

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 TO
INTERROGATORY OF TIME WARNER INC. (ERRATA)
(TW/USPS-6)

The United States Postal Service hereby revises its response to the above-listed interrogatory, which was filed on July 19, 2006. The revision corrects the requested cost avoidance number in both parts (a) and (b).

The 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

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3089; Fax -5402
July 20, 2006

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF TIME WARNER, INC.

Revised July 20, 2006

TW/USPS-6 Please refer to the Postal Service's response to TW/USPS-T32-2(b), redirected from witness Taufique, which states that the cost avoidance for QBRM "implied by the 'method last approved by the Commission' is 3.980 cents."

- a. Please outline the relevant characteristics of the study supporting the result of 3.980 cents and compare them with the characteristics of the study contained in USPS-LR-L-104.
- b. Please provide a copy of the study supporting the result of 3.980 cents.

Response:

- a. TW/USPS-T32-2 had requested the Postal Service to provide the test year cost avoidance that would be implied by the "method last approved by the Commission". The correct number is 4.140. After reviewing PRC-LR-12B from Docket No. R2000-1, the attached model is provided and it includes the following:
 - 1-In the Miscellaneous factor page, it is assumed that 100% of incoming secondary QBRM is processed in a 2-pass operation.
 - 2- The BMM letters CRA adjustment factor from USPS-LR-141 was used instead of the nonautomation presort CRA adjustment factor. Please to refer to the responses provided to POIR 5, Questions 4 and 5 concerning nonautomation costs.
 - 3- The QBRM density table from PRC-LR-12 part B is used. For the incoming MMP operation, this table flows 100% of the mail to the incoming SCF/PRIM operation.
 - 4- The mail accepted in the incoming SCF/PRIM operation is flowed to postage due for further processing (If required), which is covered by QBRM fees.

The analysis contained in the USPS-LR-L-104 does not venture beyond the outgoing primary. As stated above, volume dictates when BRM would be held out as BRM. If we're dealing with a high volume account or accounts, the mail will likely be held out on the outgoing primary. If we're dealing with lower volume accounts, then the mail could make it to the incoming primary before it is held out as BRM. Whether

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF TIME WARNER, INC.

Revised July 20, 2006

it's a QBRM or handwritten mail piece, however, the point at which the mail is isolated would be the same because the volume for a given customer or customers would likely be the same. The major mail processing cost difference is therefore the RBCS-related costs required to apply a barcode on the handwritten mail piece.

- b. Please see the attached study supporting the 4.140 cost figure.

Cost Avoidance Calculation for QBRM Discount

TY08 Docket No. R2006-1

BMM CRA Proportional Adjustment [1]

	Model Cost		Total Worksharing Related Unit Cost	
HANDWRITTEN	6.768	[2]	10.589	[3]
QBRM	4.122	[4]	6.449	[5]
Cost Avoidance			<input type="text" value="4.140"/>	[6]

[1] USPS-LR-L-141 REV BMM Letters CRA proportional adjustment factor
[2] See "HAND COST" sheet
[3] [1] * [2]
[4] See "QBRM COST" sheet
[5] [1] * [4]
[6] [3] - [5]

