

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 ABA-NAPM. (ABA-NAPM/USPS-T22-2.b),
REDIRECTED FROM WITNESS ABDIRAHMAN
(June 28, 2006)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of ABA-NAPM, filed on June 14, 2006: ABA-NAPM/USPS-T22-2.b, redirected from witness Abdirahman.

Each 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

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June 28, 2006

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30) TO
INTERROGATORIES OF ABA/NAPM,
REDIRECTED FROM WITNESS ABDIRAHMAN**

ABA-NAPM/USPS-T22-2:

- a. Please confirm that the USPS, in determining cost avoidances and setting rates and discounts for workshared FCLM in this case, did not take into consideration any in-office delivery costs avoided by FCLM. If you fail to confirm without qualification, please explain fully and provide supporting analyses and data sufficient to replicate your results.
- b. Please provide the in-office delivery costs avoided by workshared FCLM, by automation rate category, in the same format as past cases, using both the USPS and PRC methodologies.
- c. Please revise the table set forth in ABA-NAPM/USPS-T22-1 to show the incremental passthroughs that result if the savings in in-office delivery costs are added to the mail processing cost savings already included in the table.

Response

- a.,c. Answered by witness Taufique.
- b. The first two columns in the table below provide the requested in-office costs in the same format shown in USPS-LR-K-67. They only include 6.1 costs, so they are not all of the in-office costs. The third and fourth columns show all delivery costs (cost segments 6, 7, and 10).

Since neither carrier system records data at the rate category level within automation letters, I do not endorse the unit casing or delivery costs by rate category provided in the table below. An important driver is the proportion of originating volume delivered by city and rural carriers, which is not reflected in the table below. Rather the results in the table below are driven by DPS percentages derived from a theoretical model which we no longer believe to be valid.

In terms of delivery costs, the USPS and PRC versions differ only by the by the different piggyback factors and test year costs utilized by each version.

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Rate Category	TY Unit 6.1 Costs (USPS)	TY Unit 6.1 Costs (PRC)	TY Unit Delivery Costs (USPS)	TY Unit Delivery Costs (PRC)
Automation Mixed AADC	\$0.0097	\$0.0096	\$0.0416	\$0.0418
Automation AADC	\$0.0090	\$0.0090	\$0.0403	\$0.0405
Auto 3 Digit Letters	\$0.0087	\$0.0087	\$0.0396	\$0.0399
Auto 5-Digit Letters CSBCS/Manual Sites	\$0.0177	\$0.0176	\$0.0582	\$0.0585
Auto 5-Digit Letters Other Sites	\$0.0075	\$0.0075	\$0.0371	\$0.0373
Auto 5-Digit Letters	\$0.0096	\$0.0096	\$0.0416	\$0.0418
Auto CR Letters	\$0.0170	\$0.0169	\$0.0567	\$0.0570
Automation (Avg)	\$0.0093	\$0.0092	\$0.0408	\$0.0410

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.

Eric P. Koetting

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