

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

POSTAL RATE AND FEE CHANGES  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS ABDIRAHMAN TO INTERROGATORIES  
OF MAJOR MAILERS ASSOCIATION  
(MMA/USPS-T21-41)

The United States Postal Service hereby files the response of witness  
Abdirahman to the above-listed interrogatory of the Major Mailers Association, filed on  
May 10, 2005.

The interrogatory is stated verbatim and are followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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May 25, 2005

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ABDIRAHMAN TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION

### MMA/USPS-T21-41

Please refer to your Library References USPS-LR-K-48 and USPS-LR-K-110. These library references derive the First-Class unit cost savings due to worksharing using the Postal Service's cost attribution methodology and the Commission's cost attribution methodology, respectively.

- A. Please confirm that in both library references, you have deviated from the latest Commission-approved methodology for deriving workshare cost savings that was provided in library reference PRC-LR-12 Part B in Docket No. R2000-1. If you cannot confirm, please explain.
- B. Please confirm that in order to derive processing workshare cost savings using the latest Commission-approved methodology in R2000-1, you would have to take your analysis provided in USPS-LR-K-48 but make the following changes. If you cannot confirm, please explain.
  - a. Replace the CRA Mail Processing Costs for BMM, Automation and Nonautomation letters in USPS-LR-K-53 with the CRA Mail Processing Costs for BMM, Automation and Nonautomation letters in USPS-LR-K-99.
  - b. Replace the Mail Flow Models, with all of the input parameters, in USPS-LR-K-48 with those in USPS-LR-K-110.
  - c. Divide the amount for cost pool 1CANCEL for BMM in USPS-LR-K-99 by 3.
  - d. Re-categorize the cost pool 1CANCEL for BMM, Nonautomation and Automation letters from "Non worksharing-related fixed" to "Worksharing-related fixed".
  - e. Re-categorize the cost pool LD48\_ADM for BMM, Nonautomation and Automation letters from "Non worksharing-related fixed" to "Worksharing-related fixed".
  - f. Re-categorize the cost pool LD48 OTH for BMM, Nonautomation and Automation letters from "Non worksharing-related fixed" to "Worksharing-related fixed".
- C. Please confirm that in order to derive delivery workshare cost savings using the latest Commission-approved methodology in R2001-1, you would have to take your analysis provided in USPS-LR-K-48 but make the following changes. If you cannot confirm, please explain.
  - a. Replace the Unit Delivery costs in USPS-LR-K-67 with those provided in USPS-LR-K-101.
  - b. Derive the unit delivery cost for all Nonautomation letters combined from the delivery cost derivations provided in USPS-LR-K-101.
  - c. Utilize the derived unit delivery cost for all Nonautomation letters combined that you developed in Part 2 as a proxy for the BMM unit delivery cost.
- D. Please confirm that, had you updated the latest Commission-approved methodology for deriving First-Class workshare cost savings, the results would be as follows:

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BENCHMARK RATE CATEGORY	Mail Processing		Delivery	Total	Total
	Total Unit Cost	Worksharing Related Unit Cost	Worksharing Related Unit Cost	Worksharing Related Unit Cost	Worksharing Related Unit Cost Savings
		(1)	(2)	(3)	(4)
Bulk Metered Mail (BMM)	12.773	11.032	6.487	17.519	
Nonauto Presort	22.275	19.583	6.487	26.069	(8.550)
Auto Mixed AADC	5.431	4.965	4.155	9.120	8.399
Auto AADC	4.503	4.037	3.981	8.018	9.501
Auto 3-Digit	4.169	3.703	3.903	7.606	9.913
Auto 5-Digit (Other)	2.973	2.507	3.695	6.202	11.317
Auto 5-Digit (CSBCS/Manual Sites)	3.318	2.852	6.280	9.132	
Auto Carrier Route	2.402	1.936	6.136	8.072	1.059

If you do not confirm, please provide the correct figures using the latest Commission-approved methodology for deriving First-Class workshare cost savings and show your calculations and/or sources for any corrections.

**Response:**

As stated in my testimony, I do not sponsor USPS-K-110. I only sponsor USPS-LR-K-48 in association with my testimony. Library References USPS-LR-K-48 uses Postal Service's cost attribution methodology while USPS-LR-K-110 uses the Commission's cost attribution methodology. The differences between the two library references are the volume variabilities, the CRA mail processing costs, piggyback factors, and premium pay factors.

A. Partially confirmed. As stated above, my library reference USPS-K-48 deviates from the Commission methodology. Library reference USPS-K-110 deviates from the Commission methodology in R2000-1

B.

a. Confirmed.

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b. Confirmed.

c. Not confirmed. In Docket No. R2000-1, the PRC divided the 1CANCMMP cost pool by 3. The 1CANCMMP is now split into 1CANCEL and 1MTRPREP. The Commission has not yet decided how to treat the divided cost pools.

d. Confirmed. Please see the revised library reference USPS-LR-K-48.

e-f. Not confirmed. Library Reference PRC-LR-12 Part B in Docket No. R2000-1 does not contain these specific cost pools. The only LD48s listed under the Commission R2000-1 analysis were classified as “non worksharing related fixed”.

C. Not confirmed. In Docket No. R2001-1 the Commission did not address delivery unit cost proxy for BMM letters in their Opinion and Recommended Decision. However, the Commission did address it in R2000-1 Opinion and Recommended Decision.

D. Not confirmed. If Docket No. R2000-1 Commission-approved methodology were to be used with corrections noted in part B and C, the following results will be achieved.

BENCHMARK RATE CATEGORY	Mail Processing		Delivery	Total	Total
	Total	Worksharing	Worksharing	Worksharing	Worksharing
	Unit Cost	Related Unit Cost	Related Unit Cost	Related Unit Cost	Related Unit Cost Savings
	(1)	(2)	(3)	(4)	(5)
Bulk Metered Mail (BMM)	12.773	10.823	6.486	17.309	
Nonauto Presort	22.275	19.222	6.486	25.708	(8.399)
Auto Mixed AADC	5.426	4.917	4.155	9.072	8.237
Auto AADC	4.501	3.992	3.981	7.973	9.336
Auto 3-Digit	4.168	3.659	3.903	7.562	9.747
Auto 5-Digit (Other)	3.051	2.542	3.695	6.237	11.072
Auto 5-Digit (CSBCS/Manual Sites)	3.286	2.777	6.280	9.057	
Auto Carrier Route	2.373	1.898	6.136	8.034	1.056

## **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.

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May 25, 2005