

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE  
WITNESS MICHAEL W. MILLER TO INTERROGATORIES OF  
TIME WARNER INC. (TW/USPS-T20-1-3)  
(June 22, 2006)

The United States Postal Service hereby provides the responses of Postal Service witness Miller (USPS-T-20) to interrogatories TW/USPS-T20-1-3, filed on June 8, 2006.

Each interrogatory 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 MILLER TO  
INTERROGATORY OF TIME WARNER INC.

**TW/USPS-T20-1.** For this and the following interrogatories, please refer to the spreadsheet 'PER OC FLATS.xls' in LR-L-43, which you sponsor.

- a. Please refer to the 'Productivities' page in the spreadsheet. Confirm that for outgoing bundle sorting you use a MODS productivity rate equal to 443 units (bundles) per hour for processing on an APPS machine and 341 units (bundles) per hour for the older SPBS/LIPS machines. Please confirm also that the APPS rate is higher than the SPBS/LIPS rate by a factor of 1.2997.
- b. Please refer to the 'Piggybacks' page in the spreadsheet. Confirm that it shows an APPS piggyback factor equal to 2.199 and an SPBS/LIPS factor equal to 1.589. Please confirm also that the ratio between the APPS and the SPBS/LIPS piggyback factors is equal to 1.3843.
- c. It seems a natural conclusion that when the ratio between the piggyback factors exceeds the ratio between the productivity rates, then it must be less costly to perform outgoing bundle sorting on the older SPBS/LIPS machines than on the newer APPS machines. Please state whether you agree with this conclusion and explain your answer. If you do not agree, please describe any advantages of the newer machines that are not revealed by simply comparing productivity rates and piggyback factors.

**RESPONSE:**

(a) I can confirm that the marginal productivities relied upon in the USPS-LR-L-43 cost models are based on the FY 2005 MODS productivities of 443 pieces per hour and 341 pieces per hour for the APPS and SPBS/LIPS operations, respectively. I can also confirm that dividing the APPS figure by the SPBS/LIPS figure equals 1.2997.

(b) Confirmed. It should be noted, however, that these piggyback factors have been revised by witness Smith based on his responses to POIR No. 4, Questions 16 and 17. Also, please see my response to TW/USPS-T20-2(b).

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORY OF TIME WARNER INC.

(c) I cannot agree nor disagree with this statement because I have never conducted such an analysis based on piggyback factors and productivity ratios. I can say, however, that I do not believe these comparisons are valid because the machines differ in some ways which affect costs that are not accounted for simply by examining these productivities and piggybacks. For example, the APPS machine comes in three bin-size configurations: 100 bins, 150 bins, and 200 bins. In contrast, all SPBS machines only contain 100 to 132 bins. It is also my understanding that the LIPS are locally developed programs that also do not have the bin capacity of the APPS. Consequently, the APPS machine can finalize mail to the 5-digit level in one pass that might take more than one pass on the SPBS or LIPS machines. The cost comparisons implied in this interrogatory are therefore, in my opinion, not valid.

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORY OF TIME WARNER INC.

**TW/USPS-T20-2.**

- a. Please confirm that an APPS machine uses remote encoding (REC) for items (e.g., parcels, bundles) whose address the machine cannot read. If not confirmed, then what happens to such items?
- b. Does your flats mail flow model for Periodicals account for the use of remote encoding by APPS machines? If No, why not? If Yes, please explain how it is accounted for, with reference to the cost and model pages for a given presort/auto category. For example, refer to spreadsheet pages '3D AUTO Cost' and '3D AUTO MODEL' to illustrate how you model APPS remote encoding.
- c. Please confirm that the piggyback factor you use for APPS (2.199) does not include REC costs. If the corresponding APPS piggyback factor with REC costs included can be determined, then please provide it.
- d. Please confirm that the corresponding model you presented in Docket No. R2005-1 used an APPS piggyback factor equal to 2.814.
- e. Please confirm that the piggyback factor you used for the APPS in Docket 2005-1 did include the cost of remote encoding. If not confirmed, then why was it so much higher than the factor you use in the current docket? If confirmed, why did you change it in your current model?

**RESPONSE:**

(a) Confirmed. Please note that barcodes and Optional Endorsement Lines (OEL) are also considered part of the address block.

(b) The REC costs associated with APPS processing should have been included in the piggyback factor. I incorrectly used the APPS piggyback factor from USPS-LR-L-52 that did not include REC costs, and will file revised cost models using the correct APPS piggyback factors. Also, please note that, as a result of his response to POIR No. 4, question 17, witness Smith has revised the APPS

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORY OF TIME WARNER INC.

piggyback factors. Thus, my revised cost models will use witness Smith's revised APPS piggyback factor that includes REC costs, which is 2.421.

(c) Confirmed. Please see my response to part (b) of this interrogatory above. The APPS piggyback factor with REC costs included can be found in USPS-LR-L-52.

(d) Confirmed.

(e) Confirmed. Please see my response to part (b) of this interrogatory above.

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORY OF TIME WARNER INC.

**TW/USPS-T20-3**

- a. Please refer to spreadsheet 'ACCEPT RATES' and confirm that your flat mail flow model assumes the same acceptance rates (98.7% outgoing and 98.22% incoming) for APPS, SPBS and LIPS machines.
- b. Please confirm that the productivity rates you obtain from LR-L-56 are measures of pieces fed (TPF) per workhour.
- c. Please refer to spreadsheet 'YRscrub2005.xls' in LR-L-56 and confirm that the ratio of total pieces handled (TPH) to total pieces fed (TPF) is much smaller for APPS (82.7% outgoing and 81.2% incoming) than for SPBS/LIPS machines, whose accept rates vary between 98.5% and 100%.
- d. Given the relatively low acceptance rates on APPS machines, according to LR-L-56, please provide all available information on what happens to the approximately 18% of items that the APPS machines at least initially reject. In particular, what percentage of these items are:
  - (1) resolved through remote encoding;
  - (2) fed back at least once onto the APPS belt;
  - (3) keyed by employees working at the APPS;
  - (4) redirected to a manual sorting operation; or
  - (5) any other (please explain)?

**RESPONSE:**

(a) Confirmed.

(b) Confirmed.

(c) I can confirm that the ratios of TPH to TPF are as described in the interrogatory. The data contained in USPS-LR-L-56 are derived from MODS. The MODS system is not typically relied on to determine acceptance rates. I have therefore not relied on MODS data for acceptance rates in this case or the past few cases.

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORY OF TIME WARNER INC.

(d) The APPS program is relatively new. To the best of my knowledge, these data are not currently available.