

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

**POSTAL RATE AND FEE CHANGES**

**Docket No. R2005-1**

**Major Mailers Association's  
Second Set Of Interrogatories And Document Production Requests To  
United States Postal Service Witness John Kelley (MMA/USPS-T16-7-17)  
(May 13, 2005)**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to United States Postal Service Witness John Kelley (MMA/USPS-T16-7-17).

Respectfully submitted,

**Major Mailers Association**

By: \_\_\_\_\_

Michael W. Hall  
35396 Millville Road  
Middleburg, Virginia 20117  
540-687-3151

Counsel for  
**Major Mailers Association**

**Dated: Middleburg, Virginia  
May 13, 2005**

MMA/USPS-T16-7

In your answer to Interrogatory MMA/USPS-T16-1C, you indicate that the delivery cost methodology employed by the Postal Service and accepted by the Commission for Docket No. R2000-1 is “not current”. What is the current Commission-accepted methodology for estimating workshare delivery cost savings? Please explain your answer.

MMA/USPS-T16-8

In your answer to Interrogatory MMA/USPS-T16-3E, you state the “**change in methodology** used in USPS-LR-K-67 gives more accurate unit delivery costs as compared to that used in USPS-LR-K-101” (emphasis added). When you refer to the “change in methodology” do you mean a change to correct the problem suggested in Interrogatory MMA/USPS-T16-3E, where the derived unit delivery costs for FY 93 in USPS-LR-K-101 are subject to understatement? If not, please answer the original question with respect to that one specific problem that was pointed out to you.

MMA/USPS-T16-9

Please refer to your answers to Interrogatory MMA/USPS-T16-4A-C, where you state that you did not attempt to estimate the delivery unit costs for bulk metered mail (BMM), metered mail, or single piece machinable mail. You state that estimates for such types of mail are “not needed” for rate design purposes.

- A. Before you performed your new delivery cost study, were you aware that the Postal Service has historically utilized BMM as the benchmark from which workshare savings were measured, for both processing and delivery costs?
- B. Before you performed your new delivery cost study, were you aware that Postal Service witness Abdirahman required an estimate for the BMM unit delivery cost, and, when none was available, was forced to make an assumption that the unit delivery costs for nonautomation, machinable

- mixed AADC letters could be used as a proxy for BMM? If you were not aware of this situation, please explain why not.
- C. Before you performed your new delivery cost study, were you aware that Postal Service witness Miller in Docket No. R2001-1 required an estimate for BMM unit delivery costs, and, when none was available, was forced to make an assumption that the unit delivery costs for nonautomation, machinable mixed AADC letters could be used as a proxy for BMM? If you were not aware of this situation, please explain why not.
- D. Before you performed your new delivery cost study, were you aware that Postal Service witness Miller in Docket No. R2000-1 required an estimate for BMM unit delivery costs, and, when none was available, was forced to make an assumption that the unit delivery costs of nonautomation letters could be used as a proxy for BMM? If you were not aware of this situation, please explain why not.
- E. Before you performed your new delivery cost study, were you aware that the Commission in Docket No. R2000-1 required an estimate for BMM unit delivery costs, and, when none was available, was forced to adopt Postal Service witness Miller's assumption that the unit delivery costs for nonautomation letters could be used as a proxy for BMM? If you were not aware of this situation, please explain why not.
- F. Before you performed your new delivery cost study, were you aware that, in R97-1, the Commission required an estimate for BMM unit delivery costs, and, when none was available, was forced to adopt Postal Service witness Hatfield's assumption that the unit delivery costs for nonautomation letters could be used as a proxy for BMM? If you were not aware of this situation, please explain why not.
- G. Before you performed your new delivery cost study, were you aware that, in Docket No. R2001-1, MMA presented the Commission with a unit delivery cost estimate for BMM letters, which was obtained from data for single piece metered mail. If you were not aware of this situation, please explain why not.

MMA/USPS-T16-10

In your answer to Interrogatory MMA/USPS-T16-4G, you state that the purpose of de-averaging the nonautomation unit delivery cost into 8 separate categories was to support the expansion of the nonmachinable surcharge first presented by the Postal Service in R2001-1.

- A. Please confirm that the unit delivery cost for one of your 8 separate categories -- nonautomation, machinable mixed AADC letters -- was used by USPS witness Abdirahman as a proxy for BMM delivery costs so that he could modify the latest Commission-approved methodology for estimating workshare cost savings? If you do not confirm, please explain.
- B. Why did you fail to mention USPS witness Abdirahman's use of your unit delivery cost for nonautomation, machinable mixed AADC letters as a proxy for BMM delivery costs as the explanation in part A of this interrogatory as the most important aspect of your delivery cost analysis?
- C. Please confirm that USPS witness Abdirahman used your unit delivery cost estimate for nonautomation, machinable mixed AADC letters as a proxy for BMM unit delivery costs, and this single assumption, along with the use of your derived unit delivery cost, reduced the Postal Service's derived unit cost savings by 3.01 cents? See USPS witness Abdirahman's response to Interrogatory MMA/USPS-T21-10F.

MMA/USPS-T16-11

In your answer to Interrogatory MMA/USPS-T16-5B, you discuss the impact that worksharing has on delivery costs if a particular letter is DPSed. Please confirm that you are claiming that, if two letters are DPSed, it is your contention that, except for collection costs incurred by non-workshare letters, delivery costs are unaffected by worksharing. If this is not your contention, please explain. Please provide any documents or other information you have to support your position on this matter.