**QUALIFIED BUSINESS REPLY MAIL (QBRM)
 COST SHEET**

Total Pieces 10,000

	TPH [1]	Pieces Per Hour [2]	Wage Rate [3]	Direct Cents Per Piece [4]	Premium Pay Adjust [5]	Piggyback Factor [6]	Total Cents Per Piece [7]	Weighted Cents Per Piece [8]
Entry Activities								
Bundle Sorting								
Outgoing RBCS								
ISS	0	6,856	\$37.992	0.554	0.008	2.070	1.156	0.000
RCR	0	---	--	--	--	--	0.094	0.000
REC	0	787	\$21.974	2.792	0.042	1.369	3.864	0.000
OSS	0	9,370	\$37.992	0.405	0.006	1.756	0.718	0.000
LMLM	0	3,111	\$37.992	1.221	0.018	2.911	3.573	0.000
Outgoing Primary								
Automation	10,005	8,461	\$37.992	0.449	0.007	1.744	0.790	0.790
Manual	424	408	\$37.992	9.323	0.140	1.281	12.083	0.512
Outgoing Secondary								
Automation	720	9,157	\$37.992	0.415	0.006	1.754	0.734	0.053
Manual	107	650	\$37.992	5.845	0.088	1.281	7.576	0.081
Incoming RBCS								
ISS	0	4,441	\$37.992	0.856	0.013	2.070	1.784	0.000
RCR	0	---	--	--	--	--	0.094	0.000
REC	0	787	\$21.974	2.792	0.042	1.369	3.864	0.000
OSS	0	8,510	\$37.992	0.446	0.007	1.807	0.813	0.000
LMLM	0	3,111	\$37.992	1.221	0.018	2.911	3.573	0.000
Incoming MMP								
Automation AADC	3,768	6,879	\$37.992	0.552	0.008	1.757	0.979	0.369
Manual ADC	306	583	\$37.992	6.520	0.098	1.281	8.450	0.258
Incoming SCF/Primary								
Automation	8,735	7,085	\$37.992	0.536	0.008	1.771	0.958	0.837
Manual	462	627	\$37.992	6.064	0.091	1.281	7.859	0.363
Incoming Secondaries								
Auto Carrier Route	0	7,560	\$37.992	0.503	0.008	1.774	0.899	0.000
Auto 3-Pass DPS	0	14,830	\$37.992	0.256	0.004	1.723	0.445	0.000
Auto 2-Pass DPS	1,312	9,401	\$37.992	0.404	0.006	1.742	0.710	0.093
Man Inc Sec Final At Plant	681	575	\$37.992	6.612	0.099	1.281	8.570	0.584
Man Inc Sec Final At DU	242	928	\$37.992	4.094	0.062	1.281	5.305	0.128
Box Section Sort, DPS	57	2,015	\$37.992	1.886	0.028	1.281	2.444	0.014
Box Section Sort, Other	82	1,007	\$37.992	3.771	0.057	1.281	4.888	0.040

