon in presentation of the Postal Service's direct case. USPS-T-1 at 1.

The Postal Service has filed a proposal for limitation of issues in this docket.³ The Postal Service asserts that the Life Line Screening Negotiated Service Agreement and the Bookspan Negotiated Service Agreement contain similar elements. [70 FR 42602.] The Postal Service identifies issues that were previously decided in Bookspan and key issues that are unique to the instant Request. The Postal Service requests an order limiting the scope of discovery to key new issues.

² Attachments A and B to the Request contain proposed changes to the Domestic Mail Classification Schedule and the associated rate schedules; Attachment C is a certification required by Commission rule 193(i) specifying that the cost statements and supporting data submitted by the Postal Service, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books; Attachment D is an index of testimony and exhibits; Attachment E is a compliance statement addressing satisfaction of various filing requirements; and Attachment F is a copy of the Negotiated Service Agreement.

³ United States Postal Service Proposal for Limitation of Issues, August 8, 2007.

The Postal Service's Request, accompanying testimonies of witnesses Yorgey (USPS-T-1), and Greenberg (LLS-T-1), and other related material are available for inspection at the Commission's docket section during regular business hours. They can also be accessed electronically, via the Internet, on the Commission's web site (<http://www.prc.gov>).

I. Life Line Screening Negotiated Service Agreement

The Postal Service proposes to enter into a new baseline three-year Negotiated Service Agreement with Life Line Screening. The agreement offers Life Line Screening declining block rates for Standard Mail letters. Life Line Screening will be able to use the Standard Mail letters for soliciting potential and existing customers for direct-to-consumer preventive health screenings. The Postal Service estimates it will benefit by \$4.87 million over the life of the Negotiated Service Agreement. Request at 5.

The purpose of the Life Line Screening Negotiated Service Agreement is to encourage Life Line Screening to increase its use of Standard Mail letters for selling health care screening services nationwide. Without such incentives, the Postal Service contends that Life Line Screening's direct mail marketing volumes are expected to decline due to sensitivity to direct mail cost increases. *Id.* at 2.

The Life Line Screening Negotiated Service Agreement provides discounts based on a block rate structure for Standard Mail letter-size pieces. Life Line Screening must reach a volume commitment level, which is set higher than the lowest block volume level, before any discounts are payable. During the first year of the agreement, discounts may be earned for annual volumes above 90 million pieces once a volume commitment of 95 million pieces has been reached. During the second year of the agreement, discounts may be earned for annual volumes above 88 million pieces once a volume commitment of 93 million pieces has been reached. During the third year of the agreement, discounts also may be earned for annual volumes above 88 million pieces once a volume commitment of 93 million pieces has been reached. Discounts,

under the proposed declining block rate structure, range from 1 to 3 cents per piece during each year of the agreement. See Request, Attachment B.

The volume commitment levels for the second and third years of the agreement are subject to adjustment based on the actual volumes mailed in the previous year. If at the end of the first or second years, the actual volume is 12 percent or more above the prior year's commitment, the following year's commitment will be revised to be the average of the prior year's actual volume and the following year's original commitment. If at the end of the first or second years, the actual volume is 5 percent or more below the prior year's commitment, the following year's commitment will be decreased by the percentage difference between the prior year's actual volume and the prior year's original commitment. See Request, Attachment A.

As a means to protect the Postal Service's financial interests, the Life Line Screening Negotiated Service Agreement contains additional risk mitigation features. The Postal Service has established three tiers within each letter volume block. The highest discount tier for the first year of the agreement applies to volumes between 110 million and 118 million mailpieces. If Life Line Screening exceeds 118 million pieces by an additional 10 million pieces, the agreement will be terminated. Either party also may unconditionally cancel the agreement with 30 days' written notice. *Id.*

II. Commission Analysis

Applicability of the rules for Baseline Negotiated Service Agreements. For administrative purposes, the Commission has docketed the instant filing as a request for a new baseline Negotiated Service Agreement pursuant to rule 195 [39 CFR § 3001.195].

Representation of the general public. In conformance with section 3624(a) of title 39, the Commission designates Kenneth E. Richardson, Acting Director of the Commission's Office of the Consumer Advocate, to represent the interests of the general public in this proceeding. Pursuant to this designation, Mr. Richardson will direct the activities of Commission personnel assigned to assist him and, upon request,

will supply their names for the record. Neither Mr. Richardson nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding.

Intervention. Those wishing to be heard in this matter are directed to file a notice of intervention on or before August 31, 2007. The notice of intervention shall be filed using the Internet (Filing Online) at the Commission's website (<http://www.prc.gov>), unless a waiver is obtained for hardcopy filing. Rules 9(a) and 10(a) [39 CFR §§ 3001.9(a) and 10(a).] Notices should indicate whether participation will be on a full or limited basis. See rules 20 and 20a [39 CFR §§ 3001.20 and 20a.] No decision has been made at this point on whether a hearing will be held in this case.

Prehearing conference. A prehearing conference will be held September 11, 2007 at 10:00 a.m. in the Commission's hearing room. Participants intending to object to the Postal Service's proposal for limiting issues or intending to identify issue(s) that would indicate the need to schedule a hearing, shall file a written explanation of their position by September 7, 2007. Participants should be prepared to discuss these issues during the prehearing conference. The Commission intends to issue a ruling on these issues shortly after the prehearing conference.

It is ordered:

1. The Commission establishes Docket No. MC2007-5 to consider the Postal Service Request referred to in the body of this order.
2. The Commission will sit *en banc* in this proceeding.
3. Kenneth E. Richardson, Acting Director of the Commission's Office of the Consumer Advocate, is designated to represent the interests of the general public.
4. The deadline for filing notices of intervention is August 31, 2007.

5. A prehearing conference will be held September 11, 2007 at 10:00 a.m. in the Commission's hearing room.
6. Participants intending to object to the Postal Service's proposal for limiting issues or intending to identify issue(s) that would indicate the need to schedule a hearing, shall file a written explanation of their position by September 7, 2007.
7. The Secretary shall arrange for publication of this notice and order in the *Federal Register*.

By the Commission.

Garry J. Sikora
Acting Secretary