

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 TO INTERROGATORIES OF  
MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS ABDIRAHMAN  
(MMA/USPS-T22-28-30)

The United States Postal Service hereby files its responses to the above-listed interrogatories, filed on June 22, 2006 due on July 6, 2006 and redirected from witness Abdirahman.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

---

Nan K. McKenzie  
Attorney

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-3089; Fax -5402  
July 7, 2006

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

**MMA/USPS-T22-28**

Please refer to Library Reference USPS-LR-L-110, pages 3 and 45, where you divide the CRA unit cost pools for presorted letters between “proportional” and “fixed” for First-Class and Standard presorted letters.

- A. Please confirm that you show the “proportional” unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) are 3.234 cents and 2.728 cents, respectively, for TY 2008 in this case. If you cannot confirm, please provide the correct “proportional” unit costs and explain how you derived them.
- B. Please confirm that, in R2005-1, your data showed that the “proportional” unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) for TY 2006 were 2.739 and 2.702 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit costs and explain how you derived them.

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 "Proportional " TY Unit Cost (\$)	Associated Volume (000)	Total "Proportional " Cost (\$ 000) (1) x (3)	Combined "Proportional " Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.13414	1,949,367	261,485	
Automation	0.02272	44,559,875	1,012,612	
Presorted		46,509,242	1,274,097	0.02739
Standard:				
Nonautomation	0.10778	3,494,388	376,616	
Automation	0.02073	44,824,099	929,150	
Presorted		48,318,487	1,305,766	0.02702

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

C. Please confirm that, if you had defined worksharing related proportional cost pools in R2005-1 in the exact same manner as you define "proportional" cost pools in R2006-1, then the "proportional" unit costs to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) for TY 2006 would have been 2.904 cents and 2.965 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit costs and explain how they are derived. (Note that in order to coincide with your cost categories for this case there were several necessary changes. For First-Class Automation letters, the costs for the following pools have been switched from "workshare-related fixed" to "proportional:" 1OPBULK, 1OPPREF, and 1POUCHING. For First-Class Nonautomation letters, the costs for 1PRESORT have been switched from "workshare-related proportional" to "fixed." For Standard Automation letters, the following cost pools have been switched from "workshare-related fixed" to "proportional:" SPBS OTH, 1OPBULK, 1OPPREF, 1POUCHING and SPB. In addition, for both Standard Automation and Nonautomation letters, the cost pool SPBSPRIO has been switched from "nonworkshare-related fixed" to "proportional").

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 "Proportional " TY Unit Cost (\$)	Associated Volume (000)	Total "Proportional " Cost (\$ 000) (1) x (3)	Combined "Proportional " Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.13377	1,949,367	260,769	
Automation (No Car Rt)	0.02465	43,841,671	1,080,832	
Carrier Route	0.01283	718,203	9,213	
Presorted		6,509,242	1,350,814	0.02904
Standard:				
Nonautomation	0.10793	3,517,027	379,609	
Automation	0.02347	44,600,687	1,046,946	
Presorted		48,117,714	1,426,556	0.02965

Source: USPS-LR-K-99

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

- D. Please confirm that the “proportional” unit processing cost of an average First-Class presorted letter is expected to increase by 11.3% (3.2337/2.904-1.00) between TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please provide the correct percentage increase and show how you derived it.
- E. Please confirm that the “proportional” unit processing cost of an average Standard presorted letter is expected to decrease by 8.0% (2.728/2.965-1.00) between the TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please provide the correct percentage increase and show how you derived it.

