

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

PARCEL RETURN SERVICE

Docket No. MC2006-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T3-11)**

The United States Postal Service hereby provides the response of witness Koroma to the following interrogatory the Office of the Consumer Advocate, filed on December 5, 2005: OCA/USPS-T3-11.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2999, Fax -5402  
[scott.l.reiter@usps.gov](mailto:scott.l.reiter@usps.gov)  
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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T3-11.** In light of the Postal Service's supplemental responses to interrogatories OCA/USPS-T2-13 & 15, filed December 1, 2005, reflecting the costs determined by the Postal Rate Commission in its Docket No. R2005-1 Opinion and Recommended Decision, please provide appropriate adjustments to all of your exhibits and attachments and work papers associated with your testimony, to reflect the costs included in those supplemental responses of the Postal Service.

**RESPONSE:** Please see the attached workpapers.

**Recalculated Using PRC Costs Provided in Response to USPS-T2-15**

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USPS-T-3 WP-PRS-1			
<b>Major Input Assumptions for Proposed Rate Schedule Determination</b>			
	Input Assumption	Notes	Value
	Total Estimated PSRS Volume	[1]	12,800,000
	Nonmachinables Share of Total PSRS Volume	[2]	0.05563
	Estimated PSRS RDU Volume	[3]	3,200,000
	Estimated Zone Distributions for PSRS RBMC Volumes		
	Zones 1&2	[4a]	75.7%
	Zone 3	[4b]	15.0%
	Zone 4	[4c]	7.3%
	Zone 5	[4d]	2.0%
	Unit Transportation Cost Impacts (\$/Cubic Foot)		
	RDU Return Parcels (Compared to Local Intra-BMC)	[5]	-\$2.449
	RBMC Machinable Parcels (Compared to Zoned Intra-BMC)	[6]	-\$2.218
	Unit Non-Transportation Cost Impacts (\$/Piece)		
	RDU Return Parcels (Compared to Intra-BMC Local)		
	Machinable Parcels	[7]	-\$1.377
	Nonmachinable Parcels	[8]	-\$5.168
	Oversized Parcels	[9]	-\$12.343
	RBMC Machinable Parcels (Compared to Intra-BMC)		
	Machinable Parcels	[10]	-\$0.560
	Nonmachinable Parcels	[11]	-\$1.108
	Oversized Parcels	[12]	-\$1.647
	Barcoding Cost Savings (\$/Piece)	[13]	\$0.03
	Average Cubic Feet Per Piece		
	RDU and RBMC Return Parcels		
	Machinable Parcels	[14]	0.425
	Nonmachinable Parcels	[15]	2.777
	Oversized Parcels	[16]	7.938
<b>Notes</b>	1 USPS-T-1 2 Share of Nonmachinable PRS Pieces from FY2004 RPW. 3 USPS-T-1 4a-4d RBMC zone distribution based on Base Year Volumes. 5 OCA/USPS-T2-15, Attachment E, page 1, Column 1, RDU Parcels 6 OCA/USPS-T2-15, Attachment E, page 1, Column 1, RBMC Parcels 7 OCA/USPS-T2-15, Attachment A, RDU Machinable Parcels, Column 7 - Column 4. 8 OCA/USPS-T2-15, Attachment A, RDU Nonmachinable Parcels, Column 7 - Column 4. 9 OCA/USPS-T2-15, Attachment A, RDU Oversized Parcels, Column 7 - Column 4. 10 OCA/USPS-T2-15, Attachment A, RBMC Machinable Parcels, Column 7 - Column 4. 11 OCA/USPS-T2-15, Attachment A, RBMC Nonmachinable Parcels, Column 7 - Column 4. 12 OCA/USPS-T2-15, Attachment A, RBMC Oversized Parcels, Column 7 - Column 4. 13 Docket No. R2005-1, USPS-LR-K-46 14 OCA/USPS-T2-15, Attachment E, page 1, Column 2, Machinable Parcels. 15 OCA/USPS-T2-15, Attachment E, page 1, Column 2, Nonmachinable Parcels. 16 OCA/USPS-T2-15, Attachment E, page 1, Column 2, Oversized Parcels.		

