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

POSTAL RATE AND FEE CHANGES   Docket No. R2005-1

Major Mailers Association's
Motion To Compel Response To Interrogatory MMA/USPS-T16-26

Pursuant to Rules 26 (d) of the Commission's Rules Of Practice And

Procedure, Major Mailers Association hereby requests that the Presiding Officer

compel an appropriate and correct response to   Interrogatory MMA/USPS-T16-

26, dated June 13, 2005. This motion to compel is being filed because, on June

23, 2005, the Postal Service interposed the objection which is included as part of

this motion in the Adobe pdf format as Attachment A. In support of its motion to

compel, MMA states:

1.   Interrogatory MMA/USPS-T16-26 requested Postal Service witness John

Kelley to provide the following information:

> Please refer to your response to Interrogatory MMA/USPS-T16-13
> where you provided the collection costs that were included in your
> single piece letter delivery costs as part of your analysis provided in
> Library Reference LR-USPS-K-67.   Please provide the same
> information, i.e. the collection costs, with respect to the 5.84 unit cost
> figure derived for First-Class letters using the PRC delivery cost
> methodology in Library Reference LR-USPS-K-101.

Interrogatory MMA/USPS-T16-26 sought essentially the same information for the

PRC cost attribution methodology reflected in Library Reference LR-USPS-K-101

that MMA had requested and received in response to Interrogatory MMA/USPS-

T16-13 for the Postal Service methodology reflected in Library Reference LR-

USPS-K-67:

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.

2. The history of the Service's responses to Interrogatory **MMA/USPS-T16-13** reveals why the Postal Service must provide the information MMA seeks. That interrogatory was directed to Library Reference USPS-LR-K-67, which is sponsored by USPS witness John Kelley. Despite the fact that this library reference is based on the Postal Service own methodology, the Service encountered several "problems" in responding to MMA's interrogatory. MMA filed Interrogatory MMA/USPS-T16-13 on May 13, 2005. On May 27, USPS witness Kelley filed his response. Witness Kelley's response confirmed that collection costs indeed were included in his 7.189 cents unit delivery costs in Library Reference USPS-LR-K-67 (revised), specified the unit delivery cost without collection (6.981 cents per piece per piece) and total collection costs ($80.8 million), and provided MMA with a description of the series of calculations MMA could perform to reproduce witness Kelley's results. For the Presiding Officer's convenience, a copy of USPS witness Kelley's May 27 Response is included as Attachment B.

On June 15, 2005, however, USPS witness Kelley filed a revised response to Interrogatory MMA/USPS-T16-13. *See*, Attachment C. Witness Kelley's revised response was astounding. Collection costs had grown **over ten fold**, from $80.8 million to **$929.9** million. Similarly, the difference between unit delivery costs with and without collection costs grew from a mere **fraction** of a cent (0.207) to **2.384** cents.

Unfortunately, the problems with USPS witness Kelley's responses still were not resolved. MMA tried **and failed** to reproduce witness Kelley's latest results using the complicated calculations he provided. Following discussions with the Postal Service witness Kelley and his counsel, Mr. Kelley filed a further revised response on June 17. That response is included as Attachment D.

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The convoluted story of USPS witness Kelley's response to Interrogatory MMA/USPS-T16-13 was completed only days ago when the Postal Service filed Library Reference USPS-LR-K-145. *See*, Notice of the United States Postal Service of Filing of Library Reference USPS-LR-K-145, dated June 30, 2005.

3.	The difficulties and errors that Postal Service Kelley encountered in the course of responding to MMA's interrogatory directed to a library reference based on the Postal Service's own methodology underscore the need for the Postal Service to provide a coherent, correct response to Interrogatory MMA/USPS-T16-26.	As the Postal Service admits, it did prepare and produce Library Reference UPS-LR-K-101. Clearly, the Postal Service has unique knowledge of how that library reference was constructed. Moreover, only the Postal Service can perform and describe the complicated steps[1] necessary to identify and remove collection costs from the analysis. Under these circumstances, it is entirely fitting for the Postal Service to provide the information requested by MMA.

