

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5,  
QUESTIONS 2-19  
(June 29, 2006)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request (POIR) No. 5, Questions 2-19, issued June 14, 2006. The following witnesses are sponsoring the identified responses to this POIR:

Witness Taufique	Question 2a and 2c
Witness Kiefer (T36)	Questions 2a and 3
Witness Yeh	Questions 2b and 9b
Institutional Response	Questions 4, 5, 10, 11
Witness Riddle	Questions 6 and 7
Witness Milanovic	Questions 8, 12a, 12c, and 17 a-b
Witness Kiefer (T-37)	Questions 9a
Witness Kelley	Questions 12b, 12d, 13, 14, 15, 16a, 16 c, 17c-f, and 18, 19
Witness Harahush	Question 16b, d and e

Each question is stated verbatim and is 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

RESPONSE OF U. S. POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 2

2. In Docket No. MC95-1, the Postal Service developed unit attributable cost from the "bottom up," by shape, for the presort and prebarcoded rate categories in First-Class and Standard Mail. Total unit attributable cost for each rate category was equal to the sum of unit attributable mail processing cost, unit attributable delivery cost, unit attributable transportation cost, and all other unit attributable costs. See Docket No. MC95-1, Exhibit USPS-T-12C. The Postal Service proposed to use differences in unit total attributable cost as the basis for setting the discounts (i.e., the rate differentials) between rate categories. The Commission rejected that approach in favor of using only differences in unit attributable mail processing costs plus unit attributable delivery costs (in-office and street time) as the basis for rate differences. The Commission explained that presorting and prebarcoding would only directly affect mail processing and delivery costs and that any other differences in total attributable cost would be due to factors other than worksharing. PRC Op. MC95-1, paras. 4208-13. Accordingly, beginning with the restructured rates implemented in Docket No. MC95-1, worksharing differentials in First-Class, Standard Mail, and Periodicals (excluding dropship discounts) have been based on differences in both unit attributable mail processing costs and unit attributable delivery costs.

In the current docket, the cost basis of the Postal Service's proposed worksharing discounts varies from subclass to subclass. First-Class worksharing rate differentials are based on unit attributable mail processing costs. The piecebased worksharing differentials in Periodicals reflect differences in both unit attributable mail processing costs and unit attributable delivery costs. The worksharing rate differentials in Standard Regular and Regular Nonprofit reflect only differences in unit attributable mail processing cost. Worksharing rate differentials in Enhanced Carrier Route and Non-Profit Enhanced Carrier Route reflect differences in both unit attributable mail processing and delivery costs.

- a. A review of the unit attributable delivery costs in USPS-LR-L-67, Table 1, shows that for some subclasses, delivery costs vary only by shape. Thus, for example, within a flat-shaped mail category, the unit attributable delivery cost would be the same for each presort and barcode category. This could be a reason for ignoring delivery cost, at least when calculating presort/barcode discounts. However, in First-Class there are differences in unit attributable delivery cost between nonautomated letters and automated letters and in Standard Mail there are differences in unit attributable delivery cost between nonmachinable and machinable letters. The rate design witnesses for First-Class and Standard Mail have not provided a rationale for departing from the "MC95-1" approach and ignore those differences. The Postal Service is requested to have the appropriate witness for each subclass provide a rationale for departing from the MC95-1 approach, or, if the Postal Service prefers, provide revised rate design spreadsheets that incorporate both differences in mail processing and delivery unit attributable cost.
- b. The rate design for Bound Printed Matter (BPM) proposed by the Postal Service is also inconsistent with the precedent established in Docket No. MC95-1. The proposed presort differentials are based on unit mail processing attributable cost only, which is consistent with past rate cases, but the flat-

RESPONSE OF U. S. POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 2

parcel differential is based on only differences in unit attributable delivery cost. Similarly, Media Mail presort discounts are based on differences only in unit attributable mail processing costs, ignoring unit attributable delivery costs. In Docket No. R2001-1, the Postal Service acknowledged that BPM shape-related cost differences could include mail processing cost differences, adding that it would explore this possibility in future rate cases. (See Docket No. R2001 -1, USPS-T-33 at 30.) The Postal Service is requested to have its rate design witness for BPM and Media Mail provide a rationale for departing from the MC95-1 approach, or alternatively, to provide revised rate design spreadsheets that incorporate unit attributable costs for both mail processing and delivery.

- c. In prior rate cases, the Postal Service provided the unit attributable delivery cost for all letter rate categories in First-Class Mail and Standard Mail. (See, for example, Docket No. R2005-1, USPS-LR-K-67, Table 1.) The separate rate category unit costs reflected differences in the percentage of DPS letters. As noted above, in this docket, the Postal Service has not provided unit attributable delivery cost for all letter rate categories. Please provide the rationale for not calculating unit attributable delivery costs for all letter rate categories reflecting differences in the percentage of DPS mail.

**RESPONSE**

- a. In First-Class Mail rate design, the differences between automation and nonautomation letters are derived using both the mail processing and delivery volume variable unit cost differences. Please see LR-L-129, WP-FCM 19, 'Rate Design - Presort' Row 74, Columns C through F. Lines 13 and 14 on page 37 of my testimony will be revised to reflect it. An errata will be filed.
- b. Response filed by witness Yeh.
- c. It is my understanding that the differences in delivery costs for the various presort levels of automation are driven solely by the different Delivery Point Sequencing (DPS) figures that come from the letter model estimated by witness Abdirahman, USPS-T-22. Those differences happen because the less presorted the letters are, the more equipment they go across and thus,

RESPONSE OF U. S. POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 2

the more opportunities they have to be rejected. However, the reject rates for the various letter sorting equipment are not unique to class and/or rate category of the letters in question and reflect all of the letters worked on that equipment. It is my understanding that DPS percentages are not an input to the cost models and there are no data indicating that DPS percentages actually differ among the presort rate categories. Furthermore, the reject rates that create the differences in the DPS percentages and resulting different delivery costs for the various presort levels for letters could be affected by the reject rates for single-piece letters, which is not a component of the cost models.

RESPONSE OF U. S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 2a (Standard Mail)

**2a** In Docket No. MC95-1, the Postal Service developed unit attributable cost from the "bottom up," by shape, for the presort and prebarcoded rate categories in First-Class and Standard Mail. Total unit attributable cost for each rate category was equal to the sum of unit attributable mail processing cost, unit attributable delivery cost, unit attributable transportation cost, and all other unit attributable costs. See Docket No. MC95-1, Exhibit USPS-T-12C. The Postal Service proposed to use differences in unit total attributable cost as the basis for setting the discounts (i.e., the rate differentials) between rate categories. The Commission rejected that approach in favor of using only differences in unit attributable mail processing costs plus unit attributable delivery costs (in-office and street time) as the basis for rate differences. The Commission explained that presorting and prebarcoding would only directly affect mail processing and delivery costs and that any other differences in total attributable cost would be due to factors other than worksharing. PRC Op. MC95-1, paras. 4208-13. Accordingly, beginning with the restructured rates implemented in Docket No. MC95-1, worksharing differentials in First-Class, Standard Mail, and Periodicals (excluding dropship discounts) have been based on differences in both unit attributable mail processing costs and unit attributable delivery costs.

In the current docket, the cost basis of the Postal Service's proposed worksharing discounts varies from subclass to subclass. First-Class worksharing rate differentials are based on unit attributable mail processing costs. The piece-based worksharing differentials in Periodicals reflect differences in both unit attributable mail processing costs and unit attributable delivery costs. The worksharing rate differentials in Standard Regular and Regular Nonprofit reflect only differences in unit attributable mail processing cost. Worksharing rate differentials in Enhanced Carrier Route and Non-Profit Enhanced Carrier Route reflect differences in both unit attributable mail processing and delivery costs.

- a. A review of the unit attributable delivery costs in USPS-LR-L-67, Table 1, shows that for some subclasses, delivery costs vary only by shape. Thus, for example, within a flat-shaped mail category, the unit attributable delivery cost would be the same for each presort and barcode category. This could be a reason for ignoring delivery cost, at least when calculating presort/barcode discounts. However, in First-Class there are differences in unit attributable delivery cost between nonautomated letters and automated letters and in Standard Mail there are differences in unit attributable delivery cost between nonmachinable and machinable letters. The rate design witnesses for First-Class and Standard Mail have not provided a rationale for departing from the "MC95-1" approach and ignore those differences. The Postal Service is requested to have the appropriate witness for each subclass provide a rationale for departing from the MC95-1 approach, or, if the Postal Service prefers, provide revised rate design spreadsheets that incorporate both differences in mail processing and delivery unit attributable cost.

RESPONSE OF U. S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 2a (Standard Mail)

**RESPONSE:**

The cost differences included in the Standard Mail Regular workpapers did not include delivery cost differences by presort tier because the available delivery cost estimates did not vary by presort tier. Where delivery costs did vary (as by density tier for ECR mail), these costs were included. In this sense my approach is consistent with the MC95-1 approach.