Model Cost 1/	4.122
DPS % 2/	6.39%

Sources

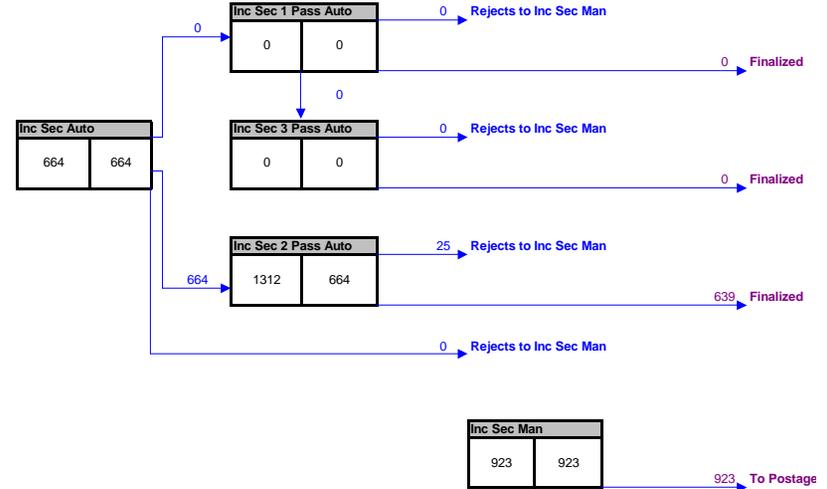
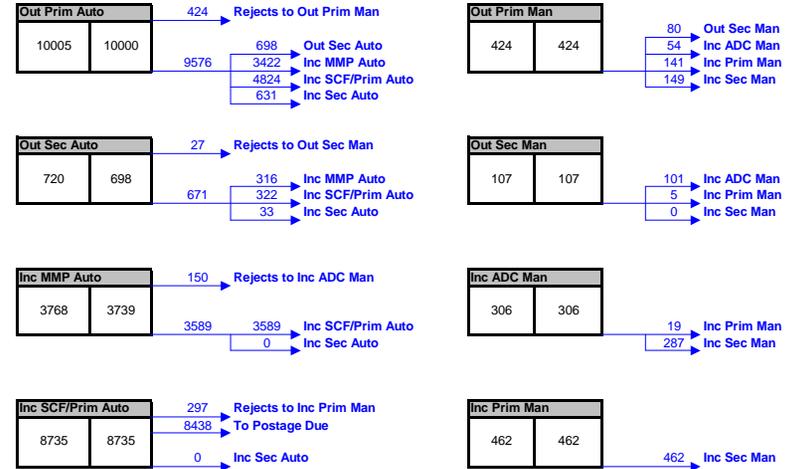
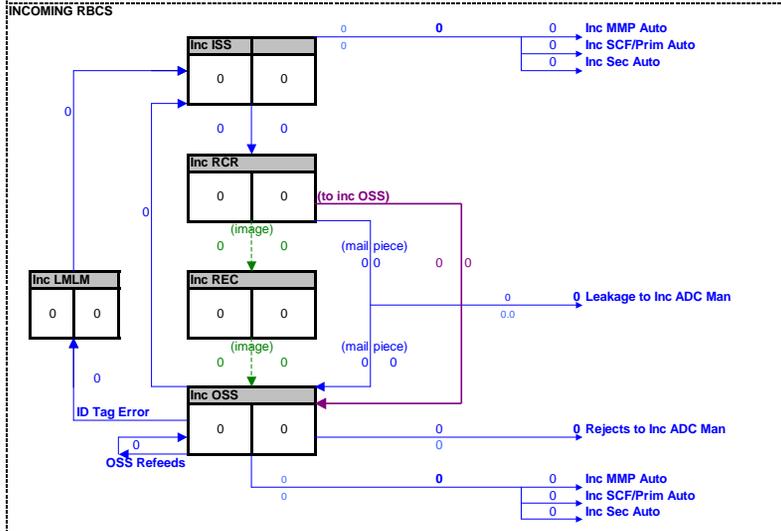
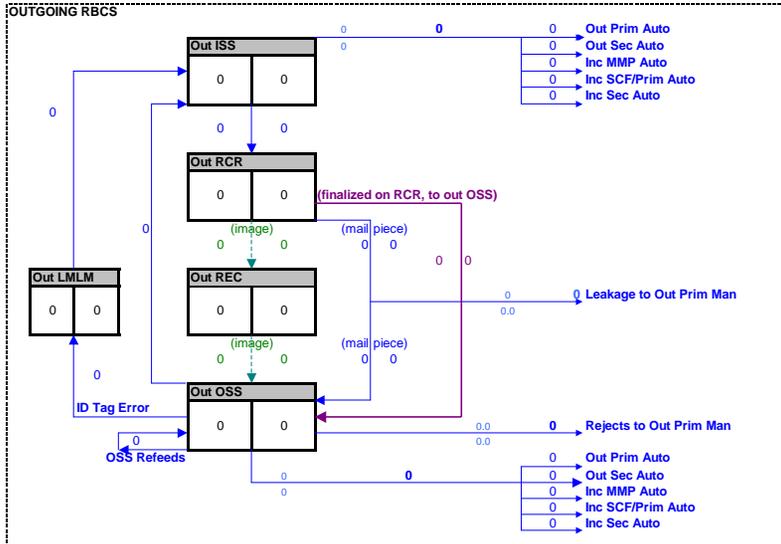
- [1]: From appropriate rate category Model spreadsheet.
 - [2]: Productivity Spreadsheet, Page 45.
 - [3]: Wage Rate and Piggyback Spreadsheet, Page 48.
 - [4]: [3] x [2] / 100.
 - [5]: [4] x [premium pay factor (Wage Rate and Piggyback, Page 48) - 1]
 - [6]: Wage Rate and Piggyback, Page 48.
 - [7]: [4] x [6] + [5].
 - [8]: [1] * ([7] / 10,000).
- 1/: Sum of [8].

