

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KELLEY  
(USPS-T-30) TO INTERROGATORIES OF MMA (MMA/USPS-T30-1 - 16)  
(June 26, 2006)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of the Major Mailers Association., filed on June 12, 2006: MMA/USPS-T30-1 – 16.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 26, 2006

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**MMA/USPS-T30-1**

Please refer to footnote 1 on page 3 of your direct testimony, and Table 1 on page 4, where you show a combined unit delivery cost for First-Class "Automation Letters."

- A. Who decided to combine all of the First-Class Automation presort categories into one average unit delivery cost rather than to derive individual unit delivery costs for each presort level?
- B. Please provide the exact reason(s) as to why this decision was made.

Response

A and B. Discussions with rate design personnel made clear to me that aggregated First Class Presort letter unit delivery costs, as presented in USPS-LR-L-67, were sufficient for their purposes. As a result, I decided to combine all of the First Class Automation presort categories into one average unit cost.

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**MMA/USPS-T30-2**

On page 5 of your testimony you provide an equation that you employ for deriving unit delivery costs.

- A. Please confirm that the unit delivery costs you derive are not the volume variable cost to deliver a piece of mail, but are the average volume variable delivery cost per originating piece. If you cannot confirm, please explain.
- B. Assuming that you confirm part A, is it possible to derive the unit delivery cost for mail that is actually delivered by rural or city carriers? If not, why not? If so, please provide the volume variable unit cost to deliver a First-Class (1) single piece letter, (2) metered letter, (3) Nonautomation letter, and (4) Automation letter.
- C. If you can provide unit delivery costs as requested in part B, please provide the volume variable unit delivery cost for Automation letters presorted to (1) Mixed AADC, (2) AADC, (3) 3-digits and (4) 5-digits. If you cannot do so, please explain.

Response

A. The unit delivery costs in Table 1 are derived by taking the ratio of total test year volume variable costs from cost segments 6, 7, and 10 to the test year originating volume.

B. and C. The requested unit delivery costs per delivered letter by city or rural carriers are provided in the table.

First Class Letters	TY Costs (000)	TY Unit Delivery Costs per (CCCS+RCCS) Piece
Single Piece	\$1,570,460	\$0.1264
Metered	\$847,991	\$0.1523
Non-automation	\$111,413	\$0.0725
Automation	\$1,865,740	\$0.0455
Mixed AADC	\$117,988	\$0.0464
AADC	\$99,269	\$0.0449
3 Digits	\$895,751	\$0.0443
5 Digits	\$715,037	\$0.0464

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**MMA/USPS-T30-3**

On page 5 of your testimony you discuss your assumption that 10% of DPS letters will not be DPSed and will require some direct labor casing costs.

- A. Are these pieces DPSed and then processed manually, or simply processed manually without being DPSed. Please explain.
- B. Please explain the basis for your assumption and why you feel the figure of 10% is reasonable. Please provide all documents that you reviewed in connection with use of your 10% assumption.
- C. How does the full implementation of PARS affect this assumption?

Response

A. The assumption is that these letters pass through DPS processing and then are cased by the letter carrier.

B. The basis for my assumption is contained on page 5 of my direct testimony and in my response to POIR No. 3, question 2.

C. Intuitively, the full implementation of PARS might reduce the percentage of DPS'd letters that require additional in-office handling by the carriers. My understanding, however, is that the full implementation of PARS would not affect other issues that might require a carrier to case DPS mail, such as vacation holds.

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**MMA/USPS-T30-4**

In R2005-1, USPS witness Abdirahman stated the following in response to Interrogatory MMA/USPS-T21-46 (B):

The delivery unit costs are included in the worksharing related savings calculations to reflect the fact that, to varying degrees, different mail categories capture different levels of Delivery Point Sequencing (DPS).

Please state whether or not you agree or disagree with USPS witness Abdirahman's statement. If you disagree with this statement, please explain why you disagree and provide all documents that you reviewed in formulating your position.

Response

I don't know. I am not familiar with the manner in which worksharing related savings are calculated.

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**MMA/USPS-T30-5**

On page 6 of your testimony you indicate that you derived DPS %s for First-Class Presorted letters from city and rural delivery volumes.

- A. Was the information you use to derive DPS %s for First-Class Automation and Nonautomation letters available to you in R2005-1? If so, why did you not incorporate that data in your delivery cost analysis in that case and provide such figures to USPS witness Abdirahman as a basis for reconciling his theoretically derived DPS %s? If this information was not available to you in R2005-1, how did it become available for this case?
- B. Please explain specifically how you used total city and rural delivery volumes to derive First-Class Automation and Non-Automation letter DPS %s.

