

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

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES, INC.
REDIRECTED FROM POSTAL SERVICE WITNESS SMITH
(PBI/USPS-T13-1)

The United States Postal Service hereby files its responses to the above-listed interrogatory of Pitney Bowes, Inc., which were filed on May 24, 2005. The response was redirected from Postal Service witness Marc A. Smith.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 7, 2005

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF PITNEY BOWES INC.
REDIRECTED FROM WITNESS SMITH**

PBI/USPS-T13-1. Please refer to page 6 of USPS-LR-K-110 that presents the PRC-version of CRA mail processing costs for First-Class Mail automation letters and confirm the following unit mail processing costs for selected cost pools. If you do not confirm, please explain and provide the correct unit mail processing costs.

First-Class Mail Automation Letters Selected CRA Mail Processing Costs Source: USPS-LR-K-110	
COST POOL	TOTAL (cents)
MODS 13 1TRAYSRT	0.137
MODS 17 1DISPATCH	0.069
MODS 17 1OPBULK	0.029
MODS 17 1OPREF	0.145
MODS 17 1OPTRANS	0.030
MODS 17 1PLATFRM	0.308
MODS 17 1PRESORT	0.004
MODS 17 1SCAN	0.032
MODS 18 1EEQMT	0.009
MODS 18 1MISC	0.035
MODS 18 1SUPPORT	0.014
MODS 99 1SUPP_F1	0.000
NON MODS ALLIED	0.243
NON MODS MISC	0.085

- a. Please confirm that these CRA mail processing costs are the unit attributable mail processing costs for First-Class automation letters for each selected cost pool. If you do not confirm, please explain.
- b. Please confirm that, generally, other classes and subclasses of mail have attributable mail processing costs for these selected pools. If you do not confirm, please explain.
- c. Please confirm that, generally, there are institutional costs for these selected cost pools. If you do not confirm, please explain.
- d. Please provide the volume variability for each selected cost pool and indicate whether or not it is derived using an econometric analysis.
- e. Please described for each selected cost pool, the key used to distribute the volume variable costs to classes and subclasses.

Response: Confirmed, that the above unit costs are in agreement with page 6 of USPS LR-K-110.

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- a. Confirmed that these are the PRC version mail processing unit costs for the test year provided in USPS LR-K-110, page 6.
- b. Confirmed. (Please note that the “MODS 99 1SUPP_F1” cost pool has zero costs in the PRC version. Instead these same costs are provided in the MODS 18 1MISC and MODS 18 1SUPPORT cost pools.)
- c. Confirmed.
- d. For the mail processing labor variabilities by cost pool, see USPS-LR-K-100, part II. (Alternatively see spreadsheet “r2005 lr-k-100 pt 2”.) These variabilities are not econometrically derived. The variabilities for equipment and facility-related costs are provided in USPS-LR-K-100, part VI and testimony of witness Smith, USPS-T-13, Attachment 7, respectively. The cost pools for equipment and facilities are different than those for labor, especially for equipment. These variabilities are also not econometrically derived, though statistical analyses were considered in developing the facilities variabilities (See Docket No. R76-1, testimony of Robert H. Sarikas, USPS-T-9).
- e. For the mail processing labor distribution keys see USPS-LR-K-100, part II. (Alternatively see spreadsheet “r2005 lr-k-100 pt 2”.) The distribution keys for equipment and facility-related costs are provided in witness Smith, USPS-T-13, Attachment 4, page 2 and witness Smith, USPS-T-13, Attachment 7, respectively. As noted in part d, the cost pools for equipment and facilities are different than those for labor, especially for equipment.

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.

Eric P. Koetting

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