**QUALIFIED BUSINESS REPLY MAIL (QBRM)
MAIL FLOW MODEL**

PCS IN = 10000

PCS OUT = 10000

ENTRY POINTS:			
Out ISS	0	Inc ISS	0
Out RCR	0	Inc MMP Auto	0
Out Prim Auto	10000	Inc SCF/Prim Auto	0
Out Sec Auto	0	Inc Sec Auto	0
Out Prim Man	0		
Out Sec Man	0		
		Inc ADC Man	0
		Inc SCF/Prim Man	0
		Inc Sec Man	0



**HANDWRITTEN REPLY MAIL
 COST SHEET**

Total Pieces 10,000

	TPH [1]	Pieces Per Hour [2]	Wage Rate [3]	Direct Cents Per Piece [4]	Premium Pay Adjust [5]	Piggyback Factor [6]	Total Cents Per Piece [7]	Weighted Cents Per Piece [8]
Entry Activities								
Bundle Sorting								
Outgoing RBCS								
ISS	551	6,856	\$37.992	0.554	0.008	2.070	1.156	0.064
RCR	10,073	--	--	--	--	--	0.094	0.095
REC	2,177	787	\$21.974	2.792	0.042	1.369	3.864	0.841
OSS	10,219	9,370	\$37.992	0.405	0.006	1.756	0.718	0.734
LMLM	206	3,111	\$37.992	1.221	0.018	2.911	3.573	0.074
Outgoing Primary								
Automation	205	8,461	\$37.992	0.449	0.007	1.744	0.790	0.016
Manual	603	408	\$37.992	9.323	0.140	1.281	12.083	0.729
Outgoing Secondary								
Automation	1,652	9,157	\$37.992	0.415	0.006	1.754	0.734	0.121
Manual	175	650	\$37.992	5.845	0.088	1.281	7.576	0.133
Incoming RBCS								
ISS	0	4,441	\$37.992	0.856	0.013	2.070	1.784	0.000
RCR	0	--	--	--	--	--	0.094	0.000
REC	0	787	\$21.974	2.792	0.042	1.369	3.864	0.000
OSS	0	8,510	\$37.992	0.446	0.007	1.807	0.813	0.000
LMLM	0	3,111	\$37.992	1.221	0.018	2.911	3.573	0.000
Incoming MMP								
Automation AADC	1,787	6,879	\$37.992	0.552	0.008	1.757	0.979	0.175
Manual ADC	315	583	\$37.992	6.520	0.098	1.281	8.450	0.266
Incoming SCF/Primary								
Automation	6,014	7,085	\$37.992	0.536	0.008	1.771	0.958	0.576
Manual	433	627	\$37.992	6.064	0.091	1.281	7.859	0.340
Incoming Secondaries								
Auto Carrier Route	1,905	7,560	\$37.992	0.503	0.008	1.774	0.899	0.171
Auto 3-Pass DPS	2,980	14,830	\$37.992	0.256	0.004	1.723	0.445	0.133
Auto 2-Pass DPS	14,138	9,401	\$37.992	0.404	0.006	1.742	0.710	1.004
Man Inc Sec Final At Plant	988	575	\$37.992	6.612	0.099	1.281	8.570	0.847
Man Inc Sec Final At DU	351	928	\$37.992	4.094	0.062	1.281	5.305	0.186
Box Section Sort, DPS	698	2,015	\$37.992	1.886	0.028	1.281	2.444	0.171
Box Section Sort, Other	192	1,007	\$37.992	3.771	0.057	1.281	4.888	0.094

Model Cost 1/	6.768
----------------------	--------------

DPS % 2/	78.45%
-----------------	---------------

Sources

- [1]: From appropriate rate category Model spreadsheet.
- [2]: Productivity Spreadsheet, Page 45.
- [3]: Wage Rate and Piggyback Spreadsheet, Page 48.
- [4]: [3] x [2] / 100.
- [5]: [4] x [premium pay factor (Wage Rate and Piggyback, Page 48) - 1]
- [6]: Wage Rate and Piggyback, Page 48.
- [7]: [4] x [6] + [5].
- [8]: [1] * ([7] / 10,000).