Response

- A. Yes, DPS percentages derived from the carrier systems could have been calculated in R2005-1 at the aggregate automation and non-automation levels. However, the estimated percentages were not, and still are not, available at the rate category level within automation and non-automation for Docket R2005-1. For example, neither carrier cost system produced estimates for DPS percentages for First Class Presort Automation 3 digit letters at the base year level for Docket R2005-1 or for the instant docket. The decision to use the estimated DPS percentages from the carrier systems at the automation and non-automation level was made only after it was determined that the test year delivery costs were going to be aggregated to that level.
- B. Within First Class Presort, each carrier system records the total volume and DPS volume for non-automation and automation letters. The DPS percentages were derived by taking total DPS delivered volume to total delivered (RCCS + CCCS) volume for non-automation and automation letters separately. The exact

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calculations are shown in USPS-LR-L-67 workbook UDCInputs.USPS.xls  
worksheet DPS% rows 11 and 12.

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**MMA/USPS-T30-6**

Please provide the unit and total cost segment delivery costs for First-Class single piece (1) stamped letters, (2) metered mail letters, and (3) "other" letters in the same manner that you did in response to R2005-1 Interrogatory MMA/USPS-T16-6.

Response

Please refer to the attached Excel workbook.

USPS and PRC VERSION  
BY05 City Carrier In-Office Costs (\$000)

Class Code	Class	Shape Code	Shape	Stamped	Metered	Other	Total
	1 1st L&P	1	1Ltr	430,235,575	289,589,928	29,190,530	749,016,033

Adjust to CRA C/S 6.1 1st Single Piece - BY05

	Stamped	Metered	Other	Total
1Ltr	430,236	289,590	29,191	749,016

USPS VERSION

**BY05 Costs**

	6.1 unit cost	6.1 Costs (000)	6.2 Costs (000)	7.1 Costs (000)	7.2 Costs (000)	10 Costs (000)	Total piggybacked costs (000)	Permit Volume* (000)	City Carrier Unit Cost	Rural Carrier Unit Cost	Total Unit Cost
Single-Piece Letters Stamped	0.0183	430,236	137,286	543,957	71,569	136,023	1,640,421	23,460,284	0.0631	0.0068	0.0699
Single-Piece Letters Metered	0.0280	289,590	92,407	239,858	31,559	59,979	888,166	10,344,828	0.0790	0.0068	0.0859
Single-Piece Letters Other	0.0053	29,191	9,315	127,801	16,815	31,958	266,772	5,511,919	0.0416	0.0068	0.0484
First-Class Single-Piece Letters BY	0.0191	749,016	239,007	911,616	119,943	227,960	2,795,360	39,317,031	0.0643	0.0068	0.0711

**TY08 Costs**

	6.1 unit cost	6.1 Costs (000s)	6.2 Costs (000s)	7.1 Costs (000s)	7.2 Costs (000s)	10 Costs (000s)	Total piggybacked costs (000)	Permit Volume (000)	City Carrier Unit Cost	Rural Carrier Unit Cost	Total Unit Cost
Single-Piece Letters Stamped	0.0193	398,267	131,413	520,690	68,508	130,985	1,570,460	20,642,271	0.0685	0.0075	0.0761
Single-Piece Letters Metered	0.0295	268,072	88,454	229,599	30,209	57,758	847,991	9,102,224	0.0856	0.0075	0.0932
Single-Piece Letters Other	0.0056	27,022	8,916	122,334	16,096	30,774	257,048	4,849,836	0.0455	0.0075	0.0530
First-Class Single-Piece Letters TY	0.0200	693,361	228,784	872,623	114,813	219,517	2,675,500	34,594,330	0.0698	0.0075	0.0773

\*Categories from tab 'SP Table' in USPS-LR-L-87 "Standard First Wgt Ind Tables.xls" are broken down this way:

Stamped:

- Stamp
- Stamped Envelope (postage embossed envelope)
- Stamped Card (postage embossed card)
- Precanceled Stamp
- Semi-postal Stamp

Metered:

- Meter (excluding IBI)
- Meter - PVI

Other:

- Permit imprint
- Franked Mail
- Armed Forces Free Mail
- Absentee Ballots
- Unauthorized Use of Penalty Indicia

