

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

RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BRADFORD GROUP

Docket No. MC2007-4

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-40)
(October 12, 2007)

The United States Postal Service hereby provides the revised institutional response to the following interrogatory of the Office of the Consumer Advocate, filed on September 28, 2007: OCA/USPS-T1-40. The original response was filed on October 12, 2007. The revised response, attached below, replaces the original response in its entirety. The interrogatory is stated verbatim and is followed by the revised response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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OCA/USPS-T1-40. Please refer to your response to OCA/USPS-T1-25, and the file “Table 2.Resp.OCA.23-26.xls,” which shows the development of total unit costs for Standard Mail letters and flats. Also, please refer to the following table entitled “OCA Exhibit 2, Standard Mail Regular Flats Unit Cost, Adjusted for Commission Mail Processing Costs,” and the accompanying electronic Excel file “OCA Exh2_FlatsCost-Adj.” In addition, please refer to Appendix A, page 6, which shows calculation of the Standard Mail Regular flat unit cost

OCA Exhibit 2
Standard Mail Regular Flats Unit Cost, Adjusted for Commission Mail Processing Costs

Mail Category	TYAR 2008	Mail Volume (Pieces)	Mail Volume (Percent)	Unit Flat Cost	Ratio	Total	Adj.
	Total Unit Cost (Dollars)			w/Contingency (Dollars)	Mail Proc Unit Costs (A)	Mail Proc Unit Cost (Dollars) (12)	Mail Proc Unit Cost (Dollars)
	(1)	(2)	(3)	(4)			
Nonautomation							
Mixed ADC	0.405	4,266	0.0%				
AADC	0.405	89,931	0.5%				
3-digit	0.305	223,475	1.2%				
5-digit	0.305	11,886	0.1%				
Automation							
Mixed ADC	0.399	1,194	0.0%				
AADC	0.399	15,468	0.1%				
3-digit	0.345	17,706,190	93.0%		1.0269	0.20637	\$0.21193
5-digit	0.262	977,047	5.1%		1.0269	0.12532	\$0.12870
Total/average	0.340	19,029,456	100.0%	\$ 0.344			
Standard Mail ECR Flat Unit Cost							
Mail Category	TYAR 2008 Total Unit Cost (Dollars)	Mail Volume (Pieces)	Mail Volume (Percent)	Unit Flat Cost w/Contingency (Dollars)			
	(5)	(6)	(7)	(8)			
Basic Nonletters	0.122	37,912,640	100.0%				
Total/Average	0.122	37,912,640	100.0%	\$ 0.123			
			(9)	\$ 0.197			

- a. In the table above, please confirm that the unit costs shown in column (1), “TYAR 2008 Total Unit Cost”, using the Commission-calculated mail processing unit costs, with “final adjustments,” are correct. If you do not confirm, please explain.
- b. Please confirm that the Bradford Group’s total unit flats cost should be \$0.197, rather than \$0.180, as shown in Appendix A, page 6, column (4), entitled “Unit [Flat] Cost w/Contingency (Dollars)”. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed that the calculations performed to arrive at the unit costs in column (1), “TYAR 2008 Total Unit Cost” are technically correct. However, the

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automation 3-digit and 5-digit costs in this column were not used by the Commission.

- b. Not confirmed. While the method of calculation used in “OCA Exh2_FlatsCost-Adj.” is accurate, it simply represents an alternative approach to arrive at total unit costs. The approach presented in Appendix A, USPS-T-1, remains correct though the two methods produce slightly different results for total unit costs.