4.	The Postal Service's principal objection[2] is that it should be excused from providing an answer to Interrogatory MMA/USPS-T16-26 because, although Rule 53 required the Postal Service to submit the PRC delivery cost analysis shown in Library Reference UPS-LR-K-101, providing the information MMA requests would entail presenting a "new version" of Library Reference UPS-LR-K-101. The Postal Service also suggests that responding to MMA's interrogatory would

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[1]	Library Reference USPS-LR-K-101 consists of many interrelated files that contain cross-linked formulae.

[2]	The Postal Service's claim (Objection, footnote 1) that it is "troubling" that MMA directed the interrogatory at issue to USPS witness Kelley is frivolous. The Postal Service routinely redirects questions put to its witnesses to itself for institutional responses. ***Indeed, without any protest, the Postal Service provided and institutional response to an interrogatory involving Library Reference USPS-LR-K-101that MMA directed to USPS witness Kelley***. *See,* Response Of The United States Postal Service To Interrogatory Of MMA (MMA/USPS-T16-22.D), Redirected From Witness Kelley, dated June 17, 2005. MMA has no problem if it does so in this instance. Equally frivolous is the Postal Service's argument that "other parties may feel emboldened to request yet another version more to their liking." The Presiding Officer and Commission are well empowered to cut off abuses of the discovery process if and when they occur. ***MMA's interrogatory does not fall into that category***.

place an undue burden on it. The Postal Service's objections are not well taken for several reasons. First, a response to MMA's discovery request will not constitute a "new version" of Library Reference USPS-LR-K-101. The Postal Service has already responded to Interrogatory MMA/USPS-T16-13 by providing the collection cost information for Library Reference USPS-LR-K-67, including instructions on how MMA can reproduce the Postal Service's results,[3] **and filing the relevant spreadsheets as Library Reference USPS-LR-K-145, a category 4 library reference**.   The Postal Service did not object to Interrogatory MMA/USPS-T16-13 on the ground that filing relevant spreadsheets as a separate, category 4 library reference improperly required it to produce a "new version" of Library Reference USPS-LR-K-67 sponsored by USPS witness Kelley. MMA does not seek anything more in a response to Interrogatory MMA/USPS-T16-26**.**

5.   Second, providing an accurate and complete response to Interrogatory MMA/USPS-T16-26 will not place an undue burden on the Postal Service. Library Reference USPS-LR-K-101 is very similar to the delivery cost study, Library Reference USPS-LR-J-117, that USPS witness Schenk sponsored in R2001-1. The information that the Postal Service objects to providing in this case is exactly the same information that USPS witness Schenk **volunteered** in Docket No. R2001-1.[4]   The ease with which USPS witness Schenk was able to provide coherent responses to essentially the same questions in R2001-1 debunks the Postal Service's undue burden claim. In this case, sustaining the Postal Service's objection would place on MMA the undue, likely impossible burden of guessing at how to unbundle collection costs from the delivery costs shown in Library Reference USPS-LR-K-101. Because the Postal Service alone holds the keys to removing collection costs from Library Reference USPS-LR-K-

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[3]   *See*, Attachment D.

[4]   In her response to Interrogatory MMA/UPS-T43-6, dated November 14, 2001, USPS witness Schenk voluntarily provided unit delivery costs without collection costs. For the Presiding Officer's convenience, a copy of the relevant portions of that response is attached as Attachment E (emphasis added). Further, in response to Interrogatory MMA/USPS-T43-18, dated December 6, 2001, USPS witness Schenk provided calculations very similar to those of USPS witness Kelley in this case. *See*, Attachment F.

101, logic and elemental notions of fairness require that the Postal Service should be directed to provide the requested information.

6.   The information MMA is seeking is critical to a proper determination of the delivery cost savings due to worksharing, without collection costs. The appropriate cost savings analysis involves comparing the costs incurred for delivering a workshared letter to the costs incurred for delivering those same letters if not workshared. This is precisely the same situation whereby bulk metered mail (a non-workshared category) is used as a benchmark for measuring workshared processing cost savings. Because the unit delivery costs in Library Reference USPS-LR-K-101 include an unknown amount of collection costs, MMA and, more importantly, the Commission will not be able to determine the true unit cost of delivering benchmark non-workshared letters, separate and apart from collection costs. Accordingly, sound policy reasons support a ruling directing the Postal Service to provide the information sought by MMA.

