

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KELLEY
(USPS-T-30) TO INTERROGATORIES OF MMA (MMA/USPS-T30-2, 6) -- ERRATA
(July 12, 2006)

The United States Postal Service hereby provides the revised response of witness Kelley to the following interrogatories of the Major Mailers Association., filed on June 12, 2006: MMA/USPS-T30-2, 6. These responses completely replace the responses to these two questions filed on June 26. The revised response to question 2 affects parts B and C. The table in the revised response has changes in test year costs for First Class Single Piece letters, and test year costs and unit costs for First Class Single Piece metered letters. The original response inadvertently substituted the costs for stamped letters in place of the actual costs for Single Piece letters. The change with respect to metered letters relates to the following change to Question 6. The response to MMA/USPS-T30-6 is being revised because the in original response, Information Based Indicia (IBI) volume was included with 'Other Letters,' but the costs were included with 'Metered Letters'. In the revised response, both the costs and volumes associated with IBI are included with 'Metered Letters'.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 12, 2006

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

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 (Cents)
Single Piece	\$2,675,500	12.640
Metered	\$995,455	13.008
Non-automation	\$111,413	7.249
Automation	\$1,865,740	4.550
Mixed AADC	\$117,988	4.644
AADC	\$99,269	4.493
3 Digits	\$895,751	4.425
5 Digits	\$715,037	4.637

**REVISED RESPONSE OF POSTAL SERVICE WITNESS KELLEY
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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 Burdened Office (000s)	6.2 Costs Burdened Street (000s)	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	0.01834	430,236	117,184	20,882	543,957	71,569	136,023	1,641,397	23,460,284	0.0631	0.0068	0.06996
Single-Piece Letters Metered	0.02037	289,590	78,876	12,652	329,564	43,361	82,411	1,040,507	14,213,740	0.0664	0.0068	0.07320
Single-Piece Letters Other	0.01777	29,191	7,951	1,462	38,095	5,012	9,526	113,456	1,643,007	0.0622	0.0068	0.06905
First-Class Single-Piece Letters BY	0.0191	749,016	204,011	34,996	911,616	119,943	227,960	2,795,360	39,317,031	0.0643	0.0068	0.07110

TY08 Costs

	6.1 unit cost	6.1 Costs (000s)	6.2 Costs Burdened Office (000s)	6.2 Costs Burdened Street (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	112,172	19,989	520,690	68,508	130,985	1,571,405	20,642,271	0.0686	0.0075	0.07613
Single-Piece Letters Metered	0.0214	268,072	75,502	12,110	315,467	41,507	79,359	995,455	12,506,408	0.0721	0.0075	0.07960
Single-Piece Letters Other	0.0187	27,022	7,611	1,400	36,466	4,798	9,173	108,640	1,445,652	0.0676	0.0075	0.07515
First-Class Single-Piece Letters TY	0.0200	693,361	195,284	33,499	872,623	114,813	219,517	2,675,500	34,594,330	0.0698	0.0075	0.07734

*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)
- Pre-cancelled Stamp
- Semi-postal Stamp

Metered:

- Meter (including 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 Burdened Office (000s)	6.2 Costs Burdened Street (000s)	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	117,184	20,882	543,957	71,569	136,023	1,652,103	23,460,284	0.0635	0.0069	0.0704
Single-Piece Letters Metered	0.0204	289,590	78,876	12,652	329,564	43,361	82,411	1,047,294	14,213,740	0.0668	0.0069	0.0737
Single-Piece Letters Other	0.0178	29,191	7,951	1,462	38,095	5,012	9,526	114,196	1,643,007	0.0626	0.0069	0.0695
First-Class Single-Piece Letters BY	0.0191	749,016	204,011	34,996	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 Burdened Office (000s)	6.2 Costs Burdened Street (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	0.0192	396,908	112,171	19,989	520,689	68,508	130,772	1,580,343	20,642,271	0.0690	0.0076	0.0766
Single-Piece Letters Metered	0.0214	267,157	75,502	12,110	315,467	41,507	79,230	1,001,057	12,506,408	0.0725	0.0076	0.08004
Single-Piece Letters Other	0.0186	26,929	7,611	1,400	36,466	4,798	9,158	109,260	1,445,652	0.0680	0.0076	0.0756
First-Class Single-Piece Letters TY	0.0200	690,994	195,284	33,499	872,621	114,812	219,161	2,690,660	34,594,330	0.0702	0.0076	0.0778

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

Stamped:

- Stamp
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- Precanceled Stamp
- Semi-postal Stamp

Metered:

- Meter (including IBI)
- Meter - PVI

Other:

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

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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