

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

POSTAL RATE AND FEE CHANGES  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF POSTAL SERVICE WITNESS KELLEY  
TO INTERROGATORIES OF ABA AND NAPM (ABA&NAPM/USPS-T16-1 – 4)  
(May 25, 2005)

The United States Postal Service hereby provides the responses of witness Kelley to the following interrogatories of ABA and NAPM, filed on May 11, 2005:

ABA&NAPM/USPS-T16-1 – 4.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

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May 25, 2005

**RESPONSE OF POSTAL SERVICE WITNESS JOHN KELLEY  
TO INTERROGATORIES OF ABA AND NAPM**

ABA&NAPM/USPS-T16-1. In LR-K-48, page 1 “First - Class Mail Presort Letters Summary”, please explain why worksharing related delivery costs are lower for non-automation BMM than for automation mixed AADC letters and AADC letters.

**Response**

I am not familiar with the expression nonautomation BMM. I assume you intended to inquire why the unit delivery costs for BMM (3.929 cents) are lower than for automation mixed AADC letters (4.148 cents) and automation AADC letters (3.940 cents). Since neither IOCS nor CCS captures data separately on Bulk Metered Mail, First Class Mail machinable mixed AADC nonautomation presort letters are used as a proxy for delivery unit costs (witness Abdirahman’s direct testimony USPS-T-21 page 12 lines 1-4). The unit delivery costs are lower for BMM since it has a higher DPS percentage than either automation mixed AADC letters or automation AADC letters. The DPS percentage for BMM, automation mixed AADC letters, and automation AADC letters are 82.14, 79.57, and 82.02 percent respectively. Letters that go through DPS generally do not incur casing costs which with all other things being equal leads to the fact that presorted letters with a higher DPS percentage will have a lower unit delivery cost.

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ABA&NAPM/USPS-T16-2.

- a. In LR-K-67, Table 1: Test Year FY06 Unit Delivery Costs, please explain why there is no category for BMM.
- b. Please explain why single piece unit delivery costs are lower than nonmachinable categories of nonautomation presort mail.
- c. What percentage of single piece mail is nonmachinable? Please provide a break down of single piece mail unit delivery costs by machinable and nonmachinable volumes.

**Response**

- a. Derivation of unit delivery costs relies heavily on information collected from the IOCS and CCS. Since neither system captures information separately on BMM, First Class Mail machinable mixed AADC nonautomation presort letters are used as a proxy for BMM delivery unit costs (witness Abdirahman direct testimony USPS-T-21 page 12 lines 1-4). Therefore the unit delivery costs for BMM are the same as for its proxy which is 3.929 cents. The level of detail in LR-K-67 is the same as in the previous derivation LR-J-117.
- b. The unit delivery costs are lower for single piece First Class Mail since the vast majority of it is machinable. Essentially the comparison for these two categories is between machinable and nonmachinable pieces of which machinable mail will have a lower unit delivery cost.
- c. Of the 45,161,746,421 single piece First Class Mail volume in FY04 approximately 44,652,826,426 or 98.9% was machinable.

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ABA&NAPM/USPS-T16-3. For Table 1 in LR-K-67, please provide, or provide the detailed roadmap to, all unit delivery costs by rate category by detailed MODS or other cost system. By “detailed” is meant the finest level of disaggregation that exists in your cost finding systems, e.g. 3 digit MODS categories and finer level of detail, whether it exists internally at USPS or with any outside consultant or contractor that creates or manages such data for you. For each such cost category, please provide a clear, written description of what that activity entails, or provide a roadmap to where in your filings or USPS documents such definitions exist.

**Response**

I am unsure of the nature of your question. An explanation of the derivation of the unit delivery costs is included as part of LR-K-67\_Revised through headers and footnotes within each spreadsheet, as well as an accompanying document explaining methodologies named LR-K-67.doc.

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ABA&NAPM/USPS-T16-4. What assumptions, if any, were made for the test year unit delivery costs insofar as the deployment of DIOSS machines that are replacing MLOCR machines? If no activities on the DIOSS technology are considered delivery costs, please so state.

**Response**

No activities on the DIOSS technology were considered in the derivation of the delivery costs in LR-K-67.

## 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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