

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 THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 13
(September 1, 2005)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request (POIR) No. 13, issued August 18, 2005. The following witnesses are sponsoring the identified responses to this POIR:

Witness Kelley: Question 3
Witness Tayman: Question 1
Institutional: Questions 2 and 4

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS TAYMAN
TO POIR NO. 13, QUESTION 1

1. On August 5, 2005 the APWU membership ratified a one-year contract extension to November 20, 2006. Some of the provisions of the extension are a 1.6% pay increase payable March 18, 2006, continuation of the semi-annual COLAs, position upgrades for several crafts, and increases to uniform and work clothes allowances. Please provide descriptions of all changes that would have to be made to the Revenue Requirement workpapers (USPS-LR-K-50) in order to reflect the provisions of the APWU contract extension. Please include any new workpapers or spreadsheets that would be required to show how the extension would be incorporated into the existing workpapers.

RESPONSE:

Please refer to USPS-LR-K-149 which contains updated USPS-LR-K-50 workbooks that reflect the impact of the APWU labor contract extension. Also included are narrative and tabular explanations of the changes made and the rationale used.

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2. LR-K-67 contains no rural crosswalk, but does include a parcel crosswalk. The latter crosswalk aligns rural flat and parcel volumes with the DMM definition of flats and parcels. In response to VP/USPS-T16-6b., witness Kelley states “A more acceptable result derivable from LR-K-101 is obtained by eliminating the LR-K-101 rural crosswalk.” Please provide a revised LR-K-101 that (1) eliminates the sheet “RCCS EVAL”, which contains an obsolete distribution of mail by shape, and (2) incorporates an “LR-K-67 type” parcel crosswalk to align rural flat and parcel volumes with the DMM definition (See LR-K-67, file: “FY04.CCS.RPW.Volumes.xls”).

RESPONSE:

Electronically attached is a Zip file with a version of the LR-K-101 model making the two changes requested. It should be noted, however, that the net result of these changes does not necessarily yield an analytically satisfactory model. Mechanistic alterations to the structure of the model for the purpose of addressing one set of issues can, unfortunately, create other issues that may be equally vexing. While none of the issues which arise seem inherently insurmountable, simultaneous resolution of the full set (or, at least, a broader set) of potential problems would require a concerted effort and, perhaps, some restructuring of the model that may render its relationship to the previous models somewhat more tenuous. The Postal Service has given some consideration to the types of alterations that might be beneficial, but has not gone further in the absence of any specific requests or specific instructions regarding further deviations from the baseline model.

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TO POIR NO. 13, QUESTION 3

3. Please Refer to LR-K-67 sheet “8.RrICwIk-RevSatBxds.Rev.Prcls”, which contains the volumes for rural ECR mail, and the response to POIR 3(d), which contains the file “LR-K-101.no.ECR.Crosswalk.xls”, where the rural crosswalk is corrected in LR-K-101 for ECR mail. The distribution of Boxholder volume to subclass and shape is different in LR-K-67 compared with LR-K-101 (See file: “LR-K-101.no.ECR.Crosswalk.xls”).

- (a) With respect to LR-K-67, please revise the volume distribution data, or in the absence of that revision, explain the reasoning for distributing ECR Basic Auto and ECR High Density Boxholder volume solely to flats and for distributing ECR Basic Boxholder volume to flats and parcels, but not letters.
- (b) Please ensure that the distribution of boxholder volume to subclass and shape in LR-K-101 without a rural crosswalk is consistent with the distribution of boxholder volume to subclass and shape in LR-K-67 without a rural crosswalk.

RESPONSE:

a. USPS-LR-K-67 assumes that the boxholder volumes for ECR Basic, ECR Basic Auto, and ECR High Density are host pieces of Detached Address Label (DAL) mailings that have non-simplified addresses. A simplified address may be used on a rural route when general distribution is desired to each boxholder. An example of a simplified address is the following:

Rural Route Boxholder
Lorton, Virginia 22079

For a further discussion of simplified addresses please refer to DMM Section 602.3.2.1.

The justification for this assumption rests with the manner in which pieces are recorded in the boxholder compensation category on Rural Carrier Cost System (RCCS) tests. There are two ways that a piece can be recorded in the boxholder compensation category during a RCCS test: 1) the piece has a simplified address; or 2) it is a host piece of a DAL mailing.

Pieces with simplified addresses must be delivered to every boxholder – that is, to every possible delivery point on rural routes (see DMM 602, Section 3.2.1). Thus,

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LR-K-67 assumes that 100 percent of ECR simplified-address boxholders are mailed at the ECR Saturation rate. This implies that all other ECR boxholders - Basic, Basic Auto, and High Density – are strictly unaddressed flat- and parcel-shape host pieces of DAL mailings.

For the ECR Basic and ECR High Density rate categories, the boxholder volume is allocated to flats and parcels by applying the same distribution amongst those two shapes that is estimated from the RCCS. For example, if RCCS estimates that flats constitute 90 percent of the ECR Basic total flat and parcel volume, then 90 percent of the boxholder volume for ECR Basic is allocated to flats and the remaining 10 percent is allocated to parcels.

For ECR Basic Auto, all of the boxholder volume is allocated to flats since RPW has zero volume for ECR Basic Auto parcels (please refer to USPS-LR-K-67 worksheet '5RPW' cell E14).

b. Confirmed that the boxholder allocations to subclass and shape are the same within the revised version of the USPS-LR-K-101 model attached to the response to POIR No. 13, Item 2, as they are within USPS-LR-K-67.

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4. Under the survey tab in the files “mppgby04prc.xls” and “mppgby06prc.xls” (part of LR-K-52), the formula for cell G11 is not consistent with the other cells in the column. The formula listed in G11 is “=D11” while the other formulas in the same column (G7-10 and G12-13) are summations of cells in columns C through F. Should the formula for cell G11 be the same as the formula for cells G7-10 and G11-12? If the formula reference of “=D11” in cell G11 is correct, please explain why the formula is not consistent with the rest of the cells in column G.

RESPONSE:

The formula in cell G11 (of the survey tab in the files “mppgby04prc.xls” and “mppgby06prc.xls”) is incorrect, but it is of no consequence since there is no LSM facility space for either the base year or test year. The results shown in tab “A” of these spreadsheets do not depend in any way on row 11 of the survey tab. The files “mppgby04prc.xls” and “mppgby06prc.xls” are provided in USPS-LR-K-98, which is the “PRC Version/ Development of Piggyback and Related Factors.”

The calculation in cell G11 is done correctly for computation of base year facility space as shown in the survey tab of spreadsheet “FCILTY04” of USPS-LR-K-54. The data contained in row 11 of the survey tab are used to adjust the 1999 survey results to eliminate LSM space, due to the removal of the last remaining LSMs prior to FY 2004. This is shown in sheets “EQUIPMENT” and “FY 2004 – Unadjusted.”