7.   There is an important byproduct of MMA's interrogatories on this subject. The Postal Service apparently has made very significant changes in the way it measures the volume variability and records delivery costs. If, as MMA suspects, collection costs have more than quadrupled, from **$185.4 million** in R2001-1,[5] then it is important for the Commission to thoroughly understand exactly what is going on if it is going to make informed decisions as to whether it should (a) adopt the Postal Service's newly proposed methodology in Library Reference USPS-LR-K-67 or (b) utilize the analysis in USPS-LR-K-101, or (c) utilize some other methodology.

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[5]   *See,* R2001 Library Reference MMA-LR-J-2, p. 3 (Row 6, Column M plus Column N) (Excel file).

Conclusion

For all of the foregoing reasons, MMA respectfully requests that the Presiding Officer issue a ruling that directs the Postal Service to provide information in response to Interrogatory MMA/USPS-T16-26 that is comparable to the information already provided in response to Interrogatory MMA/USPS-T16-13. ***The Postal Services response should include a category 4 library reference comparable to Library Reference USPS-LR-K-145 and the electronic files that were filed as part of that library reference.***

Major Mailers Association

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Dated: Middleburg, Virginia
July 7, 2005

The Postal Service's June 23, 2005 Objection is being submitted herewith as a separate pdf file.

**Response of Postal Service Witness John Kelley to Interrogatories Posed by
Major Mailers Association**

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.

Response:

Collection costs are included in the single piece test year unit delivery cost of
7.189 cents. The single piece test year unit delivery cost without collection costs
is 6.981 cents per piece. The difference between the two unit costs is 0.207 cent
(round off error). Multiplying the cost differential by the test year single piece
letter volume of 38.9 billion pieces gives the test year total collection costs to be
$80.8 million, which consists of $75.7 city carrier cost and $5.1 million of rural
carrier costs.

To reproduce these calculations, perform the following steps within the library
reference USPS-LR-K-67. Steps 1 and 2, as described below, remove the single
piece letter cost of collections due to city carriers and steps 3 and 4, as described
below, take out the costs from rural carriers.

1. In workbook "CS06&7.K67.xls" worksheet '7.0.6' change the values in cells
C11, H11, J11, and K11 to zero.

2. In workbook "CS06&7.K67.xls" worksheets '7.0.6.5', '7.0.6.6', '7.0.6.7',
'7.0.6.8', and '7.0.6.9' change the values in cell G11 to zero.

3. In workbook "LR-K-67_Revised.xls" worksheet
'8.RrlCwlkRevSatBxds.Rev.Prcls' change the values in cells J6 and K6 to
zero.

4. Step 3 results in a division by zero in worksheet '6.Rural cost.' within "LR-K-67_Revised.xls" in cells I36 and J36. To address that issue input values of 0.0175010162562571 and 1.44065284401532 in cells I36 and J36 respectively in worksheet '6.Rural cost.' within the workbook "LR-K- 67_Revised.xls".

After completing steps 1. through 4 the test year unit delivery costs without collection costs will be 6.981 cents and is reflected in cell C4 on worksheet 'Table 1' in workbook "LR-K-67_Revised.xls".

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY
TO INTERROGATORY OF MMA**

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.

Response

Collection costs are included in the Single Piece letter Test Year 2006 unit delivery cost of 7.189 cents. The Single Piece letter Test Year unit delivery cost without collection costs is **4.805** cents. The difference between the two unit costs is **2.384** cents. Multiplying this cost differential by the Test Year Single Piece letter volume of 38.962 billion pieces produces a Test Year total collection cost of **$928.9** million, which consists of **$842.1** million in city carrier cost, and **$86.8** million in rural carrier cost. To reproduce these calculations, perform the following steps within library reference **"USPS-LR-K-67_2nd.revised.xls."** Steps 1 and 2, as described below, remove the Single Piece letter cost of collections due to city carriers, and steps 3 and 4, as described below, take out the costs from rural carriers.