In the case of machinable and nonmachinable letters, the delivery cost differences are included in the costs for the base pieces shown in line 7 of WP-STDREG-26 (labeled "Mail Processing + Delivery Costs," in cell D7 for machinable letters and E7 for nonmachinable letters. These mail processing and delivery costs were used to produce the starting point Basic Rate Per Piece and Rate Per Pound (for each of the group benchmark pieces) which then were modified to reflect presort, automation-nonautomation, and entry differences. Because of this, the delivery cost differences between machinable and nonmachinable pieces were incorporated (partially) in the base piece and then, since the base piece per piece rate element and per pound rate element for machinable (or nonmachinable) letters fed into all machinable (or nonmachinable) letter rates (as can be seen by successively applying Excel's Trace Dependents function to these base piece rate elements), the delivery cost differences between machinable and nonmachinable letters did figure into the proposed rates. Again, although the mechanism I used differs from what was used in the past (for example I did not use an explicit passthrough), my approach is consistent with the MC95-1 approach. Please see my response to POIR 5, No. 3 to see the implicit passthrough for the combined mail processing/delivery cost differences into the rate elements for machinable/nonmachinable letters.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEH  
TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5

**2b** The rate design for Bound Printed Matter (BPM) proposed by the Postal Service is also inconsistent with the precedent established in Docket No. MC95-1. The proposed presort differentials are based on unit mail processing attributable cost only, which is consistent with past rate cases, but the flat-parcel differential is based on only differences in unit attributable delivery cost. Similarly, Media Mail presort discounts are based on differences only in unit attributable mail processing costs, ignoring unit attributable delivery costs. In Docket No. R2001-1, the Postal Service acknowledged that BPM shape-related cost differences could include mail processing cost differences, adding that it would explore this possibility in future rate cases. (See Docket No. R2001-1, USPS-T-33 at 30.) The Postal Service is requested to have its rate design witness for BPM and Media Mail provide a rationale for departing from the MC-95-1 approach, or alternatively, to provide revised rate design spreadsheets that incorporate unit attributable costs for both mail processing and delivery.

**RESPONSE**

My rate design approach for BPM and Media Mail is consistent with the Postal Service's methodology in R2001-1. Estimates of mail processing cost differences between BPM flats and parcels were not available to me at the time I developed BPM rates. In the spirit of recognizing that mail processing cost differences may be an additional cost difference between BPM flats and parcels, I proposed to passthrough over 100 percent of delivery cost differences for the BPM flat-parcel differential. Inspection of witness Marc Smith's estimates of the mail processing cost differences between BPM flats and parcels reveals that a more than 100 percent passthrough for delivery-only BPM flat-parcel differential was justified. The Postal Service intends to examine the combined delivery and mail processing cost differences more in depth and propose an appropriate passthrough for use in future rate cases.

Media Mail presort discounts are based on differences only in unit attributable mail processing costs, not unit attributable delivery costs because it is my understanding that data reflecting differences in unit attributable delivery costs among Media Mail are not

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEH  
TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5

available, and there is little reason to expect delivery costs to vary by presort tier for these pieces.

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 3

3. In previous omnibus rate cases, beginning with Docket No. R90-1, the Postal Service's direct testimony on rate design has included a discussion of the rationale for its selected percentage passthroughs of shape-related costs into the discounted rates. The "presort tree" presented by the Postal Service provided an analytical framework for evaluating percentage passthroughs for presort, automation, and shape-related costs. Its essential feature was the use of a single benchmark rate with which all other subclass rates could be compared. See Docket No. R90-1, USPS-T-20 at 89-127. This analytical framework improved the Commission's understanding of the Postal Service's rationale underlying its rate design, and facilitated its application of the policies of the Postal Reorganization Act and its pricing factors to the Postal Service's proposed rates. In subsequent rate cases, this approach also made it feasible to evaluate each discounted rate in a subclass for consistency with the principle of Efficient Component Pricing.

For each of the Standard Mail subclasses, the Postal Service in this docket has apparently abandoned the comprehensive approach to rate design that is illustrated graphically by use of the presort tree. The Postal Service's proposed rates in this docket are based on multiple benchmarks, rather than the traditional single benchmark rate that was the essence of the "presort tree" methodology. The Postal Service's rate design testimony does not include any discussion of percentage passthroughs of shape-related cost differences into the proposed rates and the consistency of those implied passthroughs with the pricing factors of the Act. To facilitate evaluation of the Postal Service's proposed discounted rates with the pricing factors of the Act, as well as the principle of Efficient Component Pricing:

- a. Please provide the rationale for abandoning the presort tree methodology in favor of using multiple benchmarks in designing rates within each of the subclasses of Standard Mail.
- b. Please evaluate the amount of each proposed discount in relation to the subclass piece that is most costly in terms of all relevant characteristics including shape, automation compatibility, machinability, and presort level. To assist the Postal Service in responding to this item, two presort trees are diagramed in the attachments to this Presiding Officer's Information Request. Either analytical approach could be used to relate all percentage passthroughs of cost differences in the Standard Regular subclass to one another. Attachment 1 illustrates a presort tree that is consistent with the rate design methodology that underlies the discounted rates for Standard Regular mail that was recommended in Docket No. R2000-1. Attachment 2 illustrates a presort tree that reflects the way the Postal Service has apparently developed proposed rates for Standard Regular mail in this docket. In responding to this item, the Postal Service may use these, or any other framework, that relates the percentage passthroughs implied by each discounted rate to all other discounted rates within the subclass.
- c. In previous rate cases, automation discounts in Standard Mail have been calculated as the difference in avoidable worksharing unit cost between a nonautomated presort category and the corresponding automated rate category. The cost difference was then multiplied by a percentage passthrough to calculate the discount. In this docket, the Postal Service proposes to calculate automation discounts with reference only to other automation categories. Please provide the

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 3

rationale for calculating all automation discounts without reference to  
nonautomation rates.

**RESPONSE**

a. My understanding of the "presort tree methodology" described in the question is an  
approach to rate making that consists of four steps:

1. Choosing the most costly piece in the subclass as the single benchmark  
piece for the subclass.
2. Selecting a rate (or combination or rate elements) for the benchmark piece.
3. Identifying a series of cost differences between every other piece and the  
benchmark piece, either directly or indirectly (that is, through intermediate  
pieces).
4. Selecting passthroughs for each of the costs differences to develop the rates  
for all other pieces.

In my view, the "presort tree methodology" works reasonably well when the  
following enabling conditions are met:

- a. The subclass has a relatively small number of workshared categories.
- b. The benchmark is a significant rate category within the subclass.
- c. Most workshare activities are closely related to the benchmark rate category.

In contrast to the "presort tree methodology" (outlined in steps one to four above),  
a presort tree that provides a visual aid for charting passthroughs retains some  
conceptual value even when some of the above enabling conditions are no longer  
present. Nevertheless, I think that even the presort tree loses considerable value  
as these enabling conditions weaken and fail.

It is instructive to consider these enabling conditions within the context of  
Standard Mail Regular today. The current rate structure for Standard Mail Regular  
is already highly differentiated by presort level, mail piece shape, automation  
compatibility, and machinability. And, in this case, the Postal Service is proposing

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 3

significant increases in the number of rate categories. Choosing a single benchmark rate category from which all other rates must flow is not mathematically or analytically impossible, although it becomes computationally cumbersome and logically less and less compelling as the number of workshare categories increases.

The "presort tree methodology" makes the most sense when the benchmark is a substantial rate category within the subclass. Over time, with expanded workshare discounts, Standard Mail has shifted so that the traditional benchmark piece, a Basic Presort Nonletter (Flat) had already shrunk to a small proportion of total Standard Mail Regular by the last time the "presort tree methodology" was used (Docket No. R2001-1). Yet, even then, it did have the advantage of being conceptually closely related to more heavily workshared flats, which make up a significant proportion of Standard Mail Regular volume. In contrast, the most costly piece in the current docket's proposed rate design is a nonmachinable parcel. According to the Postal Service's volume forecasts, there will be less than 100 million nonmachinable parcels in Standard Mail Regular in the TYAR, less than 0.2% of total subclass pieces. This is not a numerically substantial rate category and, in my view, it doesn't make rate design sense to start from and tie all Standard Mail Regular rates to a category with such a small presence in the mix.

I think it is also questionable, for example, to link the presort rate design for flats to the presort design for nonmachinable parcels (see my response to subpart (b) which uses a modified version of the question's Attachment 2 presort tree). Flats and parcels have different mail processing paths; use different kinds of machine sorting; and are finalized differently in plants. Consequently, they have different mail makeup requirements. It is not clear to me that calculating a "passthrough" for the "cost differences" between, for example, 3-digit

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 3

nonmachinable parcels and 3-digit nonautomation flats is very instructive. The key relationships, in my view, are those that go down the branches: how a 3-digit nonmachinable parcel rate relates to a Mixed ADC parcel rate and how a 3-digit nonautomation flat rate relates to a Mixed ADC flat rate. For this reason, I believe it is useful, when designing rates, to choose separate benchmarks for the separate logical categories (flats and parcels, for example) and then focus more carefully on reasonable rate relationships down the branches. Naturally, costs and other factors will need to be considered in the relationships between the major branches. But this does not require developing passthroughs that relate, for example, 3-digit presorted letters, automation flats, nonautomation flats, etc. all back to 3-digit nonmachinable parcels through a daisy-chain of sometimes questionable passthrough calculations.

In summary, with the Postal Service's proposals in this case, Standard Mail will become increasingly complex. Yet this complexity has a logic of its own within it: a shape-based rate design to reflect the underlying shape-based mail flows. In my view, a more categorized, multiple-benchmark approach fits the complexity better than force-fitting rate design back into the traditional single-benchmark "presort tree methodology." In reality, once each benchmark is chosen, my approach to developing presort and drop-ship discounts is similar to the traditional approach. In both, discounts are developed by determining cost-based differences between presort and drop ship levels, and then passing through an amount that is calculated by multiplying the cost differences by selected passthroughs. In other words, within the "branches," the new approach is not much different from its predecessor.