PRC VERSION

**BY05 Costs**

	6.1 unit cost	6.1 Costs (000)	6.2 Costs (000)	7.1 Costs (000)	7.2 Costs (000)	10 Costs (000)	Total piggybacked costs (000)	Permit Volume* (000)	City Carrier Unit Cost	Rural Carrier Unit Cost	Total Unit Cost
Single-Piece Letters Stamped	0.0183	430,236	137,286	543,957	71,569	136,023	1,651,121	23,460,284	0.0635	0.0069	0.0704
Single-Piece Letters Metered	0.0280	289,590	92,407	239,858	31,559	59,979	893,962	10,344,828	0.0795	0.0069	0.0864
Single-Piece Letters Other	0.0053	29,191	9,315	127,801	16,815	31,958	268,511	5,511,919	0.0418	0.0069	0.0487
First-Class Single-Piece Letters BY	0.0191	749,016	239,007	911,616	119,943	227,960	2,813,593	39,317,031	0.0647	0.0069	0.0716

**TY08 Costs**

	6.1 unit cost	6.1 Costs (000s)	6.2 Costs (000s)	7.1 Costs (000s)	7.2 Costs (000s)	10 Costs (000s)	Total piggybacked costs (000)	Permit Volume (000)	City Carrier Unit Cost	Rural Carrier Unit Cost	Total Unit Cost
Single-Piece Letters Stamped	0.0193	398,267	131,413	520,690	68,508	130,985	1,581,378	20,642,271	0.0690	0.0076	0.0766
Single-Piece Letters Metered	0.0295	268,072	88,454	229,599	30,209	57,758	853,890	9,102,224	0.0862	0.0076	0.0938
Single-Piece Letters Other	0.0056	27,022	8,916	122,334	16,096	30,774	258,833	4,849,836	0.0458	0.0076	0.0534
First-Class Single-Piece Letters TY	0.0200	693,361	228,784	872,623	114,813	219,517	2,694,101	34,594,330	0.0703	0.0076	0.0779

\*Categories from tab 'SP Table' in USPS-LR-L-87 "Standard First Wgt Ind Tables.xls" are broken down this way:

Stamped:

- Stamp
- Stamped Envelope (postage embossed envelope)
- Stamped Card (postage embossed card)
- Precanceled Stamp
- Semi-postal Stamp

Metered:

- Meter (excluding IBI)
- Meter - PVI

Other:

- Permit imprint
- Franked Mail
- Armed Forces Free Mail
- Absentee Ballots
- Unauthorized Use of Penalty Indicia

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**MMA/USPS-T30-7**

Please refer to Library Reference LR-USPS-L-67, Book UDCInputs.USPS.xls, sheet DPS%, where you derive DPS %s for First-Class presorted letters.

- A. Please confirm that you show that, of the 48.148 billion total presorted letters, 43.134 billion pieces were delivered by city and rural carriers? If you cannot confirm, please provide the correct information, reference your sources and explain.
- B. If you confirm part (A), were the remaining 5.014 billion pieces delivered to post office boxes? If not, please explain.
- C. Please confirm that you show that of 46.408 billion total Automation letters, 34.559 billion were delivered by city and rural carriers? If you cannot confirm, please provide the correct information, reference your sources and explain.
- D. If you can confirm part (C), were the remaining 11.849 billion pieces delivered to post office boxes? If not, please explain.
- E. Please confirm that you show that, of the total 1.739 billion Nonautomation letters, 8.575 billion were delivered by city and rural carriers? If you cannot confirm, please provide the correct information, reference your sources and explain.
- F. Please explain the apparent anomaly suggested in part (E) whereby the total number of pieces delivered by city and rural carriers exceeds the total number of pieces.

Response

- A. Confirmed
- B. I don't know. Presumably those pieces are divided between the following modes of delivery: post office boxes; highway contract routes; and general delivery.
- C. Confirmed
- D. I don't know. Presumably those pieces are divided between the following modes of delivery: post office boxes; highway contract routes; and general delivery.
- E. Confirmed.

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F. Witness Abdirahman addressed the difficulties for data collectors to distinguish between automation and non-automation mail pieces in response to POIR No. 1 question 1(a) in docket R2005-1. I have no additional insight to offer on the issue.