1. In workbook "CS06&7.K67.xls" worksheet '7.0.6' change the values in cells C11, H11, **K11,** and **T11** to zero.
2. In workbook "CS06&7.K67.xls" worksheets '7.0.6.5', '7.0.6.6', '7.0.6.7', '7.0.6.8', and '7.0.6.9' change the values in cell G11 to zero.
3. In workbook **"LR-K-67_2nd.revised.xls",** worksheet '8.RrlCwlkRevSatBxds.Rev.Prcls', change the values in cells J6 and K6 to zero.
4. Step 3 results in a division by zero in cells I36 and J36 of worksheet '6.Rural cost' in **"LR-K-67_2nd.revised.xls"**. To address that issue, values of $0.0175 and $1.441 are input into cells I36 and J36.

REVISED: 6/15/05

RESPONSE OF POSTAL SERVICE WITNESS KELLEY
TO INTERROGATORY OF MMA

After completing steps 1 through 4, the Test Year 2006 unit delivery costs without collection costs will equal **4.805** cents.

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**RESPONSE OF POSTAL SERVICE WITNESS KELLEY
TO INTERROGATORY OF MMA**

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.

Response
Collection costs are included in the Single Piece letter Test Year 2006 unit
delivery cost of 7.189 cents. The Single Piece letter Test Year unit delivery cost
without collection costs is **4.854** cents. The difference between the two unit costs
is **2.335** cents. Multiplying this cost differential by the Test Year Single Piece
letter volume of 38.962 billion pieces produces a Test Year total collection cost of
$909.8 million, which consists of **$842.1** million in city carrier cost, and **$67.7**
million in rural carrier cost. To reproduce these calculations, perform the
following steps within library reference **"USPS-LR-K-67_2nd.revised.xls."**
Steps 1 and 2, as described below, remove the Single Piece letter cost of
collections due to city carriers, and steps 3 and 4, as described below, take out
the costs from rural carriers.
1. In workbook "CS06&7.K67.xls" worksheet '7.0.6' change the values in cells
C11, H11, **K11,** and **T11** to zero.
2. In workbook "CS06&7.K67.xls" worksheets '7.0.6.5', '7.0.6.6', '7.0.6.7',
'7.0.6.8', and '7.0.6.9' change the values in cell G11 to zero.
3. In workbook **"LR-K-67_2nd.revised.xls",** worksheet
'8.RrlCwlkRevSatBxds.Rev.Prcls', change the values in cells J6 and K6 to zero.
4. Step 3 results in a division by zero in cells I36 and J36 of worksheet
'6.Rural cost' in **"LR-K-67_2nd.revised.xls"**. To address that issue, values of
$0.0175 and $1.441 are input into cells I36 and J36.

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5. Steps 1-4 remove the collection costs from the base year costs. In order to reflect the removal of the collection costs within test year costs, an additional factor must be added to the formulas for the column F, G, H, I, and K cells of row 7 of spreadsheet "2SummaryTY" in **"LR-K-67_2nd.revised.xls".** In each cell, the additional factor multiplies the results of the existing formula by the ratio of base year costs without collections for that cell (from the version of spreadsheet 11 generated by steps 1-4 above) to base year costs with collections for that cell (from the version of spreadsheet 11 that existed before steps 1-4 above were applied).

After completing steps 1 through 5, the Test Year 2006 nonpresorted unit delivery costs without collection costs will equal **4.854** cents.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

MMA/USPS-T43-6 Please refer to USPS-LR-J-117, worksheet "summary BY."
A. Do you agree that the unit cost incurred by city carriers to deliver a First-Class
single piece letter is 10.22 cents? [Divide the piggybacked total city delivery costs
by the single piece city delivery letter volume from worksheet "Delivery
Volumes."] If you cannot confirm, please explain why not and provide the correct
unit cost.

