

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**RESPONSE OF UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S  
INFORMATION REQUEST NO. 11, QUESTION 5**

(September 8, 2006)

The United States Postal Service hereby provides its response to Presiding Officer's Information Request (POIR) No. 11, Question 5, issued August 17, 2006. Responses to other questions were filed on August 31, 2006.

The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 8, 2006

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5. In response to POIR 9, Question 6a, witness Bozzo states that “[t]he discussion of subclass cost changes in USPS-T-46, Section IV.C (pages 31-41) is largely applicable both to the Postal Service and Commission costing methods.” He then identifies several major differences and claims that such differences appear to stem from the Commission’s methodology for distributing mixed tallies. Please provide a revised version of USPS-LR-L-100 employing the Postal Service methodology of distributing mixed tallies using IOCS item and container information. Please show the impact of changing this methodology on test year subclass unit cost.

### RESPONSE:

Please see USPS-LR-L-178 which contains: i) the modified worksheets for Parts 2 and 5 of USPS-LR-L-100, and ii) the rerun Base Year files based on the inputs from these modified worksheets.

The modifications to the LR-L-100 worksheets address a major source of differences in the derivation of mail processing distribution keys identified by witness Bozzo (USPS-T-46) in his revised response to POIR No. 9, Q.6. The data shown in these worksheets accordingly reflect the USPS treatment of both mixed mail tallies and not-handling tallies in the PRC allied cost pools. The PRC version of the Base Year CRA model was rerun using these modified inputs. The Base Year information provided in USPS-LR-L-178 will allow one to perform the test year cost comparison. The Base Year unit costs corresponding to the attributable costs in USPS-LR-L-178 appear on the attached sheet.

**Base Year 2005 CRA (PRC Version) Attributable Costs  
as Modified in Response to POIR No. 11, Question 5**

	Class No.	Total Attributable Cost (\$000s)	Volume (000s)	Unit Cost (\$0.000)
<b>First-Class Mail</b>				
Single Piece Letters	101	12,360,565	43,371,363	\$0.285
Presort Letters	102	5,192,230	49,065,552	0.106
Total Letters	103	17,552,795	92,436,915	0.190
Single Piece Cards	104	559,396	2,521,418	0.222
Presort Cards	105	227,798	3,107,701	0.073
Total Cards	108	787,194	5,629,119	0.140
<b>Total First-Class</b>	109	18,339,989	98,066,034	0.187
<b>Priority Mail</b>	110	3,689,330	887,462	4.157
<b>Express Mail</b>	111	555,647	55,475	10.016
<b>Mailgrams</b>	112	2,049	1,896	1.080
<b>Periodicals</b>				
Within County	113	79,730	762,673	0.105
Outside County	117	2,435,444	8,307,330	0.293
<b>Total Periodicals</b>	123	2,515,173	9,070,003	0.277
<b>Standard Mail</b>				
Enhanced Carr Rte	126	2,827,442	35,023,418	0.081
Regular	127	8,651,562	65,918,674	0.131
<b>Total Standard Mail</b>	135	11,479,004	100,942,091	0.114
<b>Package Services</b>				
Parcel Post	136	1,175,575	387,800	3.031
Bound Printed Matter	137	537,484	583,774	0.921
Media Mail	139	429,448	193,955	2.214
<b>Total Package Services</b>	141	2,142,506	1,165,530	1.838
<b>U.S. Postal Service</b>	142	451,348	621,283	0.726
<b>Free Mail</b>	147	59,961	81,306	0.737
<b>International Mail</b>	161	1,508,882	852,267	1.770
<b>Total All Mail</b>	162	40,743,889	211,743,347	0.192
<b>Special Services</b>				
Registry	163	94,862	5,149	18.423
Certified	164	410,265	261,144	1.571
Insurance	165	111,962	51,565	2.171
Cod	166	8,587	1,499	5.727
Money Orders	168	162,186	180,412	0.899
Stamped Cards	159	1,609	N/A	N/A
Stamped Envelopes	169	10,671	N/A	N/A
Special Handling	170	1,080	1,736	N/A
Post Office Box	171	541,140	N/A	N/A
Other	172	368,030	953,212	N/A
<b>Total Special Services</b>	173	1,710,392	1,454,718	N/A
<b>Total Volume Variable</b>	198	42,454,281	213,198,065	N/A
<b>Other Costs</b>	199	26,093,379	N/A	N/A
<b>Total Costs</b>	200	68,547,660	213,198,065	N/A

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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