

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BOOKSPAN

Docket No. MC2005-3

**RESPONSES OF POSTAL SERVICE WITNESS YORGEY
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION
(APWU/USPS-T2-1-3)**

The United States Postal Service hereby provides the responses of witness Yorgey to the following interrogatories of the American Postal Workers Union, filed on August 29, 2005: APWU/USPS-T2-1-3.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 13, 2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YORGEY
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APWU/USPS-T2-1. In his testimony on June 29, 2005 for the R2005-1 rate case, Mr. Abdirahman indicated that there had been a problem with appropriately allocating costs between the nonautomated and automated presort categories of both First Class and Standard letter mail. This resulted in too many costs being allocated to the nonpresort category and too few costs being allocated to the automated category [R2005-1 Tr. 4 1139-1147].

- a. Please identify all adjustments you performed to Mr. Abdirahman's mail processing cost data to correct for this problem and show your calculations.
- b. If you did not correct for this problem, please explain why it is appropriate to use these cost numbers in calculating the estimated financial impact this NSA might produce for the Postal Service.

RESPONSE:

- a. No adjustments were made to Mr. Abdirahman's mail processing cost data.
- b. In constructing my analysis, I used the most recent data that were available at that time.

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APWU /USPS-T2-2. If you had applied the correction to Mr. Abdirahman's data that was suggested on page 4 of his response to R2005-1 POIR 1 part a:

- a. What would be the impact on the cost estimates for each rate category shown on page 4 of Appendix A of your testimony?
- b. What would be the impact on the overall reweighted cost estimate for Bookspan's letter-shaped mail?

Please show any calculations used to respond to this question.

RESPONSE:

- a. – b. Please see my response to APWU/USPS-T1-1a.

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APWU/USPS-T2-3. Based on Appendix A, page 9 of your testimony, almost 70 percent of the positive financial benefit you calculate for the Postal Service comes from the conversion of flat-shaped mail to letter-shaped mail.

- a. In making the calculation of the increase in contribution coming from such a conversion, what assumptions did you make about the characteristics of the letter-shaped piece of mail that would replace the flat-shaped piece of mail? Will this letter-shaped piece of mail would be machinable?
- b. Please confirm that the mail processing cost numbers estimated for flat-shaped standard mail in the R2005-1 rate case are between 12.9 and 28.2 percent above cost estimates for flat-shaped standard mail in the R2001-1 rate case depending on the type of flat considered. (USPS version of costs).
- c. Did you investigate why there was such a large increase in those costs during this period of time considering: 1) automation of flats processing had increased significantly; 2) the mail processing costs of First Class flats were falling at double-digit rates; and 3) Mr. McCrery, the operations expert, reports that there are no capacity constraints that would result in more manual sorting of Standard flats [R2005-1 Tr.#5, p. 1745]?
- d. Did you perform any sensitivity analysis to determine the impact on the USPS financial benefits from this case if the Standard mail flats cost are different from those estimated in R2005-1? If so, please describe that analysis and report any results.

RESPONSE:

- a. The calculations are based on the assumption that the characteristics of the letter-size mail pieces in FY2004 would be similar to those new letter-size mail pieces replacing flat-shape mail pieces. The characteristics of these new letter-size mail pieces are assumed to be of the same as stated in the financial model, Appendix A, page 3, which are machinable mail pieces.
- b. I am unable to confirm as I did not use Docket No. R2001-1 data to calculate the financial impact of this NSA.
- c. No, please see my response to APWU/USPS-T2-3b.
- d. No, because there is no reason to believe that Bookspan's costs differ from the average costs presented in Docket No. R2005-1.

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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