- b. Please see the worksheets labeled "Presort Tree" in each of the Excel workbooks, WP-STDREG-0621-POIR5-Resp and WP-STDECR-0621-POIR5-Resp, which are provided in USPS- LR-L-148. In responding to this question, I adopted a modified

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 3

version of the Attachment 2 "presort tree" model. I rearranged the "branches" so that the most expensive category, Nonmachinable Parcels, appears at the left and lower-priced (or more highly discounted) categories are to the right and down the sheet. I also included the Non Flat-Machinable (NFM), or "hybrid" piece, rate category in the Standard Mail Regular tree. Putting NFMs into the tree necessitated establishing a second level (or "third dimension") to the tree. I added this additional level (and one for automation flats) because a strictly linear progression of rate categories across the worksheet seemed to compel calculating "passthroughs" of questionable value, such as "passthroughs" between NFMs and Nonautomation Flats, or between Automation Flats and Nonmachinable Letters. The ECR tree generally has the same structure as the Regular tree, although it is much simpler and has all relationships on one level.

- c. Please see my WP-STDREG-26 ("Proposed Rates") in USPS-LR-L-36. In line 10 of that sheet, an automation rate differential is proposed for letters (cell D10) and flats (cell F10). If one compares the formulas for the base automation letter (cell H27) and the base nonautomation machinable letter (cell H33), one can see that the formulas are essentially the same, except for the subtraction of the proposed automation differential from the automation letter rate. One can also verify that this is the result by comparing the rates in the two cells (H27 and H33). They differ by the amount of the proposed automation differential.

The same is true for automation and nonautomation flats. In that case, the appropriate cells to compare are the per-piece rate elements for the base automation and nonautomation flats (both have the same per-pound rate element). These rates (and their underlying formulas) are in the cells M53 and M59.

Although the methodology I used differed from the passthrough approach mentioned in the question, inspection of WP-STDREG-26 shows that the

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER (USPS-T-36) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, QUESTION 3

automation rates are developed by subtracting the proposed automation  
differentials from the relevant nonautomation rate elements.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 4**

4. The instant proposal incorporates changes in the methodology used to estimate Standard Regular mail worksharing-related cost avoidances from the methodology approved by the Commission in Docket No. R2000-1 when these issues were last fully litigated. The changes include, but are not limited to:
- the use of a single CRA-derived mail processing unit cost estimate for presort letters and flats;
  - the elimination of the distinction between worksharing-related fixed and nonworksharing-related fixed cost pools; and
  - the absence of rate category-specific unit delivery costs, estimated using the DPS percentages from the engineering models.

In order for the Commission and the participants to understand the impact that these proposed methodological changes would have on estimates of avoided costs, please provide a complete set of cost avoidances for Standard Regular mail based on the methodology incorporated in USPS-LR-K-102 and 110 in Docket No. R2005-1, including all underlying calculations. Also calculate the resulting passthroughs implied by the proposed rates. Please make reasonable assumptions as necessary, and provide explanations for any assumptions made.

**RESPONSE:**

*Cost Avoidances*

In order to develop the cards / letters cost avoidance estimates, it is first necessary to calculate the delivery unit cost estimates by rate category and estimate separate nonautomation and automation mail processing unit costs by shape. These data are contained in USPS-LR-L-147. As stated in the response to Presiding Officer's Information Request (POIR) No. 1, question 1(a) in Docket No. R2005-1, the Postal Service does not feel that the In Office Cost System (IOCS) can be used to accurately estimate separate mail processing unit costs by shape for nonautomation presort cards and letters and automation presort cards and letters. As an alternative in the instant proceeding, the Postal Service has relied on only one mail processing unit cost by shape estimate (nonautomation and automation combined) for both cards and letters.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 4**

This is discussed at length below. The revised cards/letters cost models are contained in USPS-LR-L-141 and rely on the Docket No. R2005-1 methodology.

The revised flats cost models are contained in USPS-LR-L-142. The flats cost models from Docket No. R2005-1 (USPS-LR-K-102) were based on a single CRA-derived mail processing unit cost estimate, not multiple CRA-derived mail processing unit cost estimates as the question implies. The only change that has been made to the cost models, when compared to the most recent version of USPS-LR-L-102 filed on 6/28/06, is that three cost pool classifications are used: worksharing related proportional, worksharing related fixed, and non-worksharing related fixed. This change has no impact on the mail processing unit cost estimates by rate category. Although it has not been requested in either question 4 or 5 of this POIR, the cost model for Periodicals Outside County flats has also been provided in USPS-LR-L-142.

The CRA-derived automation and nonautomation costs are being provided in response to Questions 4 and 5 of POIR 5, as requested, but the Commission should be aware of problems with such costs. In the PRC costs provided with the filing, we do not provide the CRA-derived automation and non-automation letter costs for this docket because we did not believe there was an accurate way of distinguishing auto costs from non-auto costs. This was foreshadowed in Docket No. R2005-1 in Witness Abdirahman's response to POIR no. 1, Part A where he indicated the presence of flaws in the methods used to obtain CRA-derived automation and non-automation rate letter costs and suggested a possible alternative approach as meriting exploration. His response described the flaw in the CRA-based methods as: "Based solely on the

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 4**

physical examination of mail piece characteristics (e.g., barcodes), it is not always possible for data collectors to determine whether the revenue of a given mail piece, and the piece itself, was recorded at the nonautomation rates or automation rates."This observation suggested the significant likelihood for inaccurate determination of automation and non-automation costs based on IOCS data.

In this docket, Witnesses Abdirahman, USPS-T-22 (pages 5-6), and Smith, USPS-T-13 (pages 35-36) indicate that the Postal Service has concluded that the mail piece markings are not sufficient to allow IOCS data collectors to accurately identify automation and non-automation rate pieces, and thus IOCS can not be used as a basis for separate CRA-derived costs. Below, we are providing further explanation of the reasons for this conclusion that the previous use of IOCS to obtain separate CRA based automation and non-automation costs was not valid.

Under current mail preparation standards, a letter mailing can qualify for automation rates even if, during acceptance and verification, it is determined that less than 100 percent of the mail pieces have legitimate 11-digit barcodes. Verification procedures will allow up to a 10% tolerance on the 11-digit barcodes for mailings claiming the automation rates before the Postal Service applies an additional postage factor. If the tests on the automation pieces indicate that 90% or more have legitimate 11-digit barcodes, the mailing is allowed the auto rate. For error rates above 10%, the auto rates are either adjusted based on the actual error rate or the mailing is not eligible

## RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 4

for the auto rates at all, depending on the percent of barcodes that are not acceptable.<sup>1</sup>

In principle, up to 10 percent of letters accepted at the automation presort letter rates may therefore have 9-digit barcodes, 5-digit barcodes, or no barcodes at all. Classifying mail pieces (for IOCS tallies) as automation presort letters based solely on the presence of a specific barcode may therefore not be valid.<sup>2</sup>

Identifying non-automation presort letters purely on the basis of the barcode present also is problematic. If a given automation mailing fails to meet the standard described above at the time of acceptance, the mailer may choose to be assessed the non-automation presort letters rate, rather than rework the mail. This means that some non-automation presort letters mailings could contain a significant number of mail pieces with legitimate 11-digit barcodes and appear to have qualified for automation rates. As a result, it is not always possible for IOCS data collectors to determine whether the piece was nonautomation rate or an automation rate based solely on the physical examination of mail piece characteristics (e.g., barcodes, revenue).

---

<sup>1</sup> See the USPS publication Mailers Companion, May/June 2006, page 12. Also see <http://www.usps.com/merlin/appealingmerlin.htm>.

<sup>2</sup> The mail piece characteristics that lead IOCS data collectors to identify a First-Class presort letter as Automation rate is as follows. For a letter identified as a First-Class presort letter, Automation rate is identified in the following possible ways:

1. pieces with "AUTO" markings, MMS codes indicating Automation rate, or barcodes in the barcode clear zone which are preceded by Axxxxxx to Lxxxxxx indicating Automation rate.
2. (If none of the above marking are present) pieces must have an 11-digit Postnet barcode in address block, or one showing through a window (either in the address block, or elsewhere) or a barcode in the postage area.

IOCS data for First-Class presort and Standard Regular show a majority of automation rate tallies do not have the markings indicated in item one above. Thus the presence of an 11-digit barcode commonly is needed to identify the rate category.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 4**

Thus there is great potential for error, particularly for measuring non-automation costs and the cost differential with automation costs. In addition, the potential for erroneously overstating the non-automation letter costs has grown as the non-automation rate letter share of presort volumes has declined. For instance with the share of First-Class non-automation rate having declined to 4 percent in FY 2004, the possible amount of misidentification of Automation rate letters as non-automation rate looms very large. Erroneously shifting a small percentage of automation costs to non-automation, raises the latter's costs a great deal. The error of misidentifying non-automation rate letters as Automation rate likely has a small offsetting impact. This could well be behind the rise or could contribute materially to the rise in the non-Automation rate unit costs that has occurred from FY 1999 to FY 2004 as shown below.

