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

POSTAL RATE AND FEE CHANGES **Docket No. R2006-1**

Major Mailers Association's
Second Set Of Institutional Interrogatories and Document Production
Requests To The United States Postal Service (MMA/USPS-14-19)
(July 13, 2006)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association submits the following interrogatories and document production requests to the United States Postal Service for institutional responses (MMA/USPS-14-19).

Respectfully submitted,

Major Mailers Association

By: _____

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Dated: Middleburg, Virginia
July 13, 2006

MMA/USPS-14

Please refer to (1) your response to Interrogatory MMA/USPS-T22-28, Part (B), which asked for confirmation of MMA's calculation of the "proportional" unit costs to process an average First-Class presorted letter and an average Standard presorted letter (Nonautomation and Automation combined) for R2005-1 TY 2006, using the PRC attributable cost methodology (PRC method) and (2) USPS witness Abdirahman's response to Interrogatory MMA/USPS-T22-3 (C), which asked him to confirm MMA's calculation of the same "proportional" unit costs for R2005-1 TY 2006, using the USPS attributable cost methodology (USPS method). USPS witness Abdirahman confirmed MMA's calculations using the USPS method but you failed to confirm MMA's calculations using the PRC method, even though you indicate the calculations are "performed correctly". The reasons you offer for not confirming MMA's calculations are as follows:

> 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.

A. Please confirm that the only difference between the analysis and results shown in the table in Interrogatory MMA/USPS-T22-3 (C) and the analysis and results shown in the table in Interrogatory MMA/USPS-T22-28 (B) is that one reflects use of the USPS attributable cost method and the other involves use of the PRC attributable cost method. If no, please identify any other methodological differences.

B. Please confirm that, in R2005-1, the automation and nonautomation costs were not combined for First-Class Mail or Standard Mail under either the USPS method or the PRC method. If yes, please explain why you were unable or unwilling to combine automation and nonautomation costs for the PRC method when USPS witness Abdirahman was able to do so for the USPS

method. If no, please indicate which method combined automation and nonutomation costs in R2005-1.

C. Please confirm that neither R2005-1 Library Reference USPS-LR-K-110 (PRC method) nor R2005-1 Library Reference USPS-LR-K-48 (USPS method) includes a combined Nonautomation and Automation proportional unit cost for First-Class Mail presort or Standard presort. If yes, please explain why you were unable or unwilling to confirm that MMA correctly derived the proportional unit costs using the PRC method when USPS witness Abdirahman confirmed that MMA correctly derived the proportional unit costs using the USPS method. If no, please indicate which R2005-1 library reference includes proportional unit costs for First-Class Mail presort and/or Standard presort.

D. 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 proportional 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

Source: USPS-LR-K-110 Page 6, 20, 61, 62 52, 89

MMA/USPS-15

Please refer to (1) your response to Interrogatory MMA/USPS-T22-28, Part (C), which asked for confirmation of MMA's calculation of the "proportional" unit costs to process an average First-Class presorted letter and an average Standard presorted letter (Nonautomation and Automation combined) for R2005-1 TY 2006, using the PRC attributable cost methodology (PRC method) and (2) USPS witness Abdirahman's response to Interrogatory MMA/USPS-T22-3 (D), which asked him to confirm MMA's calculation of the same "proportional" unit costs for R2005-1 TY 2006, using the USPS attributable cost methodology (USPS method). In both cases you were asked to assume the exact same cost pool classifications as used by the Postal Service in this proceeding. USPS witness Abdirahman confirmed MMA's calculations using the USPS method but you failed to confirm MMA's calculations using the PRC method. The reason(s) you offer for not confirming MMA's calculations are as follows:

> 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.

A. Please confirm that the only difference between the analysis and results shown in the table in Interrogatory MMA/USPS-T22-3 (D) and the analysis and results shown in the table in Interrogatory MMA/USPS-T22-28 (C) is that one reflects use of the USPS method and the other involves use of the PRC method. If no, please identify any other methodological differences.