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**MMA/USPS-T30-8**

Please refer to Library Reference LR-USPS-L-67, Book UDCInputs.USPS.xls, sheet DPS%, where you derive DPS %'s for First-Class presorted letters. Please provide the exact source and derivation for each of the following:

- A. 24.062 billion First-Class Automation letters delivered by city carriers;
- B. 5.903 billion First-Class Nonautomation letters delivered by city carriers;
- C. 10.498 billion First-Class Automation letters delivered by rural carriers;
- D. 2.672 billion First-Class Nonautomation letters delivered by rural carriers;
- E. 21.054 billion First-Class Automation letters DPSed and delivered by city carriers;
- F. 4.666 billion First-Class Nonautomation letters DPSed and delivered by city carriers;
- G. 8.403 billion First-Class Automation letters DPSed and delivered by rural carriers; and
- H. 1.955 billion First-Class Nonautomation letters DPSed and delivered by rural carriers.

**Response**

A.-H. For the estimates pertaining to city carriers, the source is the City Carrier Cost System (CCCS). For the estimates pertaining to rural carriers the source is the Rural Carrier Cost System (RCCS). The table below shows the derivations of the estimates requested in the question.

<b>RCCS</b>		<b>Rural</b>	<b>Other Letter</b>	<b>Sector Segment Letter</b>	<b>DPS Letter</b>	<b>Total</b>
<b>Volume</b>	<b>Description</b>	<b>Nonauto</b>				
1,955,295	FIRST CLASS LFP NONAUTO PRESORTED DPS LETTER	<b>Auto</b>	666,102	50,404	1,955,295	2,671,800
50,404	FIRST CLASS LFP NONAUTO PRESORTED SECTOR SEG LETTER					
666,102	FIRST CLASS LFP NONAUTO PRESORTED OTHER LETTER					
8,221,936	FIRST CLASS LFP AUTOMATION NONCARRIER DPS LETTER			148,387	8,403,477	10,497,857
136,629	FIRST CLASS LFP AUTOMATION NONCARRIER SECTOR SEG LETTER					
1,845,333	FIRST CLASS LFP AUTOMATION NONCARRIER OTHER LETTER					
181,541	FIRST CLASS LFP AUTOMATION CARRIER DPS LETTER					
11,758	FIRST CLASS LFP AUTOMATION CARRIER SECTOR SEG LETTER					
100,661	FIRST CLASS LFP AUTOMATION CARRIER OTHER LETTER					
<b>CCCS</b>						
<b>Volume</b>	<b>Description</b>	<b>City</b>	<b>Other Letter</b>	<b>DPS Letter</b>	<b>Total</b>	
4,666,336	FIRST CLASS LETTER/PARCEL NONAUTO PRESORTED DPS LETR	<b>Nonauto</b>	1,236,770	4,666,336	5,903,107	
1,236,770	FIRST CLASS LETTER/PARCEL NONAUTO PRESORTED OTHER LTR	<b>Auto</b>	3,007,586	21,053,991	24,061,577	
20,836,628	FIRST CLASS LETTER/PARCEL AUTO NONCARRIER DPS LETTER					
2,968,325	FIRST CLASS LETTER/PARCEL AUTO NONCARRIER LETTER					
217,363	FIRST CLASS LETTER/PARCEL AUTO CARRIER DPS LETTER					
39,261	FIRST CLASS LETTER/PARCEL AUTO CARRIER LETTER					

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**MMA/USPS-T30-9**

Please refer to Library Reference LR-USPS-L-67, Book UDCInputs.USPS.xls, sheet DPS%, where you derive DPS %'s for First-Class presorted letters. Should the volumes shown in columns (2), (5) and (6) be in thousands as they are in columns (1) and (3)? If not, please explain.

Response

I don't understand the premise of your question. The volumes in columns (1) through (6) are in thousands of pieces.

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**MMA/USPS-T30-10**

Please refer to LR-USPS-L-67, book UDCInputs.USPS.xls, sheet DPS%, where you derive DPS %s for First-Class presorted letters.

- A. Please provide comparable volumes for all First-Class single piece letters and for First-Class single piece letters broken down by (1) stamped, (2) metered, and (3) "other."
- B. Please provide the derived DPS %s for all First-Class single piece letters and for First-Class single piece letters broken down by (1) stamped, (2) metered, and (3) "other."

Response

A. The requested volumes are not available. Neither carrier system breaks down data on First Class Single Piece letters into (1) stamped, (2) metered, or (3) other.. The table below has the estimated First Class Single Piece letter volumes from each carrier system.