**PRC Letter Non-Automation Rate Unit Costs (in Cents/Piece)  
And Non-Automation Rate Volume Shares of Presort Letters**

FY	First-Class		Standard Regular	
	Unit Cost	Volume Share	Unit Cost	Volume Share
1999	15.35	10%	12.60	18%
2004	22.00	4%	16.90	7%

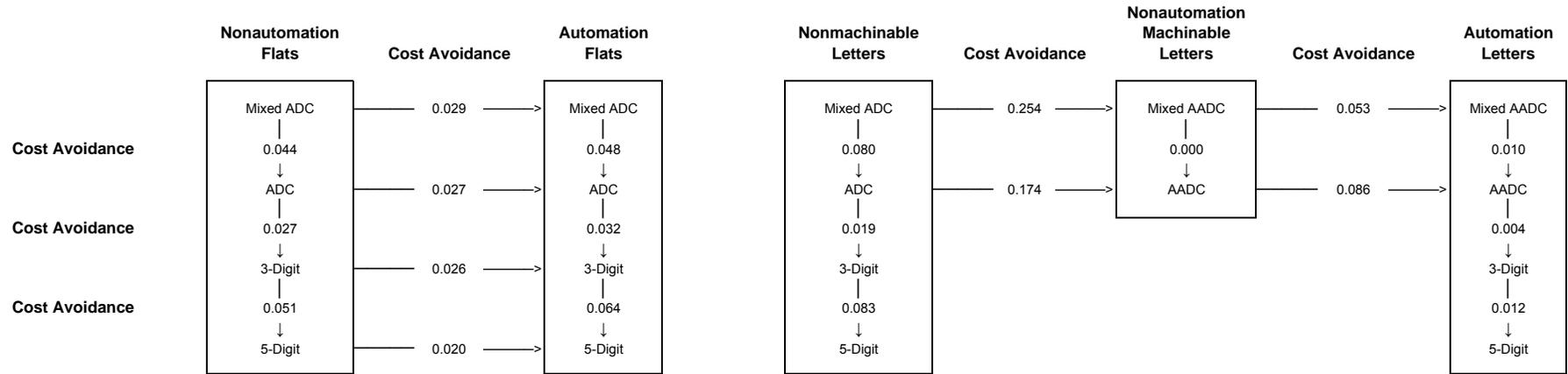
See Docket No. R2000-1, USPS LR-I-466 and Docket No. R2005-1, USPS LR-K-99.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 4**

*Passthroughs*

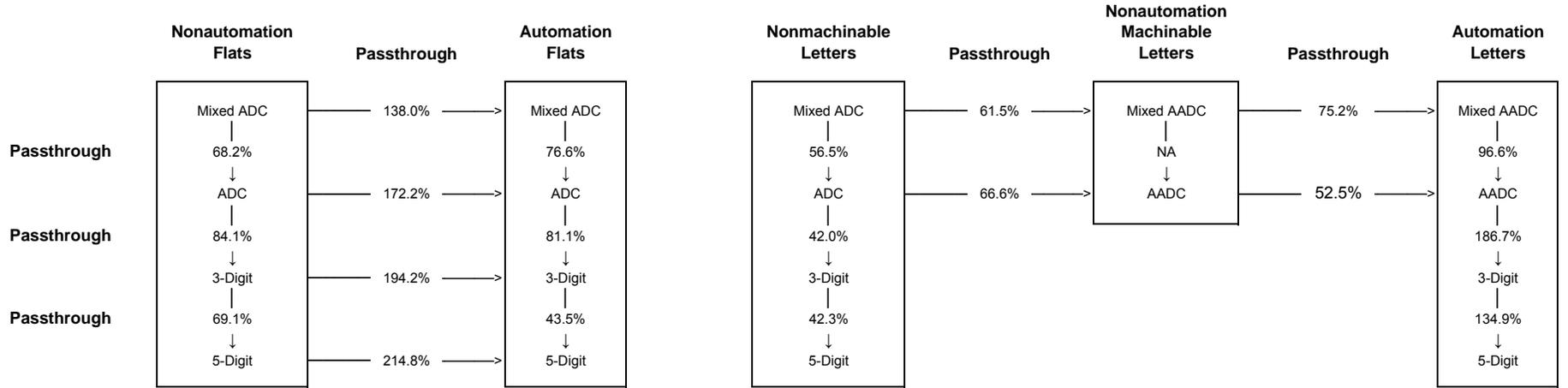
The letter and flat cost avoidances contained in USPS-LR-L-141 and USPS-LR-L-142, when compared to the proposed prices in USPS-LR-L-36, imply the passthroughs shown in the attached charts.

Standard Mail Regular POIR4, Question 4 Cost Avoidances



Sources:  
 Letters: Unit cost data from USPS-LR-L-141  
 Flats: Unit cost data from USPS-LR-L-142

**Standard Mail Regular POIR5, Question 4 Cost Passthroughs**



Source: Calculation using cost avoidances from Cost Avoidances sheet and proposed rates from USPS-LR-L-36.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) NO. 5, Question 5**

5. The instant proposal incorporates several major changes in the methodology used to estimate First-Class Mail worksharing-related cost avoidances from the methodology incorporated in USPS-LR-K-102 and 110 in Docket No. R2005-1. The changes include, but are not limited to:

- the elimination of the Bulk Metered Mail (BMM) benchmark
  - the use of a single CRA-derived mail processing unit cost estimate for presort letters (as opposed to separate CRA-derived estimates for nonautomation presort and automation presort)
  - the elimination of the distinction between worksharing-related fixed and nonworksharing-related fixed cost pools;
  - the absence of an estimated worksharing-related unit cost of 5-digit (CSBCS/manual) automation presort letters; and
  - the absence of rate category-specific unit delivery costs, estimated using the DPS percentages from the engineering models.
- a. In order for the Commission and the participants to understand the impact that these proposed methodological changes would have on estimates of avoided costs, please provide a complete set of cost avoidances for First-Class Mail based on the methodology incorporated in USPS-LR-K-102 and 110 in Docket No. R2005-1, including all underlying calculations. Also calculate the resulting passthroughs implied by the proposed rates. Please make reasonable assumptions as necessary, and provide explanations for any assumptions made.
- b. Please refer to USPS-T-22, page 6, lines 10-21. Witness Abdirahman explains the rationale for eliminating the distinction between worksharing-related and nonworksharing-related cost pools: "All analysis of workshare-related activities are constrained within the self-contained CRA set of costs associated with Presort Letters." Please confirm that the distinction between worksharing-related and nonworksharing-related cost pools is eliminated solely because the use of a single CRA set of costs makes any such distinction moot in the computation of cost avoidances. If not confirmed, please identify and fully explain all other rationales.

**RESPONSE:**

(a)

*Cost Avoidances*

Please see the response to POIR No. 5, question 4.

## RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) NO. 5

### *Passthroughs*

As requested, the following two tables provide the estimated passthroughs for First-Class Mail Automation Letter and Flat shaped pieces based on cost avoidance estimates provided in Library References LR-L-141 and LR-L-142. The passthrough for nonautomation letters has not been produced because of the issues with cost estimates that are discussed elsewhere in the response to this POIR. Also, the passthroughs for automation flat shaped pieces are calculated from the benchmark of the proposed Mixed ADC presort rate for automation flats. In the past dockets going back to at least Docket No. R97-1, the automation flat presort rates were proposed by the Postal Service and recommended by the Commission to maintain the rate relationships between automation letter and flat shaped pieces. Mail processing and delivery cost avoidance for flat shaped pieces were developed but not directly used to derive the automation flat presort rates. The following excerpt from Docket R2000-1 Opinion and Recommended Decision highlights this point.

[5099] Witness Fronk states that bulk automation flats rates are designed to preserve the appropriate rate relationships between automated letters and flats, and between the automation flats and the non-automation presort rate that applies to both letters and flats. With the proposed rates, barcoded flats pay less postage than non-automation presort flats, and more postage than barcoded letters at all automation tiers. In his testimony, witness Fronk demonstrates the consistent rate relationships for two-ounce letters and flats. He states that the rate proposal is consistent with the ratemaking criterion of simple, identifiable relationships among rates. Opinion and Recommended Decision, Docket No. R2000-1, pages 244 and 245. footnote omitted.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) NO. 5**

Automation Letters

	Mail Processing	Delivery	Total				
	Worksharing Related Unit Costs	Worksharing Related Unit Costs	Worksharing Related Unit Costs	Unit Cost Savings	Proposed Rates	Discounts	Pass- throughs
BMM Letters	0.114	0.040	0.155		0.420		
Mixed AADC Letters	0.054	0.042	0.096	0.058	0.346	0.074	128%
AADC Letters	0.044	0.040	0.084	0.012	0.335	0.011	92%
3-Digit Letters	0.040	0.040	0.080	0.004	0.331	0.004	100%
5-Digit Letters	0.028	0.037	0.065	0.015	0.312	0.019	127%

Automation Flats

	Mail Processing	Delivery	Total				
	Worksharing Related Unit Costs	Worksharing Related Unit Costs	Worksharing Related Unit Costs	Unit Cost Savings	Proposed Rates	Discounts	Passthroughs
Mixed ADC Flats	0.417	0.116	0.533		0.465		
ADC Flats	0.329	0.116	0.445	0.088	0.433	0.032	36%
3-Digit Flats	0.269	0.116	0.385	0.060	0.423	0.010	17%
5-Digit Flats	0.195	0.116	0.312	0.074	0.398	0.025	34%

Note:

Mail Processing and Delivery Cost for letter shaped pieces - PRC LR-141

Mail Processing Costs for flat shaped pieces - PRC LR-142

Delivery cost for flat shaped pieces do not change due to presort levels, Source:  
LR-L-101

(b) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAUL RIDDLE  
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 5 (AS CORRECTED)

**POIR5, Q6.** This question seeks information on the distribution of mail volumes listed in USPS-LR-L-12.

- a. Please provide a table listing the rate category names for the following codes listed in LOTUS.RURAL.FY2005.FY05MC.DATA.
- b. Please provide a table that assigns a shape category listed in B\_Workpapers, file CS10.xls, worksheet "Inputs DK," (e.g. DPS, LETTERS, SEC SEG LETTERS, OTHER LETTERS, FLATS DEL, PARCELS DEL, BOXHLDRS DEL, ACCTBLS DEL, POSTAGE DUE) to the "rate category codes" listed in question 6.a. Please name those rate categories that do not have a shape that matches the shapes in question 6.b. as "No Shape Match."