B. Please confirm that, in R2005-1, the automation and nonautomation costs were not combined for First-Class Mail or Standard Mail under either the USPS method or the PRC method. If yes, please explain why you were unable or unwilling to combine

automation and nonautomation costs for the PRC method when USPS witness Abdirahman was able to do so for the USPS method. If no, please indicate which method combined automation and nonutomation costs.

C. Please confirm that neither R2005-1 Library Reference USPS-LR-K-110 (PRC method) nor R2005-1 Library Reference USPS-LR-K-53 (USPS method) includes a proportional unit cost for First-Class Mail presort or Standard presort. If yes, please explain why you were unable or unwilling to confirm that MMA correctly derived the proportional unit costs using the PRC method when USPS witness Abdirahman confirmed that MMA correctly derived the proportional unit costs using the USPS method. If no, please indicate which R2005-1 library reference includes proportional unit costs for First-Class Mail presort or Standard presort.

D. Please confirm that, as with R2005-1 Library References USPS-LR-K-110 and USPS-LR-K-99, which use the PRC method, Library Reference USPS-LR-K-53 (USPS method) did not provide a proportional unit cost for carrier route mail. If yes, please explain why you were unable or unwilling to confirm that MMA correctly derived the proportional unit costs using the PRC method when USPS witness Abdirahman was able to confirm that MMA correctly derived the proportional unit costs using the USPS method. If no, please indicate which R2005-1 library reference includes proportional unit costs for carrier route letters.

E. 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 proportional 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

MMA/USPS-16

Please refer to USPS witness Abdirahman's affirmative response to Interrogatory MMA/USPS-T22-3, Part (E) and your negative response to Interrogatory MMA/USPS-T22-28, Part (D) (redirected from USPS witness Abdirahman).

A. Please confirm that both interrogatories ask for confirmation of essentially the same information – the estimated percentage increase in the proportional unit cost of processing an average First Class presort letter between R2005-1 TY 2006 and R2006-1 TY 2008 – and that the only difference is that the interrogatory confirmed by Mr. Abdirahman is based on the USPS method and the interrogatory you failed to confirm is based on the PRC method. If you cannot confirm, please identify any other difference and explain why such difference caused you not to confirm the PRC method version but did not stop Mr. Abdirahman from confirming the USPS method version.

B. Please explain why you were unable or unwilling to confirm the percentage increase in proportional unit processing cost based on the PRC method while USPS witness Abdirahman was able to confirm the percentage increase in the proportional unit processing cost based on the USPS method.

C. Please confirm that, using the PRC method, the proportional unit processing cost of an average First-Class presorted letter is expected to increase by 11.3% between TY 2006 in R2005-1 and TY 2008 in R2006-1. ***If you do not confirm, please provide the correct percentage increase and show how it was derived***.

MMA/USPS-17

Please refer to (1) USPS witness Abdirahman's affirmative response to Interrogatory MMA/USPS-T22-3 (F), and (2) your negative response to

Interrogatory MMA/USPS-T22-28 (E) (redirected from USPS witness Abdirahman).

A. Please confirm that both interrogatories ask for confirmation of essentially the same information – the estimated percentage decrease in the proportional unit processing cost of an average Standard presorted letter between R2005-1 TY 2006 and R2006-1 TY 2008 – and that the only difference is that the interrogatory confirmed by Mr. Abdirahman was based on the USPS method while the interrogatory you failed to confirm was based on the PRC method. If you cannot confirm, please identify any other difference and explain why it caused you not to confirm the PRC method version but did not stop Mr. Abdirahman from confirming the USPS method version

B. Please explain why you were unable or unwilling to confirm the percentage increase in proportional unit processing cost based on the PRC method while USPS witness Abdirahman was able to confirm the percentage increase in the proportional unit processing cost based on the USPS method.

C. Please confirm that, using the PRC method, the "proportional" unit processing cost of an average Standard presorted letter is expected to decrease by 8.0% between R2005-1 TY 2006 and R2006-1 TY 2008. ***If you do not confirm, please provide the correct percentage increase, show how it was derived***.