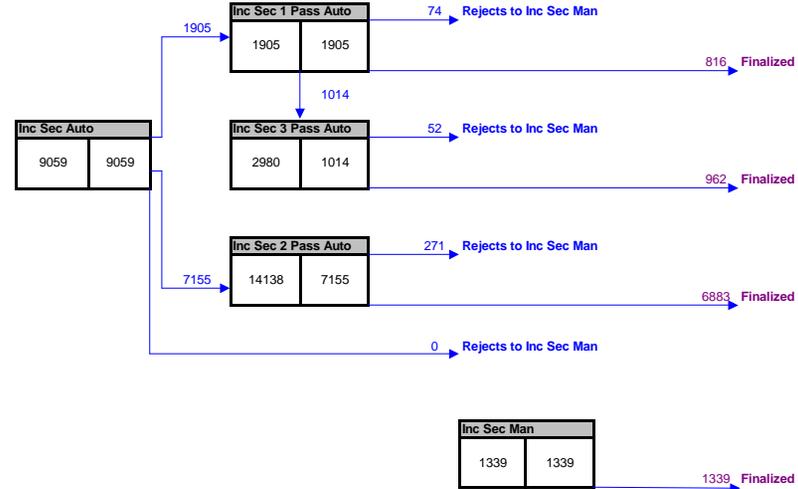
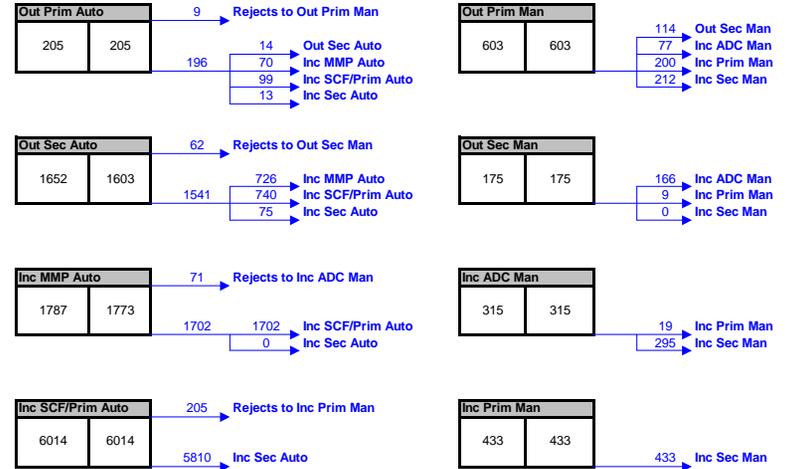
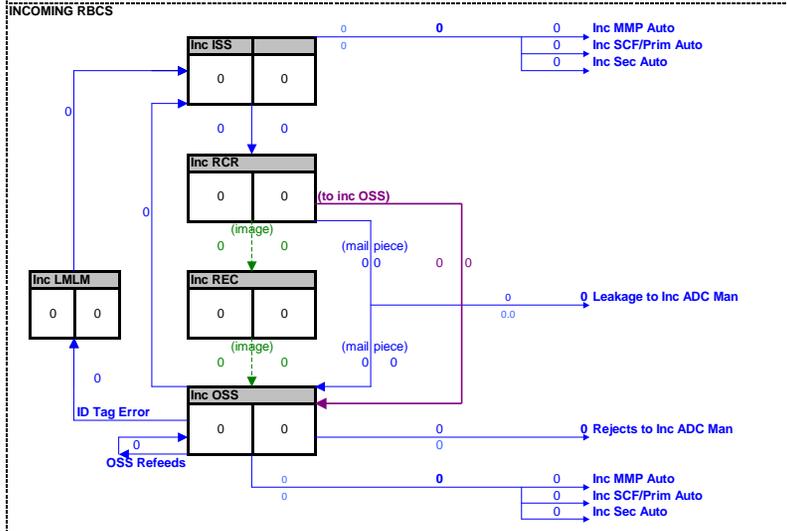
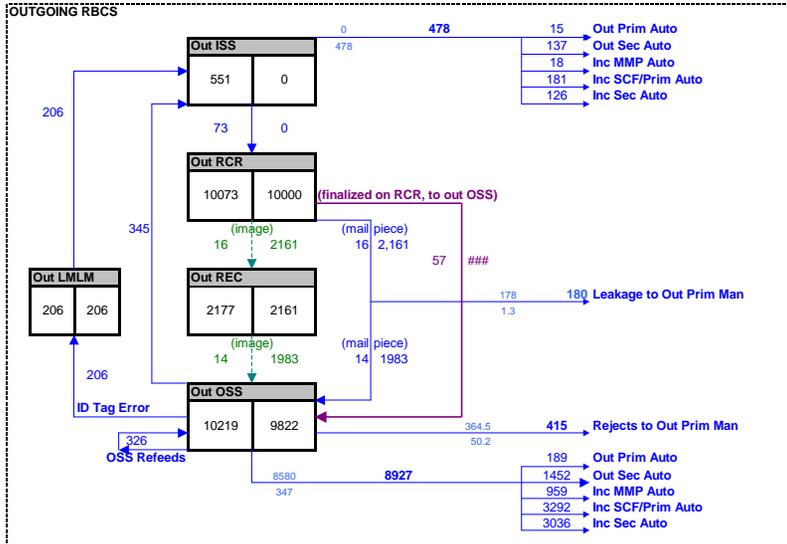
1/: Sum of [8].