111, 112, 113, 114, 115, 116, 117, 118, 119, 121, 122, 123, 124, 125, 126, 127, 128, 129, 131, 132, 133, 134, 135, 136, 138, 139, 141, 142, 143, 144, 145, 146, 151, 152, 153, 156, 157, 158, 159, 161, 162, 163, 164, 171, 172, 173, 176, 181, 182, 183, 193, 201, 202, 203, 204, 205, 206, 208, 209, 301, 302, 303, 304, 305, 306, 307, 308, 411, 412, 413, 414, 415, 416, 417, 418, 421, 422, 423, 424, 425, 426, 427, 428, 431, 432, 433, 434, 435, 436, 437, 441, 442, 443, 444, 445, 447, 451, 452, 453, 454, 457, 461, 462, 463, 464, 465, 467, 511, 512, 513, 514, 515, 516, 518, 521, 522, 523, 524, 525, 528, 541, 542, 543, 544, 545, 546, 547, 603, 604, 605, 606, 608, 609, 711, 712, 713, 714, 715, 717, 718, 719, 721, 723, 724, 725, 811, 812, 813, 814, 815, 816, 819, 824, 825, 911, 912, 913, 914, 915, 916, 919, 921, 922, 923, 924, 925, 931, 933, 934, 935, 943, 944, 945, 11A, 11B, 11C, 11D, 11E, 11F, 12E, 13E, 14E, 15D, 15E, 20A, 20B, 20C, 20D, 20E, 20F, 41A, 41D, 41E, 41F, 42D, 42E, 44E, 45E, 51A, 51C, 51D, 51E, 51F, 52A, 52C, 52D, 52E, 52F, 54A, 54D, 54E, 60C, 71B, 71C, 71D, 71E, 81B, 81E, 82B, 82C, 82D, 82E, 91B, 91E, 91F, 92B, 92C, 92E, 92F, 93B, 93C, 93D, 93E, 93F, 94B, 94D, 94E, A01, A03, A04, A05, A09, A0E.

**RESPONSE:**

Please see POIR5 Q6.xls, attached. Included are all mailcodes and volumes from LOTUS.RURAL.FY2005.FY05MC., along with their mapping to rate category variable "InputDK Rate Category" and shape category variable "InputDK Shape Category", used in B\_Workpapers, file CS10.xls, worksheet "Inputs DK".

Vol. (000)	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
3	A0E	55	OTHER DELIVERY CONFIRMATION	Other	No Shape Match
68	A01	55	OTHER DPS LETTER	Other	No Shape Match
172	A03	55	OTHER OTHER LETTER	Other	No Shape Match
2147	A04	55	OTHER FLAT	Other	No Shape Match
10	A05	55	OTHER PARCEL	Other	No Shape Match
13	A09	55	OTHER CERTIFIED	Certified	Acctbils Del
1070	11A	2	FIRST CLASS LFP SINGLE PIECE NUMBERED INSURED	Insured	Acctbils Del
708	11B	2	FIRST CLASS LFP SINGLE PIECE REGISTERED	Registered	Acctbils Del
164	11C	2	FIRST CLASS LFP SINGLE PIECE COD AND CUSTOMS DUE	First Class Single Piece	No Shape Match
222	11D	2	FIRST CLASS LFP SINGLE PIECE PARCELS PDU	First Class Single Piece	Parcels Del & Postage Due
18242	11E	2	FIRST CLASS LFP SINGLE PIECE DELIVERY CONFIRMATION	First Class Single Piece	Parcels Del
490	11F	2	FIRST CLASS LFP SINGLE PIECE SIGNATURE CONFIRMATION	Other	Acctbils Del
4886183	111	2	FIRST CLASS LFP SINGLE PIECE DPS LETTER	First Class Single Piece	DPS Letters
103882	112	2	FIRST CLASS LFP SINGLE PIECE SECTOR SEG LETTER	First Class Single Piece	Sec Seg Letters
1988021	113	2	FIRST CLASS LFP SINGLE PIECE OTHER LETTER	First Class Single Piece	Other Letters
641817	114	2	FIRST CLASS LFP SINGLE PIECE FLAT	First Class Single Piece	Flats Del
108948	115	2	FIRST CLASS LFP SINGLE PIECE PARCEL	First Class Single Piece	Parcels Del
692	116	2	FIRST CLASS LFP SINGLE PIECE DIRECT BUNDLE	First Class Single Piece	Parcels Del
337	117	2	FIRST CLASS LFP SINGLE PIECE BOXHOLDER	First Class Single Piece	Boxhldrs Del
5317	118	2	FIRST CLASS LFP SINGLE PIECE PDU EXCL PDU PARCEL	First Class Single Piece	Postage Due
35975	119	2	FIRST CLASS LFP SINGLE PIECE CERTIFIED	Certified	Acctbils Del
140	12E	3	FIRST CLASS LFP NONAUTO PRESORTED DELIVERY CONFIRMATION	First Class Presort	Parcels Del
1955295	121	3	FIRST CLASS LFP NONAUTO PRESORTED DPS LETTER	First Class Presort	DPS Letters
50404	122	3	FIRST CLASS LFP NONAUTO PRESORTED SECTOR SEG LETTER	First Class Presort	Sec Seg Letters
666102	123	3	FIRST CLASS LFP NONAUTO PRESORTED OTHER LETTER	First Class Presort	Other Letters
83361	124	3	FIRST CLASS LFP NONAUTO PRESORTED FLAT	First Class Presort	Flats Del
2557	125	3	FIRST CLASS LFP NONAUTO PRESORTED PARCEL	First Class Presort	Parcels Del
47	126	3	FIRST CLASS LFP NONAUTO PRESORTED DIRECT BUNDLE	First Class Presort	Parcels Del
4618	127	3	FIRST CLASS LFP NONAUTO PRESORTED BOXHOLDER	First Class Presort	Boxhldrs Del
13	128	3	FIRST CLASS LFP NONAUTO PRESORTED PDU EXCL PDU PARCEL	First Class Presort	Postage Due
243	129	3	FIRST CLASS LFP NONAUTO PRESORTED CERTIFIED	Certified	Acctbils Del
88	13E	3	FIRST CLASS LFP AUTOMATION NONCARRIER DELIVERY CONFIRM	First Class Presort	Parcels Del
8221936	131	3	FIRST CLASS LFP AUTOMATION NONCARRIER DPS LETTER	First Class Presort	DPS Letters
136629	132	3	FIRST CLASS LFP AUTOMATION NONCARRIER SECTOR SEG LETTER	First Class Presort	Sec Seg Letters
1845333	133	3	FIRST CLASS LFP AUTOMATION NONCARRIER OTHER LETTER	First Class Presort	Other Letters
140504	134	3	FIRST CLASS LFP AUTOMATION NONCARRIER FLAT	First Class Presort	Flats Del
430	135	3	FIRST CLASS LFP AUTOMATION NONCARRIER PARCEL	First Class Presort	Parcels Del
127	136	3	FIRST CLASS LFP AUTOMATION NONCARRIER DIRECT BUNDLE	First Class Presort	Parcels Del
192	138	3	FIRST CLASS LFP AUTOMATION NONCARRIER PDU EXCL PDU PARCE	First Class Presort	Postage Due
1300	139	3	FIRST CLASS LFP AUTOMATION NONCARRIER CERTIFIED	Certified	Acctbils Del
18	14E	3	FIRST CLASS LFP AUTOMATION CARRIER DELIVERY CONFIRMATION	First Class Presort	Parcels Del
181541	141	3	FIRST CLASS LFP AUTOMATION CARRIER DPS LETTER	First Class Presort	DPS Letters
11758	142	3	FIRST CLASS LFP AUTOMATION CARRIER SECTOR SEG LETTER	First Class Presort	Sec Seg Letters
100661	143	3	FIRST CLASS LFP AUTOMATION CARRIER OTHER LETTER	First Class Presort	Other Letters
1519	144	3	FIRST CLASS LFP AUTOMATION CARRIER FLAT	First Class Presort	Flats Del
3	145	3	FIRST CLASS LFP AUTOMATION CARRIER PARCEL	First Class Presort	Parcels Del
3	146	3	FIRST CLASS LFP AUTOMATION CARRIER DIRECT BUNDLE	First Class Presort	Parcels Del
3	15D	4	FIRST CLASS POST CARD SINGLE PIECE PARCELS PDU	First Class Single Piece Card	Parcels Del & Postage Due
10	15E	4	FIRST CLASS POST CARD SINGLE PIECE DELIVERY CONFIRMATION	First Class Single Piece Card	Parcels Del