**Response:**

- A. Confirmed.
- B. Not confirmed. In Docket No. R2005-1, the automation and nonautomation costs were not combined for either First-Class Mail or Standard mail. Therefore, USPS-LR-K-110 did not include a proportional unit cost for either First-Class Mail presort or Standard presort. However, the calculations in the table are performed correctly.
- C. Not confirmed. In Docket No. R2005-1, the automation and nonautomation costs were not combined for either First-Class Mail or Standard mail. Therefore, USPS-LR-K-110 did not include a proportional unit cost for either First-Class Mail presort or Standard presort. Moreover, neither USPS-LR-K-110 nor USPS-LR-K-99 provide a proportional unit cost for carrier route mail. However, the calculations in the table are performed correctly.
- D. Not confirmed. See response to part C. However, the calculations in the table are performed correctly

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

E. Not confirmed. See response to part C. However, the calculations in the  
table are performed correctly

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

**MMA/USPS-T22-29**

Please refer to Library Reference USPS-LR-L-110, page 3 where you compute the CRA unit costs to process First Class Presorted letters, page 45, where you compute the CRA unit costs to process Standard Presorted letters, and Library Reference USPS-LR-L-99, the source for your cost pool data.

- A. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters, the TY 2008 total unit cost and proportional unit cost for First-Class single piece letters are 14.0511 cents and 8.9577 cents, respectively. If you cannot confirm, please provide the correct total unit cost and proportional unit cost for First-Class single piece letters and explain how you derive them.
- B. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters in R2006-1, the total unit cost and proportional unit cost for First-Class single piece letters in TY 2006 in R2005-1 would be 13.4802 cents and 8.6275 cents, respectively. If you cannot confirm, please provide the correct total and proportional unit costs for First-Class single piece letters and explain how they are derived.
- C. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters, TY 2008 total unit cost and proportional unit cost for First-Class Metered Mail letters are 13.1287 cents and 8.5733 cents, respectively. If you cannot confirm, please provide the correct total unit cost and proportional unit cost for First-Class single piece letters.
- D. Please confirm that, if you define cost pools in the exact same manner as you do for First-Class Presorted letters in R2006-1, the total unit cost and proportional unit cost for First-Class Metered Mail letters in R2005-1 TY 2006 would be 12.7727 cents and 8.2858 cents, respectively. If you cannot confirm, please provide the correct total and proportional unit cost for First-Class Metered Mail letters.
- E. Please confirm the unit costs and expected increases as shown in the table below. If you cannot confirm, please make any necessary corrections and explain why you made each correction.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

Letter Rate Category	Total Unit Cost			"Proportional" Unit Cost		
	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	13.4802	14.0511	4.2%	8.6275	8.9577	3.8%
Metered Mail	12.7727	13.1287	2.8%	8.2858	8.5733	3.5%
Presorted	4.5797	4.9998	9.2%	2.9044	3.2337	11.3%
Standard Presorted	4.6210	4.3138	-6.6%	2.9647	2.7280	-8.0%

F. Please confirm that the total unit cost of processing First-Class Presorted letters is expected to increase at more than three times the rate of First-Class Metered Mail letters (9.2% compared to 2.8%) between TY 2006 in R2005-1 and TY 2008 in R2006-1. If you cannot confirm, please explain.

G. Please confirm that the "proportional" unit cost of processing First-Class Presorted letters is expected to increase at more than three times the rate of First-Class Metered Mail letters (11.3% compared to 3.5%). If you cannot confirm, please explain.

H. Please confirm that, while the total and proportional unit costs for First-Class single piece, metered mail and presorted letters are expected to rise between TY 2006 in R2005-1 and TY 2008 in R2006-1, both the total unit cost and proportional unit cost of Standard Presorted letters are expected to decline, as the Table in Part (E) shows. If you cannot confirm, please explain.

