



**USPS/PB-T2-1.** On page 2 of your testimony, lines 7 to 8, you state “the cost avoidance estimates presented by United States Postal Service witness Abdirahman for First-Class Mail Automation letters (USPS-T-22) are flawed.”

- a. Please confirm that, as stated in the purpose and scope section of his testimony, witness Abdirahman (USPS-T-22) neither discusses nor performs cost avoidance calculations. If you cannot confirm, please explain.
- b. Please provide citations where witness Abdirahman presents cost avoidance estimates in USPS-T-22.

**RESPONSE**

- a. Confirmed that witness Abdirahman is the Postal Service witness who develops the mail processing costs for First-Class Mail Automation Letters and that the cost avoidances are calculated by subtracting from the mail processing costs.
- b. Please see response to (a) above.

**USPS/PB-T2-2.** On page 7 of your testimony, lines 17 to 20, you state “the Postal Service has failed to improve its models in other important respects and has made one change that seriously degrades the accuracy of the model (the unexplained and unprecedented exclusions of delivery costs).”

- a. Please confirm that machinability is the one mail characteristic that has a quantifiable impact on delivery costs. If you cannot confirm, please explain.
- b. Please confirm that machinable pieces would be dispatched to delivery units with the Delivery Point Sequence (DPS) mail, while the nonmachinable mail pieces would not. If you cannot confirm, please explain.
- c. Please confirm that DPS percentages that have been calculated in the past were a byproduct of the fact that acceptance rates were assigned to each automation operation. If you cannot confirm, please explain.
- d. Have you conducted any studies which provide evidence to suggest that DPS percentages actually vary among the machinable rate categories? If yes, please describe each study and provide all notes, data files, reports, and other documents that relate to each study.

**RESPONSE**

- a. Not confirmed. While machinability has a quantifiable impact on delivery costs, so, too, do other characteristics of the mail piece including, but not limited to, shape, weight, and address quality.
- b. Confirmed.

- c. Confirmed.
- d. No. The fact that DPS percentages vary among the machinable rate categories is a product of the Postal Service's cost avoidance model for First-Class Automation Letter mail. Under the model, pieces that are not accepted in an automation sort are processed manually and each sort has an acceptance rate less than 100 percent. Given that MAADC letters, for example, go through more sorts than 5-digit mail, MAADC letters will have a lower DPS percentage and a higher delivery cost.

**USPS/PB-T2-3.** Please refer to your Library Reference PB-LR-L-1 under PB analysis of cost pools.

- a. Please define “Thought Experiment” proportional cost pools.
- b. Please define “Thought Experiment” fixed cost pools.
- c. Have you conducted any econometric, operational, or other studies supporting your “Thought Experiment” cost pool classifications? If so, please provide all notes, data files, reports, and other documents that relate to these studies.

**RESPONSE**

- a. “CRA Thought Experiment” proportional cost pools are those cost pools which could be classified as proportional based on my thought experiment. As I explain in my testimony, I did not classify all of these pools as proportional, but only those which also appeared proportional based on operational analysis or which were classified as proportional by the Postal Service.
- b. “CRA Thought Experiment” fixed cost pools are those cost pools which could be classified as fixed based on my thought experiment.
- c. The “Thought Experiment” itself is a study. All data are provided in my Library Reference. As I explained in my testimony, the results are supported by the USPS attribution and distribution theory and by the operational analysis I discussed, which is based on USPS-LR-L-1 and the mail flows and operational analysis USPS witness McCrery provided in response to PB/USPS-T42-5.

**USPS/PB-T2-4.** Please refer to your Library Reference PB-LR-L-1 under PB analysis of cost pools.

- a. Do you consider your “Thought Experiment” cost pool classification to be independent of mail flow models or dependent on mail flow models?  
Please explain your answer fully.
- b. Please discuss how switching fixed cost pools to proportional cost pools impacts mail flow models?
- c. Have you visited USPS mail processing plants to observe tasks underlying each cost pool? If so, for each visit, please state what facility you observed, date and time of the observation, and the operations (including MODS operations numbers) observed. In addition, please provide copies of any notes, reports, or other documents related to the observation.
- d. Please see witness Abdirahman’s response to POIR No. 4, question 11(a) in Docket No. R2005-1. Please provide a similar description and rationale for your categorization of each of the letter cost pools. Please identify and explain any pools that have been combined, separated, created, eliminated, renamed, or otherwise changed in definition since the R2000-1 case.

**RESPONSE**

- a. The thought experiment is independent of the mail flow models. The mail flow models consider only a generalized flow through the system. For example, they do not reflect that a letter may occasionally be sorted in flat pools or even in parcel pools.

- b. Switching a cost pool from fixed to proportional (or from proportional to fixed) does not affect the mail flow models.
- c. Although I visited USPS mail processing plants during the time period over which I developed this testimony, I did not visit these plants with the purpose of observing tasks underlying each and every cost pool. On August 16, 2006, I visited the USPS HASP facility in Landover, Maryland. On August 24, 2006, I visited the USPS P&DC facility in Gaithersburg, Maryland. Notes from the August 16 site visit are attached. I do not have any other notes, reports, or other documents related to these observations. I did not observe anything during these visits that conflicts with my testimony.
- d. Please see PB-LR-L-1, Tab 5 and the discussion from pages 14 to page 30 of my testimony. Please note that I have worked only with the cost pools in this case.

Surface Transportation Hub

Pauline Ro. shu -

Manager of MHSB 1996 - 10 year anniversary  
Here since December of 97  
30 docks 300 trailers 85 employees

Surface Transfer Centers - almost 200  
them in network. Charlotte is September  
then Memphis

almost cross dock - some containers, flatbeds,  
sacks -

mail from world comes here

either dock or to be (pre) -  
all the Metro plants - some banks  
of P.O.s

20 hours only close Sunday at 4 pm  
Monday

all highway contractor

containers are separated by slaps

with 500pr (lot) from points 924

Christmas, here everything

December open 24 hours  
at Christmas Cleveland daily