Vol. (000)	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
405995	151	4	FIRST CLASS POST CARD SINGLE PIECE DPS LETTER	First Class Single Piece Card	DPS Letters
8622	152	4	FIRST CLASS POST CARD SINGLE PIECE CARRI SECT SEG LETTER	First Class Single Piece Card	Sec Seg Letters
311262	153	4	FIRST CLASS POST CARD SINGLE PIECE OTHER LETTER	First Class Single Piece Card	Other Letters
27	156	4	FIRST CLASS POST CARD SINGLE PIECE DIRECT BUNDLE	First Class Single Piece Card	Parcels Del
2432	157	4	FIRST CLASS POST CARD SINGLE PIECE BOXHOLDER	First Class Single Piece Card	Boxhldrs Del
301	158	4	FIRST CLASS POST CARD SINGLE PIECE PDU EXCL PDU PARCEL	First Class Single Piece Card	Postage Due
17	159	4	FIRST CLASS POST CARD SINGLE PIECE CERTIFIED	Certified	Acctbls Del
121183	161	5	FIRST CLASS POST CARD NONAUTO PRESORT DPS LETTER	First Class Presort Card	DPS Letters
2366	162	5	FIRST CLASS POST CARD NONAUTO PRESORT SECTOR SEG LETTER	First Class Presort Card	Sec Seg Letters
82582	163	5	FIRST CLASS POST CARD NONAUTO PRESORT OTHER LETTER	First Class Presort Card	Other Letters
17	164	5	FIRST CLASS POST CARD NONAUTO PRESORT FLAT	First Class Presort Card	Flats Del
392491	171	5	FIRST CLASS POST CARD AUTO NONCARRIER DPS LETTER	First Class Presort Card	DPS Letters
7695	172	5	FIRST CLASS POST CARD AUTO NONCARRIER SECTOR SEG LETTER	First Class Presort Card	Sec Seg Letters
107930	173	5	FIRST CLASS POST CARD AUTO NONCARRIER OTHER LETTER	First Class Presort Card	Other Letters
7	176	5	FIRST CLASS POST CARD AUTO NONCARRIER DIRECT BUNDLE	First Class Presort Card	Parcels Del
17239	181	5	FIRST CLASS POST CARD AUTO CARRIER DPS LETTER	First Class Presort Card	DPS Letters
252	182	5	FIRST CLASS POST CARD AUTO CARRIER SECTOR SEG LETTER	First Class Presort Card	Sec Seg Letters
13011	183	5	FIRST CLASS POST CARD AUTO CARRIER OTHER LETTER	First Class Presort Card	Other Letters
34	193	9	FIRST CLASS MAILGRAM OTHER LETTER	Mailgram	Other Letters
4011	20A	7	PRIORITY NUMBERED INSURED	Insured	Acctbls Del
105	20B	7	PRIORITY REGISTERED	Registered	Acctbls Del
109	20C	7	PRIORITY COD AND CUSTOMS DUE	Priority Mail	No Shape Match
85	20D	7	PRIORITY PARCELS PDU	Priority Mail	Parcels Del & Postage Due
48906	20E	7	PRIORITY DELIVERY CONFIRMATION	Priority Mail	Parcels Del
786	20F	7	PRIORITY SIGNATURE CONFIRMATION	Other	Acctbls Del
1648	201	7	PRIORITY DPS LETTER	Priority Mail	DPS Letters
34	202	7	PRIORITY SECTOR SEG LETTER	Priority Mail	Sec Seg Letters
2673	203	7	PRIORITY OTHER LETTER	Priority Mail	Other Letters
43569	204	7	PRIORITY FLAT	Priority Mail	Flats Del
82452	205	7	PRIORITY PARCEL	Priority Mail	Parcels Del
38	206	7	PRIORITY DIRECT BUNDLE	Priority Mail	Parcels Del
47	208	7	PRIORITY PDU EXCL PDU PARCEL	Priority Mail	Postage Due
517	209	7	PRIORITY CERTIFIED	Certified	Acctbls Del
15602	301	10	PERIODICALS DPS LETTER	Periodicals	DPS Letters
1890	302	10	PERIODICALS SECTOR SEG LETTER	Periodicals	Sec Seg Letters
99723	303	10	PERIODICALS OTHER LETTER	Periodicals	Other Letters
2721016	304	10	PERIODICALS FLAT	Periodicals	Flats Del
4978	305	10	PERIODICALS PARCEL	Periodicals	Parcels Del
457	306	10	PERIODICALS DIRECT BUNDLE	Periodicals	Parcels Del
5959	307	10	PERIODICALS BOXHOLDER	Periodicals	Boxhldrs Del
3	308	10	PERIODICALS PDU EXCL PDU PARCEL	Periodicals	Postage Due
17	41A	15	STD REGULAR PRESORT NONAUTOMATION NUMBERED INSURED	Insured	Acctbls Del
47	41D	15	STD REGULAR PRESORT NONAUTOMATION PARCELS PDU	Presorted Standard Regular Other	Parcels Del & Postage Due
13666	41E	15	STD REGULAR PRESORT NONAUTOMATION DELIVERY CONFIRMATION	Presorted Standard Regular Other	Parcels Del
7	41F	15	STD REGULAR PRESORT NONAUTOMATION SIGNATURE CONFIRMATIO	Other	Acctbls Del
1804072	411	15	STD REGULAR PRESORT NONAUTOMATION DPS LETTER	Presorted Standard Regular Other	DPS Letters
38326	412	15	STD REGULAR PRESORT NONAUTOMATION SECTOR SEG LETTER	Presorted Standard Regular Other	Sec Seg Letters
889129	413	15	STD REGULAR PRESORT NONAUTOMATION OTHER LETTER	Presorted Standard Regular Other	Other Letters
672400	414	15	STD REGULAR PRESORT NONAUTOMATION FLAT	Presorted Standard Regular Other	Flats Del
171495	415	15	STD REGULAR PRESORT NONAUTOMATION PARCEL	Presorted Standard Regular Other	Parcels Del
121	416	15	STD REGULAR PRESORT NONAUTOMATION DIRECT BUNDLE	Presorted Standard Regular Other	Parcels Del
248218	417	15	STD REGULAR PRESORT NONAUTOMATION BOXHOLDER	Presorted Standard Regular Other	Boxhldrs Del
177	418	15	STD REGULAR PRESORT NONAUTOMATION PDU EXCL PDU PARCEL	Presorted Standard Regular Other	Postage Due

Vol. (000)	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
3	42D	15	STD REGULAR AUTOMATION PARCELS PDU	Presorted Standard Regular Other	Parcels Del & Postage Due
586	42E	15	STD REGULAR AUTOMATION DELIVERY CONFIRMATION	Presorted Standard Regular Other	Parcels Del
8412162	421	15	STD REGULAR AUTOMATION DPS LETTER	Presorted Standard Regular Other	DPS Letters
128540	422	15	STD REGULAR AUTOMATION SECTOR SEG LETTER	Presorted Standard Regular Other	Sec Seg Letters
2205108	423	15	STD REGULAR AUTOMATION OTHER LETTER	Presorted Standard Regular Other	Other Letters
3110182	424	15	STD REGULAR AUTOMATION FLAT	Presorted Standard Regular Other	Flats Del
50715	425	15	STD REGULAR AUTOMATION PARCEL	Presorted Standard Regular Other	Parcels Del
305	426	15	STD REGULAR AUTOMATION DIRECT BUNDLE	Presorted Standard Regular Other	Parcels Del
14744	427	15	STD REGULAR AUTOMATION BOXHOLDER	Presorted Standard Regular Other	Boxhldrs Del
90	428	15	STD REGULAR AUTOMATION PDU EXCL PDU PARCEL	Presorted Standard Regular Other	Postage Due
177954	431	14	STD REGULAR ECR BASIC DPS LETTER	Presorted Standard Regular ECR	DPS Letters
7735	432	14	STD REGULAR ECR BASIC SECTOR SEG LETTER	Presorted Standard Regular ECR	Sec Seg Letters
401528	433	14	STD REGULAR ECR BASIC OTHER LETTER	Presorted Standard Regular ECR	Other Letters
4394956	434	14	STD REGULAR ECR BASIC FLAT	Presorted Standard Regular ECR	Flats Del
16694	435	14	STD REGULAR ECR BASIC PARCEL	Presorted Standard Regular ECR	Parcels Del
171	436	14	STD REGULAR ECR BASIC DIRECT BUNDLE	Presorted Standard Regular ECR	Parcels Del
58300	437	14	STD REGULAR ECR BASIC BOXHOLDER	Presorted Standard Regular ECR	Boxhldrs Del
13	44E	14	STD REGULAR ECR BASIC AUTO DELIVERY CONFIRMATION	Presorted Standard Regular ECR	Parcels Del
541207	441	14	STD REGULAR ECR BASIC AUTO DPS LETTER	Presorted Standard Regular ECR	DPS Letters
11449	442	14	STD REGULAR ECR BASIC AUTO SECTOR SEG LETTER	Presorted Standard Regular ECR	Sec Seg Letters
386390	443	14	STD REGULAR ECR BASIC AUTO OTHER LETTER	Presorted Standard Regular ECR	Other Letters
78736	444	14	STD REGULAR ECR BASIC AUTO FLAT	Presorted Standard Regular ECR	Flats Del
40	445	14	STD REGULAR ECR BASIC AUTO PARCEL	Presorted Standard Regular ECR	Parcels Del
19280	447	14	STD REGULAR ECR BASIC AUTO BOXHOLDER	Presorted Standard Regular ECR	Boxhldrs Del
7	45E	14	STD REGULAR ECR HIGH DENSITY DELIVERY CONFIRMATION	Presorted Standard Regular ECR	Parcels Del
90007	451	14	STD REGULAR ECR HIGH DENSITY DPS LETTER	Presorted Standard Regular ECR	DPS Letters
47	452	14	STD REGULAR ECR HIGH DENSITY SECTOR SEG LETTER	Presorted Standard Regular ECR	Sec Seg Letters
79321	453	14	STD REGULAR ECR HIGH DENSITY OTHER LETTER	Presorted Standard Regular ECR	Other Letters
452715	454	14	STD REGULAR ECR HIGH DENSITY FLAT	Presorted Standard Regular ECR	Flats Del
65763	457	14	STD REGULAR ECR HIGH DENSITY BOXHOLDER	Presorted Standard Regular ECR	Boxhldrs Del
442087	461	18	STD REGULAR ECR SATURATION DPS LETTER	Presorted Standard Regular ECR	DPS Letters
28742	462	18	STD REGULAR ECR SATURATION SECTOR SEG LETTER	Presorted Standard Regular ECR	Sec Seg Letters
1239285	463	18	STD REGULAR ECR SATURATION OTHER LETTER	Presorted Standard Regular ECR	Other Letters
1518533	464	18	STD REGULAR ECR SATURATION FLAT	Presorted Standard Regular ECR	Flats Del
1441	465	18	STD REGULAR ECR SATURATION PARCEL	Presorted Standard Regular ECR	Parcels Del
1636522	467	18	STD REGULAR ECR SATURATION BOXHOLDER	Presorted Standard Regular ECR	Boxhldrs Del
1085	51A	23	PKG SVCS PARCEL POST NUMBERED INSURED	Insured	Acctbls Del
34	51C	23	PKG SVCS PARCEL POST COD AND CUSTOMS DUE	Package Services Parcel Post Zone Rate	No Shape Match
241	51D	23	PKG SVCS PARCEL POST PARCELS DUE	Package Services Parcel Post Zone Rate	Parcels Del & Postage Due
67246	51E	23	PKG SVCS PARCEL POST DELIVERY CONFIRMATION	Package Services Parcel Post Zone Rate	Parcels Del
121	51F	23	PKG SVCS PARCEL POST SIGNATURE CONFIRMATION	Other	Acctbls Del
96	511	23	PKG SVCS PARCEL POST DPS LETTER	Package Services Parcel Post Zone Rate	DPS Letters
37	512	23	PKG SVCS PARCEL POST SECTOR SEG LETTER	Package Services Parcel Post Zone Rate	Sec Seg Letters
40	513	23	PKG SVCS PARCEL POST OTHER LETTER	Package Services Parcel Post Zone Rate	Other Letters
1301	514	23	PKG SVCS PARCEL POST FLAT	Package Services Parcel Post Zone Rate	Flats Del
42340	515	23	PKG SVCS PARCEL POST PARCEL	Package Services Parcel Post Zone Rate	Parcels Del
34	516	23	PKG SVCS PARCEL POST DIRECT BUNDLE	Package Services Parcel Post Zone Rate	Parcels Del
3	518	23	PKG SVCS PARCEL POST PDU EXCL PDU PARCEL	Package Services Parcel Post Zone Rate	Postage Due
136	52A	24	PKG SVCS MEDIA & LIBRARY NUMBERED INSURED	Insured	Acctbls Del
7	52C	24	PKG SVCS MEDIA & LIBRARY COD AND CUSTOMS DUE	Package Services Media & Library Mail	No Shape Match
51	52D	24	PKG SVCS MEDIA & LIBRARY PARCELS PDU	Package Services Media & Library Mail	Parcels Del & Postage Due
8982	52E	24	PKG SVCS MEDIA & LIBRARY DELIVERY CONFIRMATION	Package Services Media & Library Mail	Parcels Del
17	52F	24	PKG SVCS MEDIA & LIBRARY SIGNATURE CONFIRMATION	Other	Acctbls Del
70	521	24	PKG SVCS MEDIA & LIBRARY DPS LETTER	Package Services Media & Library Mail	DPS Letters
17	522	24	PKG SVCS MEDIA & LIBRARY SECTOR SEG LETTER	Package Services Media & Library Mail	Sec Seg Letters
30	523	24	PKG SVCS MEDIA & LIBRARY OTHER LETTER	Package Services Media & Library Mail	Other Letters