Calculation of RDU Cost Savings by Weight

Calculation of Savings<sup>[1]</sup>

	Weight (Pounds)	Projected RDU-Volume- Weighted Intra-BMC Local Revenue [A]	Weight (Pounds)	Projected RDU-Volume- Weighted Intra-BMC Local Revenue [A]		Machinable Pieces [B]	Non- machinable Pieces [C]	Balloon- Rate Pieces [D]	All Regular- Size Pieces Combined [E]
1		3,504,391	36	796					
2		2,978,943	37	741					
3		1,756,365	38	640					
4		1,007,156	39	755	[a]	Average Cubic Feet Per Piece	0.425	2.777	2.777
5		574,377	40	635					
6		345,513	41	521	[b]	Transportation Savings (\$ Per Cubic Foot)	2.449	2.449	2.449
7		216,106	42	449					
8		141,593	43	432	[c]	Transportation Savings (\$ Per Wt. Avg. Piece)	1.041	6.801	6.801
9		98,898	44	323					
10		71,833	45	315	[d]	Non Transportation Savings (\$ Per Piece)	1.377	5.168	5.168
11		57,335	46	295					
12		38,490	47	309	[e]	RDU Projected Regular-Sized Volumes	3,021,939	178,010	17
13		26,728	48	246	[f]	Total RDU-Volume-Weighted Revenue Using Benchmark (Intra-BMC Local) Rates:			10,948,820
14		20,294	49	261	[g]	Weighted Average Benchmark Revenue Per Piece			3.422
15		15,560	50	249	[h]	Weighted Average Savings Per Piece			2.949
16		12,509	51	185	[i]	Proposed Price			2.11
17		10,266	52	222					
18		8,445	53	183					
19		7,382	54	117					
20		6,142	55	148					
21		5,617	56	156					
22		5,171	57	142					
23		4,940	58	127					
24		4,193	59	151					
25		3,838	60	97					
26		3,132	61	90					
27		2,702	62	95					
28		2,524	63	75					
29		2,037	64	36					
30		1,684	65	52					
31		1,423	66	56					
32		1,212	67	65					
33		1,047	68	45					
34		981	69	45					
35		835	70	16					
			Balloon	89					

Notes

[1] Calculation: Column [A], rows 1 Pound to 70 Pounds = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Rate by weight) \* (Current Volumes (WP-PRS-3), RDU pieces by weight)  
 Calculation: Column [A], Balloon row = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local 15-pound Rate) \* (Current Volumes (WP-PRS-3), RDU Balloon pieces)  
 Source: [Ba]: (WP-PRS-1, Input [14])  
 [Ca], [Da]: (WP-PRS-1, Input [15])  
 [Bb] to [Db]: (WP-PRS-1, Input [5])  
 Calculation: Row [c], Columns [B] to [D] = Row [a] \* Row [b], Columns [B] to [D]  
 [Ec] = ([Bc]\*[Be] + [Cc]\*[Ce] + [Dc]\*[De]) / [Ee]  
 Source: [Bd]: (WP-PRS-1, -Input [7])  
 [Cd], [Dd]: (WP-PRS-1, -Input [8])  
 Calculation: [Ed] = ([Bd]\*[Be] + [Cd]\*[Ce] + [Dd]\*[De]) / [Ee]  
 Calculation: [Be] = (WP-PRS-1, Input [3]) \* (1 - (Current Volumes (WP-PRS-3), Sum of RDU Balloon and Oversize volumes) / (Current Volumes (WP-PRS-3), Total RDU volume)) \* (1 - WP-PRS-1, Input [2])  
 [Ce] = [Be] / (1 - (WP-PRS-1, Input [2])) \* (WP-PRS-1, Input [2])  
 [De] = (WP-PRS-1, Input [3]) \* (Current Volumes (WP-PRS-3), RDU Balloon volume) / (Current Volumes (WP-PRS-3), Total RDU volume)  
 [Ee] = Sum of [Be], [Ce], [De]  
 Calculation: [Ef] = (Sum of Column [A], Rows 1 pound to Balloon)  
 Calculation: [Eg] = [Ef] / (Current Volumes (WP-PRS-3), Sum of RDU volumes for 1 pound to Balloon)  
 Calculation: [Eh] = [Ec] + [Ed]  
 Calculation: [Ej]: Input [17]\* Current PRS Rate for RDU (\$2.00)