*   *   *

C. Do you agree that the unit cost incurred by rural carriers to deliver a First-
Class single piece letter is 3.07 cents? [Divide the piggybacked segment 10
costs by the single piece rural delivery letter volume from worksheet "Delivery
Volumes."] If you cannot confirm, please explain why not and provide the correct
unit cost.

RESPONSE:
A. No. The city carrier costs used in the unit cost calculation described in
MMA/USPST43-6A include both delivery and collection costs for First-Class
single piece letters. ***Excluding collection costs, the BY 2000 unit cost is 9.57
cents***.

*   *   *

C. No. The costs and volumes used in the unit cost calculation described in
MMA/USPS-T43-6C include both delivery and collection costs and volumes for
First-Class single piece letters. ***Excluding collection costs and volumes from,
respectively, the numerator and denominator of the unit cost calculation
yields a BY 2000 unit cost of 3.71 cents.***

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

MMA/USPS-T43-18 Please refer to your response to Interrogatory
MMAIUSPST43-6.

A. Please provide the derivation of the 9.57 cents that you indicate is the
First-Class single piece city carrier delivery unit cost, excluding collection
costs.

B. Please provide the derivation of the 3.71 cents that you indicate is the
First-Class single piece city carrier delivery unit cost, excluding collection
costs.

C. Please provide the total collection costs incurred by the Postal Service
for BYOO.

RESPONSE:
A. The First-Class single piece city carrier delivery unit cost is calculated
using the following inputs, which are found in LR-J-117.xls in USPS LR-J-
117 unless otherwise noted:

(a) City Carrier In-Office Costs (6.1 + 6.2) -the sum of ccl Is D3 and E3 in
the worksheet 'Summary BY
(b) % Delivery Costs for City Carrier In-Office - see Table 1 in Attachment
A
(c) Cost Segment 7 Costs -the sum of cells F3 through I3 in the worksheet
'Summary BY
(d) % Delivery Costs for Cost Segment 7 -calculated by taking the
percentage of collection costs and subtracting it from one. The
percentage of collection costs is calculated using CSO6&7.xls found in
witness Meehan's B workpapers (USPS LR-J-57). It is calculated by

taking the sum of collection costs (cells C12, D12, M12, P12, 512, and T12 in worksheet '7.03') and divided them by the total Cost Segment 7 costs for First-Class single piece (cells El 1, Fll, and Gil in worksheet 'Output to CRA').

(e) BY00 Piggyback Factor for C/S 6.1 First-Class Single Piece - cell K114 in worksheet 'Summary BY

(f) BY00 City Carrier Delivery Volumes - cell G3 in the worksheet 'Delivery Volumes'

The following formula uses these inputs to calculate the unit cost:

Unit cost = {[(a)'(b)+((c)*(d))]*(e)} / (f) * 100

9.57 = ([(1,121 ,119*0.9975)+(490,750*0.7970)]*1.351)/21,308,674*100

B. The First-Class single piece rural carrier delivery unit cost is calculated using the following inputs, which are found in LR-J-117.xls in USPS LR-J-117:

(a) BY00 Rural Carrier Costs (C/S 10) - cell J3 in worksheet 'Summary BY

(b) BY00 Piggyback Factor for C/S 10 First-Class Single Piece - cell L114 in
worksheet 'Summary BY

(c) Delivery Unit Cost Key-calculated by taking the ratio of the letters collection costs to total rural carrier costs (cell 032 in worksheet 'Rural

Crosswalk' divided by cell R32 in the same worksheet). This ratio is then subtracted from the letters cost distribution key (cell C44 in 'Rural Crosswalk') and then divided by the same number yielding the delivery unit cost key

(d) Rural Carrier Delivery Volumes-sum of cells Cl8 through F18 and Ml8 in worksheet 'Rural Crosswalk

The following formula uses these inputs to calculate the unit cost:

Unit Cost = [(a) ' (b) * (c)] / (d) * 100

3.71 = [258,211 * 1.236 * 0.8530]/ 7,344,088 * 100

C. Redirected to witness Meehan.