Vol. (000)	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
6482	524	24	PKG SVCS MEDIA & LIBRARY FLAT	Package Services Media & Library Mail	Flats Del
26278	525	24	PKG SVCS MEDIA & LIBRARY PARCEL	Package Services Media & Library Mail	Parcels Del
7	528	24	PKG SVCS MEDIA & LIBRARY PDU EXCL PDU PARCEL	Package Services Media & Library Mail	Postage Due
3	54A	26	PKG SVCS BPM NUMBERED INSURED	Insured	Acctbls Del
94	54D	26	PKG SVCS BPM PARCELS PDUAND COD	Package Services Bound Printed Matter	Parcels Del & Postage Due
6081	54E	26	PKG SVCS BPM DELIVERY CONFIRMATION	Package Services Bound Printed Matter	Parcels Del
161	541	26	PKG SVCS BPM DPS LETTER	Package Services Bound Printed Matter	DPS Letters
40	542	26	PKG SVCS BPM SECTOR SEG LETTER	Package Services Bound Printed Matter	Sec Seg Letters
660	543	26	PKG SVCS BPM OTHER LETTER	Package Services Bound Printed Matter	Other Letters
75439	544	26	PKG SVCS BPM FLAT	Package Services Bound Printed Matter	Flats Del
67069	545	26	PKG SVCS BPM PARCEL	Package Services Bound Printed Matter	Parcels Del
206	546	26	PKG SVCS BPM DIRECT BUNDLE	Package Services Bound Printed Matter	Parcels Del
6977	547	26	PKG SVCS BPM BOXHOLDER	Package Services Bound Printed Matter	Boxhldrs Del
7	60C	8	EXPRESS COD AND CUSTOMS DUE	Express Mail	No Shape Match
89	603	8	EXPRESS OTHER LETTER	Express Mail	Acctbls Del
3298	604	8	EXPRESS FLAT	Express Mail	Acctbls Del
1383	605	8	EXPRESS PARCEL	Express Mail	Acctbls Del
10	606	8	EXPRESS DIRECT BUNDLE	Express Mail	Acctbls Del
3	608	8	EXPRESS PDU EXCL PDU PARCEL	Express Mail	Acctbls Del
3	609	8	EXPRESS CERTIFIED	Certified	Acctbls Del
31	71B	28	USPS/FREE USPS REGISTERED	United States Postal Service	Acctbls Del
7	71C	28	USPS/FREE USPS COD AND CUSTOMS DUE	United States Postal Service	No Shape Match
3	71D	28	USPS/FREE USPS PARCELS PDU	United States Postal Service	Parcels Del & Postage Due
174	71E	28	USPS/FREE USPS DELIVERY CONFIRMATION	United States Postal Service	Parcels Del
14807	711	28	USPS/FREE USPS DPS LETTER	United States Postal Service	DPS Letters
1607	712	28	USPS/FREE USPS SECTOR SEG LETTER	United States Postal Service	Sec Seg Letters
28263	713	28	USPS/FREE USPS OTHER LETTER	United States Postal Service	Other Letters
3930	714	28	USPS/FREE USPS FLAT	United States Postal Service	Flats Del
565	715	28	USPS/FREE USPS PARCEL	United States Postal Service	Parcels Del
47791	717	28	USPS/FREE USPS BOXHOLDER	United States Postal Service	Boxhldrs Del
825	718	28	USPS/FREE USPS PDU EXCL PDU PARCEL	United States Postal Service	Postage Due
21	719	28	USPS/FREE USPS CERTIFIED	Certified	Acctbls Del
2115	721	29	USPS/FREE FREE DPS LETTER	Free Mail	DPS Letters
3037	723	29	USPS/FREE FREE OTHER LETTER	Free Mail	Other Letters
2697	724	29	USPS/FREE FREE FLAT	Free Mail	Flats Del
3793	725	29	USPS/FREE FREE PARCEL	Free Mail	Parcels Del
58	81B	31	INTL ECONOMY LETTER POST REGISTERED	International	Acctbls Del
13	81E	31	INTL ECONOMY LETTER POST DELIVERY CONFIRMATION	International	Parcels Del
5939	811	31	INTL ECONOMY LETTER POST DPS LETTER	International	DPS Letters
17	812	31	INTL ECONOMY LETTER POST SECTOR SEG LETTER	International	Sec Seg Letters
3282	813	31	INTL ECONOMY LETTER POST OTHER LETTER	International	Other Letters
3045	814	31	INTL ECONOMY LETTER POST FLAT	International	Flats Del
285	815	31	INTL ECONOMY LETTER POST PARCEL	International	Parcels Del
3	816	31	INTL ECONOMY LETTER POST DIRECT BUNDLE	International	Parcels Del
3	819	31	INTL ECONOMY LETTER POST CERTIFIED	Certified	Acctbls Del
33	82B	32	INTL ECONOMY PARCEL POST REGISTERED	International	Acctbls Del
3	82C	32	INTL ECONOMY PARCEL POST COD AND CUSTOMS DUE	International	No Shape Match
3	82D	32	INTL ECONOMY PARCEL POST PARCELS PDU	International	Parcels Del & Postage Due
30	82E	32	INTL ECONOMY PARCEL POST DELIVERY CONFIRMATION	International	Acctbls Del
194	824	32	INTL ECONOMY PARCEL POST FLAT	International	Acctbls Del
1339	825	32	INTL ECONOMY PARCEL POST PARCEL	International	Acctbls Del
1010	91B	36	INTL AIR LETTER POST REGISTERED	International	Acctbls Del
75	91E	36	INTL AIR LETTER POST DELIVERY CONFIRMATION	International	Parcels Del
7	91F	36	INTL AIR LETTER POST SIGNATURE CONFIRMATION	International	Acctbls Del
26187	911	36	INTL AIR LETTER POST DPS LETTER	International	DPS Letters
321	912	36	INTL AIR LETTER POST SECTOR SEG LETTER	International	Sec Seg Letters