HANDWRITTEN REPLY MAIL MAIL FLOW MODEL

PCS IN = 10000

PCS OUT = 10000

ENTRY POINTS:					
Out ISS	0	Inc ISS	0	Inc ADC Man	0
Out RCR	10000	Inc MMP Auto	0	Inc SCF/Prim Man	0
Out Prim Auto	0	Inc SCF/Prim Auto	0	Inc Sec Man	0
Out Sec Auto	0	Inc Sec Auto	0		
Out Prim Man	0				
Out Sec Man	0				



ACCEPTANCE RATE SUMMARY

<u>Operation</u>	<u>Percent</u>	
MLOCR-ISS Accept Rate	86.79%	1/
MLOCR-ISS/RCR Machine Printed	96.40%	1/
OSS		
Finalized	87.36%	2/
ISS Refeeds	3.51%	2/
OSS Refeeds	3.32%	2/
LMLM	2.10%	2/
Manual	3.71%	2/
Out Prim Auto	95.76%	2/
Out Sec Auto	96.16%	2/
Inc MMP Auto	95.98%	2/
Inc SCF/Prim Auto	96.60%	2/
Inc Sec 1 Pass Auto	96.10%	2/
Inc Sec 2 Pass Auto - Pass 1	97.61%	2/
Inc Sec 2 Pass Auto - Pass 2	98.56%	2/
Inc Sec 3 Pass Auto - Pass 1	97.61%	2/
Inc Sec 3 Pass Auto - Passes 2,3	98.56%	2/

Sources

1/: Docket No. R2001-1, USPS LR-J-60

2/: Docket No. R2005-1, USPS LR-K-68

BY 2005 MODS VOLUMES

Oper No.	Description	[1] MODS Volume	[2] % Volume	
OUTGOING OSS				
971	Outgoing Primary OSS - MPBCS	2,409,649,300	10.26%	} 10.65%
972	Outgoing Secondary OSS - MPBCS	91,516,500	0.39%	
271	Outgoing Primary OSS - DBCS	20,440,306,100	87.07%	} 89.35%
272	Outgoing Secondary OSS - DBCS	533,047,300	2.27%	
Total		23,474,519,200	100.00%	
OUTGOING PRIMARY BCS				
871	Outgoing Primary - MPBCS	270,105,000	1.93%	
891	Outgoing Primary - DBCS	13,736,625,600	98.07%	
Total		14,006,730,600	100.00%	
OUTGOING SECONDARY BCS				
872	Outgoing Secondary - MPBCS	916,249,300	9.62%	
892	Outgoing Secondary - DBCS	8,606,422,700	90.38%	
Total		9,522,672,000	100.00%	
INCOMING OSS				
973	Incoming MMP OSS - MPBCS	283,254,300	16.35%	} 50.39%
974	Incoming SCF OSS - MPBCS	396,695,800	22.90%	
975	Incoming Primary OSS - MPBCS	193,056,500	11.14%	} 49.61%
273	Incoming MMP OSS - DBCS	374,193,100	21.60%	
274	Incoming SCF OSS - DBCS	390,798,700	22.56%	
275	Incoming Primary OSS - DBCS	94,546,200	5.46%	
Total		1,732,544,600	100.00%	
INCOMING MMP BCS				
873	Incoming MMP - MPBCS	3,694,657,000	11.62%	
893	Incoming MMP - DBCS	28,088,739,100	88.38%	
Total		31,783,396,100	100.00%	
INCOMING BCS				
874	Incoming SCF - MPBCS	7,959,430,900	17.12%	} 22.94%
875	Incoming Primary - MPBCS	2,707,479,200	5.82%	
894	Incoming SCF - DBCS	24,842,143,200	53.42%	} 77.06%
895	Incoming Primary DBCS	10,991,103,900	23.64%	
Total		46,500,157,200	100.00%	
INCOMING SECONDARY CARRIER ROUTE				
876	Incoming Secondary Carrier Route - MPBCS	4,704,638,300	25.07%	
896	Incoming Secondary Carrier Route - DBCS	14,058,285,500	74.93%	
Total		18,762,923,800	100.00%	