First Class Single Piece BY05	Letter (shaped) Volume (000)
CCCS	17,071,899
RCCS	6,978,087
CCCS + RCCS	24,049,986

B. The table below has the base year estimated DPS percentages for First Class Single Piece letters by carrier system.

First Class Single Piece BY05	DPS %
CCCS	72.1%
RCCS	70.0%
CCCS + RCCS	71.5%

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**MMA/USPS-T30-11**

Please refer to Library Reference LR-USPS-L-67, book UDCModel.USPS.xls, sheet 9.DeliveryVols, where you provide First-Class presorted volumes of letters delivered by city and rural carriers and sheet 11.SummaryBY where you provide the RPW First-Class presorted letter volumes. Please confirm the volumes as shown in the following table for the rate categories within First-Class presorted letters. If you cannot confirm, please provide corrected figures.

First-Class Presorted Category	Permit Volume (000)	CC Volumes (Based on Permit Volume) (000)	Rural Route Volume (Based on Permit Volume) (000)	Implicit P.O. Box Volume (Based on Permit Volume) (000)
Auto Mixed AADC	2,875,272	1,789,429	786,747	299,095
Auto AADC	2,500,365	1,556,106	684,163	260,096
Auto 3-Digit	22,908,988	14,257,440	6,268,482	2,383,065
Auto 5-Digit	17,449,671	10,859,827	4,774,674	1,815,170
Auto Carrier Route	673,921	419,416	184,402	70,103
Total Automation	46,408,216	28,882,218	12,698,469	4,827,530
Nonauto	1,739,317	1,082,466	475,921	180,929
Total Presorted	48,147,533	29,964,684	13,174,390	5,008,459

Response

Confirmed. However, the heading on the last column should reflect that volume not delivered by city and rural carriers is divided between post office boxes, highway contract routes, and general delivery.

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**MMA/USPS-T30-12**

Please refer to Library Reference USPS-LR-L-67, book UDCModel.USPS.xls, sheet 20.In-Office TY. Are the costs shown in column (1) for BY 2006 as indicated or for TY 2008? If the costs shown in column (1) are for BY 2006, then why are they set equal to the TY 2008 costs shown in column (1) of Library Reference USPS-LR-L-67, book UDCInputs.USPS.xls, sheet TYCosts?

Response

The costs shown are for the test year 2008. The column has an incorrect heading. The corrected heading is 'TY08 In-Office Direct Labor'.

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**MMA/USPS-T30-13**

Please refer to Library Reference USPS-LR-L-67, book UDCModel.USPS.xls, sheets 2.Summary TY and 11.Summary BY and your response to R2005-1 Interrogatory MMA/USPS-T16-13. Please provide a similar table of delivery costs with collection costs removed for BY 2005 and TY2008 in this case, in the same manner as you answered R2005-1 Interrogatory MMA/USPS-T16-13.

Response

Collection costs are included in the Single Piece letter Test Year 2008 unit delivery cost of **7.734** cents. The Single Piece letter Test Year unit delivery cost without collection costs is **5.152** cents. The difference between the two unit costs is **2.582** cents. Multiplication of this cost differential by the Test Year Single Piece letter volume of 34.594 billion pieces produces at Test Year total collection cost of **\$893.1** million, which consists of **\$827.7** million in city carrier cost, and **\$65.4** million in rural carrier cost. To reproduce these calculations, perform the following steps within library reference USPS-LR-L-67, "UDCInputs.USPS.xls" and "UDCModel.USPS.xls", and within library reference USPS-LR-L-5, B\_Workpapers, "CS06&7.xls". Steps 1-5, as described below, remove the Single Piece letter cost of collections due to city carriers, and step 6, as described below, takes out the costs from rural carriers.

1. In workbook "UDCInputs.USPS.xls" worksheet '7.0.6' change the values in cells C11, H11, K11, and T11 to zero
2. In workbook "CS06&7.XLS" , find the values reported in cells G11 of worksheets '7.0.6.5', '7.0.6.6', '7.0.6.7', '7.0.6.8', and '7.0.6.9'
  - (a) Reduce the value in cell U11 of workbook "UDCInputs.USPS.xls" worksheet '7.0.6' by the amount in cell G11 of worksheet '7.0.6.5'.