MMA/USPS-18

Please refer to your response to Interrogatory MMA/USPS-T29 (redirected from USPS witness Abdirahman). In part (A) you failed to confirm the TY 2008 unit proportional cost of 8.9577 cents that MMA derived for First-Class single piece

letters and did not provide a corrected unit cost as MMA requested. Nevertheless, you state that the derived proportional unit cost of 8.9577 cents that MMA calculated is correct.

One of your reasons for not confirming MMA's derived TY 2008 proportional unit cost of 8.9577 cents is that "[t]he proportional unit cost number for First-Class single piece letters was not been [sic] provided in any library reference." The only other reason you offer for not confirming MMA's proportional unit cost of 8.9577 cents is that, since a CRA cost for First-Class single piece letters is available, there is "no reason" to derive a proportional unit cost.

A. Please confirm that the "fact" that the MMA's derived 8.9577 cents TY 2008 proportional unit cost for First-Class single piece letters is not already set forth in any of the Postal Service's library references does not preclude calculation of that proportional unit cost using information already in the R2006-1 record, as the final sentence of your response states. If no, please explain why it is impossible to calculate the TY 2008 proportional unit cost for First-Class single piece letters, as MMA has done.

B. Assuming that MMA wants to (1) compare the R2005-1 TY 2006 proportional unit cost of Single piece letters with the R2006-1 TY 2008 proportional unit cost of such letters, (2) calculate the expected increase in proportional unit cost of Single piece letters between TY 2006 and TY 2008, and (3) compare the expected increase in the proportional unit cost of Single piece letters with a corresponding expected decline in the proportional unit cost of Standard Presorted letters, as provided to you in the table in Part (E) of MMA/USPS-T22-29, please confirm that MMA has calculated the proportional unit cost for Single Piece letters using the same methodology it used to calculate the proportional unit costs for Standard Presorted letters.

C. Do you deny that 8.9577 cents is the best estimate for the TY 2008 proportional unit cost of First-Class Single piece letters? If yes, please explain why you believe this is so and why you did not provide a corrected proportional unit cost as MMA specifically requested.

MMA/USPS-19

Please refer to your response to Interrogatory MMA/USPS-T29 (redirected from USPS witness Abdirahman). In Parts (B), (C), and (D) you confirm all of the total unit costs for First-Class single piece letters and First-Class Metered Mail letters but fail to confirm any of the proportional unit costs that MMA has calculated for such letters. Similarly, in Part (E) you confirm the total unit costs but fail to confirm the proportional unit costs and reference your responses to Parts (A) – (D). In Parts (G) and (H), you also fail to confirm MMA's comparisons of expected increases and decreases in proportional unit costs, again citing your responses to Parts (A) – (D).

A. Please confirm that your reasons for not confirming MMA's proportional unit costs in Parts (B) – (E) and the unit cost comparisons in (G) and (H) are essentially the same as those you offered in response to Part (A), namely either that the relevant proportional unit cost did not appear in any library reference or that a CRA unit cost was available, or both.

B. Please confirm that, although you failed to confirm any of the proportional unit costs calculated by MMA in Parts (B) – (E) or unit cost comparisons in Parts (G) and (H), nonetheless, in every instance you verified that MMA's calculation of the proportional unit costs and expected unit cost increases was correct.

C. Is it your position that the proportional unit costs that MMA has calculated in Parts (B), (C), and (D) of Interrogatory MMA/USPS-T22-29 are not the best estimates for the proportional unit costs of

the categories covered in those Parts? If yes, please explain why you believe this is so and why you did not provide corrected proportional unit costs as MMA originally requested.

D. Please confirm that the comparison of unit costs as provided in Part (E) of Interrogatory MMA/USPS-T29 is valid for both total unit costs and proportional unit costs. ***If you cannot confirm, please explain why the compared unit costs are either inaccurate or not valid and provide corrected unit costs***.