Sources

[1]: GFY 2005 MODS Volumes

[2]: Volume in row divided by total volume

Productivities

<u>Description</u>	[1] Average Productivity	[2] Variability Factor	[3] Margin Productiv
Outgoing ISS	6762 [1a]	0.986	6,856
Incoming ISS	4380 [1a]	0.986	4,441
REC	787 [1a]	1.000	787
LMLM	3111 [1a]	1.000	3,111
Outgoing OSS	9256 [1a]	0.988	9,370
Incoming OSS	8406 [1a]	0.988	8,510
Outgoing BCS Primary	8358 [1a]	0.988	8,461
Outgoing BCS Secondary	9045 [1a]	0.988	9,157
Incoming BCS MMP	6795 [1a]	0.988	6,879
Incoming BCS SCF/Primary	6999 [1a]	0.988	7,085
Incoming BCS Secondary Carrier Route(1 Pass)	7468 [1a]	0.988	7,560
Incoming BCS Secondary DPS (2 Pass)	9286 [1a]	0.988	9,401
Incoming CSBCS Secondary DPS (3 Pass)	14,649 [1a]	0.988	14,830
Manual Outgoing Primary	400 [1a]	0.982	408
Manual Outgoing Secondary	638 [1a]	0.982	650
Manual ADC(in MMP)	572 [1a]	0.982	583
Manual Incoming SCF/Primary	615 [1a]	0.982	627
Manual Incoming Secondary, MODS Site	564 [1a]	0.982	575
Manual Incoming Secondary Non MODS Sites	911 [1b]	0.982	928
P.O. Box Sort DPS	1,920 [1c]	0.953	2,015
P.O. Box Sort Other	960 [1c]	0.953	1,007
Tray Opening Unit Bundle Sorting	119 [1d]	0.988	120

	[4] Variability	
BCS/ (BCS - Other than CBCS/DBCS)	0.988	(Average of BCS/DBCS cost poc)
CBCS/DBCS	0.988	(Average of BCS/DBCS cost poc)
OCR	0.986	
MANL	0.982	
LDC 15 - RBCS	1.000	
1OPBULK Opening Unit - BBM	0.988	
LDC 44 (Post Office Box Distribution)	0.953	

Sources

[1]: Data Source for Average Productivities

[1a]: USPS-LR-L-56

[1b]: Docket No. MC95-1, Exhibit USPS-T-10F, page 1, manual non-automated sites

[1c]: Docket No. MC95-1, Exhibit USPS-T-10J, page 2

[1d]: Docket No. MC95-1, Exhibit USPS-T-10B, page 1, column 1

[2]: From [4] below. Some are weighted averages.

[3]: [2] / [1]

[4]: USPS LR-L-100, Table 1

MISCELLANEOUS FACTORS

<u>Description</u>	<u>Value</u>
RBCS leakage rate	8.26% 1/
RCR finalization rate	78.39% 1/
RCR cost per image (cents)	0.094 2/
Auto carrier route presort % to CSBCS site	55.40% 3/
Finalized at least to carrier route at plant	73.81% 4/
Post Office Box destination	8.90% 5/
Nonmachinable single-piece letters % accept	75.00% 6/

Automation Incoming Secondaries	Percent	7/
Delivery Unit (ZIP Code)	0.00%	
Carrier Route	9.38%	
3-Pass DPS (CSBCS)	11.65%	
2-Pass DPS (DBCS)	78.97%	
Total	100.00%	

