

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

EVOLUTIONARY NETWORK DEVELOPMENT
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 2 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

The United States Postal Service hereby files an institutional response to
Question 2 of Presiding Officer's Information Request No. 8, dated August 30, 2006.

The Question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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2. Refer to USPS Library Reference N2006-1/17, page 5, and USPS Response to POIR No. 6, question 1. POIR No. 6, question 1 asked the Postal Service to provide the classification criteria, average TPH per hour, variability factor, and marginal cost for small, medium, and large classifications for all operations listed on page 5 of LR N2006-1/17. The Postal Service provided the requested information for 11 of the 19 operations. Please provide the requested information for the remaining 8 operations (MPBCS, APPS, PSM, NMO, Platform, Open Unit Pref, Open Unit Bulk, and Pouching.) Because these operations were not modeled by witness Bozzo in R2005-1, provide the models and datasets used to calculate the requested information.

RESPONSE

The requested information for the MPBCS operation is as follows:

[1] Operation	[2] TPF Cutoffs	[3] Elasticity	[4] Standard Error	[5] Productivity (TPF/Hour**, FY 2005, Median by Size Group)	[6] Marginal Productivity [5]/[3]	[7] BY 2005 Elasti city	[8] BY 2005 Std. Error
MPBCS						n/a *	n/a
Small	<14116	0.92	0.090	8,440	9,174		
Medium	14116 to 52396	0.87	0.080	7,760	8,920		
Large	>52396	0.78	0.110	6,840	8,769		

* The MPBCS cost pool is not used in the BY 2005 mail processing model

The Commission is correct to point out that the MPBCS operation was not modeled by witness Bozzo. As the MPBCS inventory dwindles, and the workload migrates to the DBCS, that operation is now modeled within the BCS Out/In operation categories. As such, the cost functions will evolve to meet the current operating environment of the Postal Service.

Please see response to POIR 7 Question 5 which shows the step-by-step process utilized to develop the APPS function. Since a structural equation has not yet been developed due to insufficiency of the period of performance of the APPS machine, the SPBS equation was utilized as a proxy.

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RESPONSE to Question 2 (continued):

The approach utilized for the BMC functions was different than other operations. END utilized a linear regression approach to approximate the cost functions of the BMC operations, namely the PSM and NMO operations. This approach was selected because, at the time, the data were in PIMS, and the system did not provide sufficient data to make more generalized approximations. Currently, BMC data has been migrated to MODS. This movement has occurred within the last year, but does not provide a sufficient period of data with which to make more than these general inferences. The spreadsheet utilized to generate these equations will be provided in USPS Library Reference N2006-1/26.

Finally, the allied equations were developed by size only for the total fixed component, and this was utilized to determine the additional allied cost associated with a given facility based on intrinsic facility factors. Only one allied variable coefficient was developed for each of the allied operations modeled: Platform, Open Unit Pref, Open Unit Bulk, and Pouching. Please see USPS Library Reference N2006-1/17, the END Modeling Requirements Report at page 7 for detailed information for how those functions are utilized in the model. The following table reflects the allied labor coefficients utilized in the models:

	Core Hours	Letters	Flats	Parcels	Priority
Platform	9,952	0.056	0.261	0.000	0.355
Pouching	2,282	0.000	0.494	0.455	0.000
Opening Pref	4,493	0.065	0.049	0.000	0.000
Opening Bulk	4,264	0.020	0.102	0.060	0.000
Total	20,991	0.141	0.906	0.515	0.355

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RESPONSE to Question 2 (continued):

Note: The coefficients represent allied hours / 1000 TPH in each shape category, Core hours is a quarterly number.

Total Core Hours:

SMALL:	23,915
MEDIUM:	50,940
LARGE:	90,482

Classification criteria for allied equations are as follows based on the total amount of allied hours within a facility:

SMALL:	0 – 91,334 Total Allied Hours
MEDIUM	91,334 – 492,845 Total Allied Hours
LARGE	> 492,846 Total Allied Hours