MMA/USPS-T16-12

In your answer to Interrogatory MMA/USPS-T16-5C, you discuss the impact that worksharing has on delivery costs if a particular letter is not DPSed. Please confirm that if two letters are not DPSed, it is your contention that, except for collection costs incurred by non-workshare letters, street time delivery costs should be unaffected by worksharing, but in-office delivery costs will be lower for the workshared letter. If this is not your contention, please explain. Please provide any documents or other information you have to support your position on this matter.

MMA/USPS-T16-13

Are collection costs included in your nonpresorted unit delivery cost of 7.189 cents as shown in USPS-LR-K-67 (revised)? If yes, please provide the nonpresorted unit delivery cost excluding collection costs, and include all computations and sources.

MMA/USPS-T16-14

Please refer to your answer to Interrogatory MMA/USPS-T16-5C. For letters that are not DPSed, please explain why the in-office delivery costs will be lower for a workshared letter than for a machinable, nonworkshared letter that is not prebarcoded?

MMA/USPS-T16-15

Please refer to your answer to Interrogatory MMA/USPS-T16-5C. Are you aware that, in R2001-1, Postal Service data indicated that when letters are not DPSed, the unit delivery cost for a single piece letter and a workshare letter are 6.36 cents and 4.11 cents, respectively. (See R2001-1, TR 5/867 (MMA-X-4); Exhibit MMA-4A, page 3, Table 2). In light of your answer to Interrogatory MMA/USPS-T16-12, can you explain the 2.25-cent differential?

MMA/USPS-T16-16

In your answer to Interrogatory MMA/USPS-T16-5D, you provided the presorted First-Class unit delivery costs for Non-DPSed and DPSed letters derived from LR-USPS-K-67.

- A. Please provide the exact source (and derivation, if necessary) for the unit delivery costs of these DPSed letters and Non-DPSed letters.
- B. Would the TY06 unit delivery cost for single piece letters that are not DPSed be more, less, or approximately the same as the 9.60 cent cost estimate you derived for presorted letters that are not DPSed? Please fully explain your answer.
- C. Would the TY06 unit delivery cost for single piece letters that are DPSed be more, less or approximately the same as the 2.70 cent cost estimate you derived for presorted letters that are DPSed? Please fully explain your answer.
- D. Please confirm that the 81.85% average DPS % obtained from your delivery cost study is simply a volume weighted average of the DPS %'s that you obtained from Mr. Abdiraham for each of the 8 separate rate categories. If you cannot confirm, please explain in detail exactly how your average DPS % was computed and provide the formula and sources for that calculation.
- E. Please confirm that for Automation letters (excluding those delivered by 5-digit CSBCS/Manual offices), your implied average DPS % is 86.24%. If you cannot confirm, please provide your computation of the implied DPS % for all Automation letters (excluding those delivered by 5-digit CSBCS/Manual offices) and provide the sources for that calculation.
- F. Please reconcile the DPS % resulting from your response to Part E with USPS witness McClery's estimate that 89% of all barcoded letters were DPSed in FY04. (See USPS-T-29 at 10)
- G. Please assume for purposes of this question that your 2.70 cent unit delivery cost for presorted letters that are DPSed can be used as a proxy for the unit delivery cost for nonpresorted letters that are DPSed. Assume

- further that your 9.60 cent unit delivery cost for presorted letters that are not DPSed can be used to as a proxy for the unit delivery cost for nonpresorted letters that are not DPSed. Using the data from Library Reference LR-USPS-K-67, please confirm that the implied DPS % would be 35.0%. If you cannot confirm, please provide your computation of the implied DPS % under this assumption
- H. Please explain why, in your opinion, the assumptions you were asked to make for purposes of Part G are or are not valid.

MMA/USPS-T16-17

Please refer to Library Reference LR-USPS-K-101, file tab "Delivery Volumes".

- A. Please confirm that the total RPW Volumes for nonpresorted and presorted First-Class letters shown there is exactly the same as the BY 2000 volumes that USPS witness Schenk provided in LR-USPS-J-117 in R2001-1. If you cannot confirm, please explain.
- B. If you confirm part A, please explain how the implicit p.o. box volumes that are derived from the RPW volumes could be correct for BY 2004 in R2005-1. Please provide any documents or other information that you believe supports your position on this matter.
- C. If your use for BY 2004 in R2005-1 of the same total RPW Volumes for nonpresorted and presorted First-Class letters used by USPS witness Schenk for BY 2000 in R2000-1 was an oversight, please explain how this oversight affects the derived unit delivery costs using the Commission's cost attribution methodology?

D. Please complete the following table for BY 2004.

	BY City Carrier Volume	BY Rural Carrier Volume	BY P.O. Box Volume	Total BY Volume
Single-Piece Letters				
Single-Piece Flats				
Single-Piece Parcels				
Total Single Piece				
Single Piece Metered Letters				
Presort Letters				
Presort Flats				
Presort Parcels				
Total Presort				
Total S.P. and Presort				

E. Please complete the following table for TY 2006.

	TY City Carrier Volume	TY Rural Carrier Volume	TY P.O. Box Volume	Total TY Volume
Single-Piece Letters				
Single-Piece Flats				
Single-Piece Parcels				
Total Single Piece				
Single Piece Metered Letters				
Presort Letters				
Presort Flats				
Presort Parcels				
Total Presort				
Total S.P. and Presort				