QBRM Incoming Secondaries	Percent	8/
Delivery Unit (ZIP Code)	0.00%	
Carrier Route	0.00%	
3-Pass DPS (CSBCS)	0.00%	
2-Pass DPS (DBCS)	100.00%	
Total	100.00%	

Sources

- 1/: FY 05 RBCS Data
- 2/: RCR Costs from USPS-LR-L-98 / FY05 RCR images processed
- 3/ CBCIS percent / total non-DBCS incoming secondary percentages
- 4/: Docket No. R2000-1, USPS-T-24A
- 5/: Docket No. MC95-1, USPS-T-10I
- 6/: Docket No. R2000-1, Tr. 22/10162 at 16
- 7/: FY 05 F.A.S.T. Data
- 8/: Docket No. R2000-1, PRC-LR-12

QBRM Densities

From Operation	Refeeds	Outgoing		Incoming			Total
		Primary	Secondary	Mgd Mail Program	SCF/ Primary	Inc Sec	
Out ISS Auto		3.22%	28.61%	3.86%	37.94%	26.36%	100.00%
Out OSS Auto		2.12%	16.26%	10.74%	36.88%	34.00%	100.00%
Out Prim Auto	0.05%		7.29%	35.74%	50.38%	6.59%	100.00%
Out Sec Auto	3.08%			47.12%	48.01%	4.87%	100.00%
Inc ISS Auto				2.41%	32.39%	65.19%	100.00%
Inc OSS Auto				0.92%	20.28%	78.81%	100.00%
Inc MMP Auto	0.79%				100.00%	0.00%	100.00%
Out Prim Man			18.86%	12.81%	33.18%	35.15%	100.00%
Out Sec Man				94.94%	5.06%	0.00%	100.00%
Inc ADC Man					6.18%	93.82%	100.00%

Source

Docket No. R2000-1, PRC-LR-12

Wage Rates and Piggyback Factors

<u>WAGE RATES</u>	<u>VALUE</u>	
Remote Encoding Centers (REC)	\$21.974	1/
Other Mail Processing	\$37.992	1/
Premium Pay Adjustment Factor (presort)	1.015	2/
Premium Pay Adjustment Factor (single-piece)	1.012	2/

<u>EQUIPMENT DESCRIPTION</u>	<u>VALUE</u>	
MLOCR	2.070	3/
REC	1.369	3/
LMLM	2.911	3/
MPBCS	1.870	3/
DBCS	1.742	3/
CSBCS	1.723	3/
Manual	1.281	3/
Manual P.O. Box	1.281	3/
Tray Opening Unit Bundle Sorting	1.324	3/

<u>OPERATION DESCRIPTION</u>	<u>VALUE</u>	
Outgoing ISS	2.070	5/
Outgoing REC	1.369	5/
Outgoing OSS	1.756	4/
Outgoing LMLM	2.911	5/
Outgoing Prim Auto	1.744	4/
Outgoing Prim Man	1.281	5/
Outgoing Sec Auto	1.754	4/
Outgoing Sec Man	1.281	5/
Incoming ISS	2.070	5/
Incoming REC	1.369	5/
Incoming OSS	1.807	4/
Incoming LMLM	2.911	5/
Incoming MMP Auto	1.757	4/
Incoming ADC Man	1.281	5/
Incoming SCF/Prim Auto	1.771	4/
Incoming SCF/Prim Man	1.281	5/
Incoming 5-Digit Barcode Sort	1.771	5/
Incoming Sec Auto Carrier Route	1.774	4/
Incoming Sec Auto 3-Pass DPS	1.723	5/
Incoming Sec Auto 2-Pass DPS	1.742	5/
Man Inc Sec Final At Plant	1.281	5/
Man Inc Sec Final At DU	1.281	5/
Box Section Sort, DPS	1.281	5/
Box Section Sort, Other	1.281	5/
Tray Opening Unit Bundle Sorting	1.324	5/

Sources

1/: USPS LR-L-55

2/: USPS LR-L-100

3/: USPS LR-L-98

4/: These factor are the the weighted average of MPBCS and DBCS piggyback factors using volume percentages in "BY 05 MODS" spreadsheet.

5/: Linked to appropriate machine piggyback factor above

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
July 20, 2006