

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

RATE AND SERVICE CHANGES TO IMPLEMENT  
FUNCTIONALLY EQUIVALENT NEGOTIATED  
SERVICE AGREEMENT WITH BANK ONE  
CORPORATION

Docket No. MC2004-3

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 6  
(POIR6)

The United States Postal Service hereby provides responses to Presiding Officer's Information Request (POIR) No. 6. The POIR was issued on September 3, 2004, and requested responses by September 10, 2004.

The information request is stated verbatim, and then followed by its response. The witness attesting to the response is identified in the header thereof.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Nan K. McKenzie

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September 10, 2004

RESPONSE OF UNITED STATES POSTAL SERVICE MICHAEL PLUNKETT  
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 6

**POIR 6.** Refer to the response to POIR 5 and the attached version of Table 5.2.2 from Docket No. R2001-1 USPS-LR-J-69. The table has been modified by outlining numbers of particular interest, and by adding a column H labeled "Non-Mech Only".

The "Total Non-ACS" cost of \$0.1386 in column G is used as the CFS Processing component of the estimated cost of physical returns of First-Class letter-shaped mail in Docket No. MC2002-2 USPS-LR-1. Two of the components of the total non-ACS cost are the Non-ACS costs for Mechanized and the Non-ACS costs for Non-Mechanized Terminals (\$0.0660 and \$0.2691) which are weighted by their frequencies (0.83 and 0.17, respectively).

Column H produces a parallel Total Non-ACS cost of \$0.3072 using 100% of the non-ACS non-mechanized terminal cost, and none of the mechanized terminal costs. In contrast, USPS-T-1, Appendix A, page 13 (revised 9/01/2004) uses the ACS Non-Mechanized Terminal cost of \$0.5381 for the CFS processing component of the cost of physical returns for First-Class flat-shaped mail.

As physical returns do not receive ACS processing, please explain the rationale for using the ACS non-mechanized cost (\$0.5381) instead of the *non-ACS* non-mechanized cost (\$0.2691) and excluding all of the other elements that make up Total Non-ACS costs (i.e., Mail Preparation, Load and Sweep, and Support and Other).

If it is more appropriate to use the \$0.3072 figure in your analysis, please update USPS-T-1, Appendix A.

**RESPONSE:**

Today, Bank One's undeliverable First-Class Mail flats are handled in two ways. Some flat pieces are sent to a CFS unit for processing and would be handled on non-mech terminals. For this portion of Bank One's UAA flats, purely non-mechanized costs would be used. However, flat pieces which do not have a valid Change of Address file but otherwise are undeliverable are handled manually as nixies. In the absence of empirical information that would allow construction of a weighted average, it is appropriate to use the ACS non-mechanized cost (\$0.5381) from Table 5.2.2 of USPS-LR-J-69, Docket No. R2001-1 as a proxy for the actual costs.

Attachment to POIR 6

Table 5.2.2  
Cost per Piece for Processing at CFS Units

	A	B	C	D	E	F	G	H
	Hours/Piece	Labor Rate (1)	Cost/Piece	Piggyback Factor (2)	Total Cost/Piece	Frequency	Weighted Total Cost/Piece	Non-Mech Only
I. Label Generation								
A. Mail Preparation	0.00020 (3)	\$30.84	\$0.0060	56.00%	\$0.0094	1.00	\$0.0094	\$0.0094
B. Keying and Labeling: Mechanized Terminal	0.00148 (4)	\$30.84	\$0.0457	56.00%	\$0.0713			
- Non-ACS					\$0.0660 (5)	0.83 (6)	\$0.0548	0
- ACS					\$0.1320 (7)			
C. Non-Mechanized Terminal								
Data Maintenance and Labeling (COA Cards)	0.01211 (8)		\$0.3735	56.00%	\$0.5827	N/A	N/A	
Keying and Labeling	0.00603 (4)	\$30.84	\$0.1860	56.00%	\$0.2901			
- Non-ACS					\$0.2691 (9)	0.17 (10)	\$0.0456	\$0.2691
- ACS					\$0.5381 (11)			
D. Load and Sweep	0.00017 (3)	\$30.84	\$0.0053	56.00%	\$0.0083	1.00	\$0.0083	\$0.0083
E. Support and Other	0.00042 (3)	\$30.84	\$0.0131	56.00%	\$0.0204	1.00	\$0.0204	\$0.0204
Total Non-ACS							\$0.1386	\$0.3072
II. Address Correction								
A. Form 3547	0.00198 (3)	\$30.84	\$0.0612	56.00%	\$0.0955	N/A	N/A	
B. Form 3579	0.00773 (3)	\$30.84	\$0.2384	56.00%	\$0.3719	N/A	N/A	
C. ACS 2nd Generation/Nixie	0.00425 (3)	\$30.84	\$0.1310	58.30%	\$0.2074	N/A	N/A	
D. ACS Keying								
- Mechanized Terminal	N/A	N/A	N/A	N/A	\$0.0660 (12)	0.83 (13)	\$0.0550	
- Non-Mechanized Terminal	N/A	N/A	N/A	N/A	\$0.2691 (14)	0.17 (15)	\$0.0447	
ACS Keying Subtotal							\$0.0997	

(1) Clerk labor rates.  
 (2) Piggyback factor for CFS operations.  
 (3) Based on a 2-week sample period, developed from the Daily Address Information Operation Analysis (3925 Report).  
 (4) Refer to Table 5.2.2.1, Column C.  
 (5) Refer to Table 5.2.2.2, Column C, Row I.  
 (6) This is the proportion of UAA mail processed on the Mechanized Terminal. Refer to Table 5.2.2.1, Column D, Adjusted Subtotals.  
 (7) Refer to Table 5.2.2.2, Column B, Row I.  
 (8) Based on a 2-week sample period developed from the CFS Daily Report.  
 (9) Refer to Table 5.2.2.2, Column C, Row II.  
 (10) This is the proportion of UAA mail processed on the Non-Mechanized Terminal (NMT). Refer to Table 5.2.2.1, Column D, Adjusted Subtotals. Every piece of mail that is keyed on the NMT must be labeled. Thus, these tasks occur with the same f  
 (11) Refer to Table 5.2.2.2, Column B, Row II.  
 (12) Refer to Column E, Row I.b, ACS.  
 (13) This is the proportion of UAA mail at CFS units that is machineable letters. It is assumed this is an appropriate proxy for estimating the proportion of ACS mail processed on the Mechanized Terminal. For factor development, refer to Section  
 (14) Refer to Column E, Row I.c, ACS.  
 (15) This is the proportion of UAA mail at CFS units that is Non-machineable letters. It is assumed this is an appropriate proxy for estimating the proportion of ACS mail processed on the Non-Mechanized Terminal. For factor development, refer to

## 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.

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September 10, 2004