

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 WITNESS ABDIRAHMAN
TO INTERROGATORY OF PITNEY BOWES INC.
(PB/USPS-T22-10)

The United States Postal Service hereby files the response of Witness Abdirahman to the above-listed interrogatory, filed on July 12, 2006. Interrogatory PB/USPS-T22-9 has been redirected to witness McCrery.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 26, 2006

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PB/USPS-T22-10. Please refer to your response to PB/USPS-T-22-4, where you state “I do not model all costs of mail processing operations. Each cost pools is classified as either “proportional” or “fixed”. The cost pool classifications are based on operations/tasks mapped to given cost pool, as described in USPS-LR-L-55. The “proportional” cost pools contain the costs for tasks that I actually have modeled. The “fixed” cost pools represent tasks that I have not modeled.”

- a. Please confirm that with your approach to calculating unit mail processing costs of rate categories of First-Class Presort mail, costs in pools that you do not model do not affect the modeled unit cost differences between these rate categories.
- b. Please explain how cost pools are classified as either “proportional” or “fixed” based on operations/tasks mapped to given cost pools.
- c. Who is responsible for the classification of cost pools as either “fixed” or “proportional?”
- d. If you were responsible for the classification of cost pools as “fixed” or “proportional,” please provide the criteria you used for selecting which cost pools to model.
- e. If you were not responsible for the classification of cost pools as “fixed” or “proportional” did you review the classification determinations?
- f. Please provide all cites in USPS-LR-L-55 to the words “proportional” and “fixed” as they are used in your testimony.
- g. Please confirm that the statement “[t]he cost pool classifications are based on operations/tasks mapped to given cost pool, as described in USPS-LR-L-55,” simply means that USPS Witness Van-Ty-Smith formed the MODS cost pools, some of which you have modeled and some of which you have not. If the statement means something more than that, please explain fully.

Response:

- a. Confirmed.

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- b. The cost models estimate the costs for piece and bundle distribution tasks. Any cost pools that are known to contain costs for piece and bundle distribution tasks are classified as proportional. All other cost pools are classified as fixed.
- c. I am responsible for cost pool classifications as described in my testimony USPS-T22, page 7.
- d. Please see my response to part (b). Also, in making my decisions regarding cost pool classifications, I considered the classifications from previous rate cases. The Commission-approved cost pool classifications were used, as this issue has been covered in the previous rate cases.
- e. No applicable. Please see the response to part (c).
- f. USPS-LR-L-55 does not contain designations as “proportional” or “fixed” classifications, but it does identify what tasks are associated with each cost pool. I make the determinations regarding whether the cost pools are classified as proportional or fixed. Please see my response to parts (b) and (c).
- g. Confirmed. The operation numbers shown in the mapping list are used as the bases for the classifications to fixed or proportional. If any operation numbers within a given cost pool are known to include tasks related to piece and bundle distribution activities that cost pool is classified as proportional.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Nan K. McKenzie

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