**Response:**

A. Partially confirmed. The 14.0511 cents is the total unit cost for a TY2008 First-Class single piece letter in Docket No. R2006-1. The proportional unit cost number for First-Class single piece letters was not been provided in any library reference. Since a CRA cost for First-Class single piece letters is available, there is no reason to model the cost or derive a proportional unit cost. If one was to take the First-Class single piece letters cost pools from USPS-LR-L-99 and insert them into USPS-LR-L-110, page 3, column C, one would obtain the unit cost of 8.9577 cents.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

- B. Partially confirmed. The 13.4802 cents was the total unit cost for a TY2006 First Class single piece letter in Docket No. R2005-1. The proportional unit cost number for First-Class single piece letters was not provided in any library reference. Since a CRA cost for First-Class single piece letters is available, there is no reason to model the cost or derive a proportional unit cost. If one was to take the First-Class single piece letters cost pools from USPS-LR-K-99 and insert them into USPS-LR-K-110, page 3, column C with the pools classified in the exact same manner as in R2006-1, one would obtain the unit cost of 8.6275.
- C. Partially confirmed. The total unit cost for TY2008 First-Class Metered Mail letters in Docket No. R2006-1 is 13.1287. Since a CRA cost for First-Class Metered Mail is available, there is no reason to model the cost or derive a proportional unit cost. If one was to take the First-Class Metered Mail letters cost pools from USPS-LR-L-99 and insert them into USPS-LR-L-110, page 3, column C, one would obtain the unit cost of 8.5733 cents.
- D. Partially confirmed. In Docket No. R2005-1, the total unit cost for TY2008 First-Class Metered Mail letters was 12.7727. Since a CRA cost for First-Class Metered Mail is available, there is no reason to model the cost or derive a proportional unit cost. If one was to take the First-Class Metered Mail letters cost pools from USPS-LR-K-99 and insert them into USPS-LR-K-110, page 3, column C with the pools classified in the exact same manner as in R2006-1, one would obtain the unit cost of 8.2858.
- E. The total unit cost is confirmed. Please refer to responses to parts A-D.
- F. Confirmed.
- G. Not confirmed. Please responses to part A-D. However, the calculations have been performed correctly.
- H. Not confirmed. Please responses to part A-D. However, the calculations have been performed correctly.



RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF MAJOR MAILERS ASSOCIATION, REDIRECTED FROM WITNESS  
ABDIRAHMAN

**MMA/USPS-T22-30**

Please refer to Library Reference USPS-LR-L-110, pages 2 and 44 where you show the BY 2005 volumes for First-Class Presorted and Standard Presorted letters, respectively. Please also refer to Library Reference USPS-LR-K-99, worksheet "class", which indicates the BY 2004 volumes for First-Class and Standard Automation and Nonautomation letters in R2005-1.

- A. Please confirm the volumes and percentages shown in the table below for First-Class and Standard letters for BY 2005 in R2005-1 and BY 2005 in R2006-1. If you cannot confirm, please provide the correct volumes and percentages and the source of your computations.

Rate Category (Letters)	R2005-1 BY 2004 Volume	R2005-1 BY 2005 % of Total	R2006-1 BY 2005 Volume	R2006-1 BY 2005 % of Total
FC Automation	44,559,875	95.8%	46,408,216	96.4%
FC Nonautomation	1,949,367	4.2%	1,739,317	3.6%
Total	46,509,242	100.0%	48,147,533	100.0%
Std Automation	44,600,687	92.7%	47,966,110	93.7%
Std Nonautomation	3,517,027	7.3%	3,236,316	6.3%
Total	48,117,714	100.0%	51,202,426	100.0%

- B. Please confirm First-Class Presorted Letters exhibit a higher degree for automated letters in both BY 2004 in R2005-1 and BY 2005 in R2006-1. If you cannot confirm, please explain.
- C. Please confirm all other factors being equal, the higher Automation/Nonautomation mix exhibited by First-Class presorted letters should allow the Postal Service to process First-Class presorted letters at a lower cost than required to process Standard Presorted letters. If you cannot confirm, please explain.

**Response:**

- A. Confirmed that volumes and percentages are accurate for BY 2004 (not BY2005), in Docket No. R2005-1 and BY 2005 in Docket No. R2006-1.
- B. Cannot confirm because the use of the term "higher degree" is unclear
- C. Confirmed, all other factors being equal.