Distribution of RBMC Cost Savings by Weight

		Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]							
<b>Savings<sup>[1]</sup></b>										
[a]	Non-Transportation (Per Piece)	0.5600	1.1080							
[b]	Transportation (Per Cubic Foot)	2.2180	2.2180							
[c]	Cubic Feet Per Piece	0.4250	2.7770							
<b>Calculation of Savings<sup>[2]</sup></b>										
	Weight (Pounds)	Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]	Weight (Pounds)	Nonmachinable Return BMC All Zones [B]		Pieces Weighing 1 to 35 Pounds [C]	Pieces Weighing Over 35 Pounds [D]	Balloon-Rate Pieces [E]	
	1	5,042,117	1,426,329	36	2,572	<b>RBMC</b>				
	2	3,844,503	1,087,545	37	2,381					
	3	2,060,631	582,918	38	2,041		[d] Calculated Savings	17,476,380	27,432	361
	4	1,091,431	308,747	39	2,381					
	5	581,041	164,367	40	1,988		[e] Total Pieces	9,596,075	3,775	50
	6	329,930	93,332	41	1,616					
	7	200,078	56,599	42	1,382		[f] Average Savings/Piece	1.821	7.267	7.267
	8	128,302	36,295	43	1,318					
	9	87,565	24,771	44	978					
	10	62,307	17,625	45	946					
	11	48,836	13,815	46	882					
	12	32,142	9,092	47	914					
	13	21,933	6,204	48	723					
	14	16,400	4,639	49	765					
	15	12,387	3,504	50	723					
	16	9,775	2,765	51	531					
	17	7,935	2,245	52	638					
	18	6,434	1,820	53	521					
	19	5,564	1,574	54	329					
	20	4,549	1,287	55	415					
	21	4,117	1,165	56	436					
	22	3,752	1,061	57	393					
	23	3,542	1,002	58	351					
	24	2,971	840	59	415					
	25	2,689	761	60	266					
	26	2,176	616	61	244					
	27	1,856	525	62	255					
	28	1,717	486	63	202					
	29	1,370	388	64	96					
	30	1,119	317	65	138					
	31	938	265	66	149					
	32	793	224	67	170					
	33	677	191	68	117					
	34	629	178	69	117					
	35	532	150	70	43					
				Balloon	361					
<b>Notes</b>										
<p>[1] Source: [Aa]: WP-PRS-1, -Input [10]                  [Ba]: WP-PRS-1, -Input [11]                  [Ab],[Bb]: WP-PRS-1, -Input [6]                  [Ac]: WP-PRS-1, Input [14]                  [Bc]: WP-PRS-1, Input [15]</p> <p>[2] Calculation: Column [A], pounds 1 to 35 = (([Aa] + [Ab])*[Ac]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)                  * (1 - (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds))                  Column [B], pounds 1 to 35 = (([Ba] + [Bb])*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)                  * (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds)                  Column [B], pounds 36 to 70, plus Balloon = (([Ba] + [Bb])*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 36 to 70, plus Balloon)</p> <p>Calculation: [Cd] = (Sum of Columns [A] and [B], pounds 1-35)                  [Ce] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 1-35)                  [Cf] = [Cd] / [Ce]</p> <p>Source: [Cg], [Ch]: (Assumed)</p> <p>Calculation: [Dd] = (Sum of Column [B], pounds 36-70)                  [De] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 36-70)                  [Df] = [Dd] / [De]</p> <p>Source: [Dg], [Dh]: (Assumed)</p> <p>Calculation: [Ed] = (Column [B], Balloon row)                  [Ee] = (RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, Balloon row)                  [Ef] = [Ed] / [Ee]</p>										

USPS-T-3 WP-PRS-8	
<b>Oversized Mail Savings Calculation</b>	
	<b>Unit Cost Savings<sup>[1]</sup> [A]</b>
	<b>RDU Savings</b>
[a]	Non-Transportation (Per Piece) \$ 12.343
[b]	Transportation (Per Piece) \$ 19.440
[c]	Total \$ 31.78
	<b>RBMC Savings</b>
[d]	Non-Transportation (Per Piece) \$ 1.647
[e]	Transportation (Per Piece) \$ 17.606
[f]	Total \$ 19.25
<b>Notes</b>	
<p>[1] Source: [Aa]: (WP-PRS-1, Input [9])            Calculation: [Ab] = (WP-PRS-1, Input [5] * Input [16])            Calculation: [Ac] = ([Aa] + [Ab])            Source: [Ad]: (WP-PRS-1, Input [12])            Calculation: [Ae] = (WP-PRS-1, Input [6] * Input [16])            Calculation: [Af] = ([Ad] + [Ae])</p>	

**Financial Summary**

		Volume <sup>[1]</sup> [A]	Projected Revenue <sup>[2]</sup> [B]	Cost Savings <sup>[3]</sup> [C]	Revenue Reduction <sup>[4]</sup> [D]	Savings Passthrough <sup>[5]</sup> [E]
[a]	Parcel Select RDU	3,200,000	\$6,752,195	\$9,438,373	\$4,197,467	44.5%
[b]	RBMC	9,600,000	\$28,418,984	\$17,778,091	\$8,719,734	49.0%
<b>Notes</b>						
<p>[1] Source: [Aa]: (WP-PRS-1, Input [3]) [Ab]: RBMC Forecast (WP-PRS-5), [Ae]</p> <p>[2] Calculation: [Ba] = (Projected Revenue Calculation (WP-PRS-11), [Aa]) [Bb] = (Projected Revenue Calculation (WP-PRS-11), [Bb])</p> <p>[3] Calculation: [Ca] = (RDU Savings Calculation (WP-PRS-7), [Ee]) * (RDU Savings Calculation (WP-PRS-6), [Ec] + [Ed]) + ((WP-PRS-1, Input [3]) - (RDU Savings Calculation (WP-PRS-6), [Ee])) * (Oversized Cost Savings (WP-PRS-8), [Aa] + [Ab]) Calculation: [Cb] = (RBMC Savings Calculation (WP-PRS-7), [Cd] + [Dd] + [Ed]) + (RBMC Savings Calculation (WP-PRS-7), [Ce]) * (WP-PRS-1, Input [13]) * (1 - Volume Distribution RBMC (WP-PRS-6), RBMC Nonmachinables share &lt; 35 pounds) + (Oversized Cost Savings (WP-PRS-8), [Ae] + [Af]) * (Volume Distribution RBMC (WP-PRS-6), RBMC Total column, Oversized row)</p> <p>[4] Source: [Da] to [Db]: Revenue Impacts (WP-PRS-12), [Aa] to [Ab]</p> <p>[5] Calculation: [D] = [D] / [C]</p>						

## **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.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
December 16, 2005