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- (b) Reduce the value in cell V11 of “UDCInputs.USPS.xls” worksheet ‘7.0.6’ by the amount in cell G11 of worksheet ‘7.0.6.6’.
  - (c) Reduce the value in cell W11 of “UDCInputs.USPS.xls” worksheet ‘7.0.6’ by the amount in cell G11 of worksheet ‘7.0.6.7’.
  - (d) Reduce the value in cell X11 of “UDCInputs.USPS.xls” worksheet ‘7.0.6’ by the amount in cell G11 of worksheet ‘7.0.6.8’.
  - (e) Reduce the value in cell Y11 of “UDCInputs.USPS.xls” worksheet ‘7.0.6’ by the amount in cell G11 of worksheet ‘7.0.6.9’.
3. In “UDCInputs.USPS.xls”, ‘7.0.6’, sum the values in cells S11 through Z11 (where T11 – Z11 have been reduced per instructions 1 and 2 above), and divide this sum by the sum of the values in cells S23 through Z23.
- (a) Multiply the resulting ratio by the value in cell AC23 to calculate the new lower value for cell AC11.
  - (b) Multiply this same ratio by the value in cell AE23 to calculate the new lower value for cell AE11.
4. In “UDCInputs.USPS.xls”, ‘7.0.6’, sum the values in cells C11 through L11 (where C11, H11, and K11 have been reduced per instruction 1), and divide this sum by the sum of the values in cells C23 through L23.
- (a) Multiply the resulting ratio by the value in cell O23 to calculate the new lower value for cell O11.
  - (b) Multiply this same ratio by the value in cell Q23 to calculate the new lower value for cell Q11.

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5. In “UDCInputs.USPS.xls”, worksheet ‘CS7Shape’, change the value in cell K10 to zero.
  6. In “UDCModel.USPS.xls”, worksheet ‘8.RuralCrosswalk’, change the values in cells R10 – T10 to zero.
  7. Steps 1-6 remove the collection costs from the base year costs. In order to remove the collection costs from the test year costs, an additional calculation must be implemented in column H-K cells of line no. 6 of worksheet ‘2.summary TY’ in “UDCModel.USPS.xls”. In each cell, the results of the existing formula must be multiplied by the ratio of base year costs without collections for that cell (from the version of worksheet 1 generated by steps 1-6 above) to base year costs with collections for that cell (from the version of worksheet 11 that existed before steps 1-6 were applied).
- After steps 1 through 7 are completed, the Test Year 2008 Single Piece letter unit delivery cost without collection costs will equal **5.152** cents.

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**MMA/USPS-T30-14**

On page 7 of your direct testimony, you indicate that the DPS %s that you derived were “very similar” to those derived by USPS witness Abdiraham in his mail flow models. Please provide the analyses comparing your DPS %s to those derived by USPS witness Abdiraham that you believe supports your position that the DPS %s derived from both methodologies are “very similar.”

Response

I compared the DPS percentages for First Class Presort automation letters, First Class Presort automation cards and, Standard Regular machinable letters from the model used in Docket R2005-1 and the carrier systems for the base year and judged them to be similar. The table below provides the DPS percentages for the categories I compared from the two different sources.

<b>Rate Category</b>	<b>DPS% R2005-1</b>	<b>DPS% R2006-1</b>
First Class Presort automation letters	83.4%	85.2%
First Class Presort automation cards	82.6%	81.9%
Standard Regular machinable letters	84.0%	81.9%

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

**MMA/USPS-T30-15**

Please refer to Library Reference USPS-LR-L-67, book UDCModel.USPS.xls, sheet 2.Summary TY. When applying the piggyback factors for First-Class presorted letters in columns 12 and 13, why did you use the First-Class single piece piggyback factor rather than the presorted piggyback factor from UDCInputs.xls, sheet TYPBack?

Response

Cells N17 through O19 in worksheet '2SummaryTY' incorrectly reference the test year piggyback factors for First Class Single Piece rather than First Class Presort. Applying the correct factors, however, has virtually no impact on the city and rural unit costs since the difference between the First Class Single Piece and First Class Presort piggyback factors is 0.002 and (.0002) for city and rural respectively.

Since the unit delivery costs provided in Table 1 do not use the unit costs calculated in columns 12 and 13, they are correctly derived. They are calculated by taking the test year piggyback costs in column L divided by the test year originating volume in column M. The test year costs in column L apply the correct piggyback factors to the First Class Presort letter costs.

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

**MMA/USPS-T30-16**

Please refer to page 7 of your direct testimony where you state that the DPS %s are an important distribution key for First-Class presorted letters since Nonautomation letters require more manual processing to prepare the mail for delivery. Is it true that MAADC letters required more manual processing than 5-digit letters to prepare the mail for delivery? Please explain your answer.

Response

I don't know. I based my reasoning on the higher estimated DPS percentage, derived from the carrier systems, for First Class Presort automation compared to First Class Presort non-automation.

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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