Vol. (000)	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
15404	913	36	INTL AIR LETTER POST OTHER LETTER	International	Other Letters
8019	914	36	INTL AIR LETTER POST FLAT	International	Flats Del
2413	915	36	INTL AIR LETTER POST PARCEL	International	Parcels Del
3	916	36	INTL AIR LETTER POST DIRECT BUNDLE	International	Parcels Del
10	919	36	INTL AIR LETTER POST CERTIFIED	Certified	Acctbls Del
266	92B	37	INTL AIR PARCEL POST REGISTERED	International	Acctbls Del
3	92C	37	INTL AIR PARCEL POST COD AND CUSTOMS DUE	International	No Shape Match
231	92E	37	INTL AIR PARCEL POST DELIVERY CONFIRMATION	International	Acctbls Del
7	92F	37	INTL AIR PARCEL POST SIGNATURE CONFIRMATION	International	Acctbls Del
3	921	37	INTL AIR PARCEL POST DPS LETTER	International	Acctbls Del
10	922	37	INTL AIR PARCEL POST SECTOR SEG LETTER	International	Acctbls Del
66	923	37	INTL AIR PARCEL POST OTHER LETTER	International	Acctbls Del
140	924	37	INTL AIR PARCEL POST FLAT	International	Acctbls Del
3018	925	37	INTL AIR PARCEL POST PARCEL	International	Acctbls Del
88	93B	38	INTL AIR EXPRE PRIOR REGISTERED	International	Acctbls Del
3	93C	38	INTL AIR EXPRE PRIOR COD AND CUSTOMS DUE	International	No Shape Match
3	93D	38	INTL AIR EXPRE PRIOR PARCELS PDU	International	Parcels Del & Postage Due
308	93E	38	INTL AIR EXPRE PRIOR DELIVERY CONFIRMATION	International	Parcels Del
3	93F	38	INTL AIR EXPRE PRIOR SIGNATURE CONFIRMATION	International	Acctbls Del
38	931	38	INTL AIR EXPRE PRIOR DPS LETTER	International	DPS Letters
157	933	38	INTL AIR EXPRE PRIOR OTHER LETTER	International	Other Letters
290	934	38	INTL AIR EXPRE PRIOR FLAT	International	Flats Del
524	935	38	INTL AIR EXPRE PRIOR PARCEL	International	Parcels Del
7	94B	39	INTL AIR EXPRESS REGISTERED	International	Acctbls Del
3	94D	39	INTL AIR EXPRESS PARCELS PDU	International	Postage Due
37	94E	39	INTL AIR EXPRESS DELIVERY CONFIRMATION	International	Parcels Del
7	943	39	INTL AIR EXPRESS OTHER LETTER	International	Other Letters
61	944	39	INTL AIR EXPRESS FLAT	International	Flats Del
177	945	39	INTL AIR EXPRESS PARCEL	International	Parcels Del

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAUL RIDDLE  
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 5 (AS CORRECTED)

**POIR5, Q7.** Please provide a table, using LOTUS.RURAL.FY2005.FY05MC.DATA, which shows the mail volume for each of the rate category codes listed in question 6.a. above, by the shape variables listed in question 6.b. above.

**RESPONSE:**

Please see the attachment to the response to POIR5 question 6.

RESPONSE OF U.S. POSTAL SERVICE WITNESS MILANOVIC (USPS-T-9) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 8

5. Please provide a table that matches mail volume for each rate category code by shape produced in question 6.b. with the mail volume by rate category by shape shown in B\_Workpapers, file CS10.xls, worksheet "Inputs DK." Please account for any discrepancies between the shape/rate category volumes listed in B\_Workpapers, file CS10.xls, worksheet "Inputs DK, and LOTUS.RURAL.FY2005.FY05MC.DATA.

**RESPONSE**

Please see POIR5 Q8 CS10.xls, attached. Volumes by rate category and shape using data from POIR Q6.xls are formatted to match volumes by rate category and shape as shown in B-Workpapers, revised CS10.xls -- worksheet "Inputs DK." Errata to that worksheet are being filed today.

Response to POIR 5, Question 8

InputsDK Rate_Category	DPS Letters	Sec Seg Letters	Other Letters	Flats Del	Parcels Del	Boxhldrs Del	Acctbls Del	Postage Due	No Shape Match
<b>FIRST-CLASS MAIL</b>									
First Class Single Piece	4,886,183	103,882	1,988,021	641,817	128,104	337		5,540	164
First Class Presort	10,358,772	198,790	2,612,095	225,384	3,413	4,618		205	
TOTAL LETTERS	15,244,955	302,672	4,600,117	867,201	131,518	4,955	0	5,745	164
First Class Single Piece Card	405,995	8,622	311,262		41	2,432		304	
First Class Presort Card	530,913	10,314	203,523	17	7				
TOTAL CARDS	936,908	18,936	514,786	17	47	2,432	0	304	0
<b>TOTAL FIRST-CLASS MAIL</b>	16,181,863	321,608	5,114,902	867,218	131,565	7,386	0	6,049	164
<b>PRIORITY MAIL</b>	1,648	34	2,673	43,569	131,482			132	109
<b>EXPRESS MAIL</b>							4,784		7
<b>MAILGRAMS</b>			34						
<b>PERIODICALS</b>	15,602	1,890	99,723	2,721,016	5,434	5,959		3	
<b>STANDARD MAIL</b>									
Presorted Standard Regular ECR	1,251,254	47,973	2,106,524	6,444,941	18,367	1,779,865			
Presorted Standard Regular Other	10,216,234	166,867	3,094,237	3,782,583	236,938	262,962		317	
<b>TOTAL STANDARD MAIL</b>	11,467,489	214,839	5,200,761	10,227,524	255,304	2,042,826	0	317	0
<b>PACKAGE SERVICES</b>									
Package Services Parcel Post Zone Rate	96	37	40	1,301	109,861			244	34
Package Services Bound Printed Matter	161	40	660	75,439	73,451	6,977		94	
Package Services Media & Library Mail	70	17	30	6,482	35,311			58	7
<b>TOTAL PACKAGE SERVICES</b>	327	94	729	83,223	218,623	6,977	0	397	41
<b>US POSTAL SERVICE</b>	14,807	1,607	28,263	3,930	743	47,791	31	828	7
<b>FREE MAIL</b>	2,115		3,037	2,697	3,793				
<b>INTERNATIONAL MAIL</b>	32,165	338	18,850	11,415	3,845		6,514	10	3
<b>SPECIAL SERVICES</b>									
Registered							812		7
Certified							38,101		
Insured							6,322		
Other							1,421		2,401
<b>TOTAL SPECIAL SERVICES</b>							46,657		2,408
<b>TOTAL VOLUME</b>	27,716,016	540,410	10,468,973	13,960,591	750,789	2,110,940	57,985	7,737	2,738

RESPONSE OF POSTAL SERVICE WITNESS KIEFER (USPS-T-37)  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

9. For Bound Printed Matter, the calculation of the value of leakages is based on the actual discounts. (See USPS-LR-L-41, workbook "R2006\_USPS-LR-L-41\_BPM Spreadsheets.xls," sheet "Revenue Leakages," column [E].) This does not seem to be the case for the other two Package Services, Parcel Post and Media/Library Mail.
- a. USPS-LR-L-82, workbook "WP-ParcelPost.xls," sheet "Leakages & Surcharges," calculates the value of leakages and surcharges in column [C] using the unit cost savings from the "inputs" sheet rather than the actual proposed discounts and surcharges. Please provide the rationale for using unit savings rather than the actual proposed discounts and surcharges in the calculation of their value for Parcel Post. Alternatively, please provide revised workpapers showing the calculation based on actual discounts and surcharges.

**RESPONSE**

Please see my response to UPS/USPS-T37-8, subpart (b)(i).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEH  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

**9b** USPS-LR-L-41, workbook "R2006\_USPS-LR-L-41\_Media and Library Spreadsheets.xls," sheet "TYBR Per Unit Costs," WP-MM-8, calculates the value of leakage from 5-Digit Presort and Basic Presort in column [C] using cost savings from the "inputs" sheet rather than the actual proposed discounts. Please provide the rationale for using unit savings rather than the actual proposed discounts in the calculation of their value for Media/Library Mail. Alternatively, please provide revised workpapers showing the calculation based on actual discounts.

**RESPONSE**

My approach to Media and Library Mail calculation of the value of leakages is consistent with the Media and Library Mail rate design in R2001-1. Calculating the value of leakages from 5-Digit Presort and Basic Presort using the cost savings from the "input" sheet rather than the actual proposed discounts is equivalent to using a 100 percent passthrough of the cost savings. This method helps reveal how much the passthrough had to be adjusted in order to obtain the appropriate rate relationships.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) No. 5**

10. In response to question 3 of POIR 2, the Postal Service states that “[i]n Docket No. R2006-1, neither the ENCIRCLE program in the PRC version nor the corresponding portion of the ENCIRCLE program in the USPS version is used.” Examining the Postal Service version of the mail processing SAS programs shows that SAS program MOD1POOL in USPS-LR-L-55 utilizes the encirclement rules. The documentation of USPS-LR-L-55 also references using the encirclement rules. See Attachment 3.
- a. Please provide the rationale for removing the encirclement rules from the PRC version, but including them in the USPS version.
  - b. Provide a revised PRC version of USPS-LR-L-100 if encirclement rules should have been included in the PRC version and the deletion of the encirclement program was an oversight.

**RESPONSE**

- a. A comparison of the ENCIRCLE programs for both USPS and PRC versions in Docket No. R2005-1 shows that the encirclement SAS codes in the USPS version consist of two parts: the first part essentially corresponds to the ENCIRCLE program in the PRC version, and the second part is used only in the USPS version and is not included in the PRC version (see the section of the SAS codes towards the end of the ENCIRCLE.rtf file, starting after the asterisked line in the attached CD of USPS-LR-K-55, under the SAS Programs directory).

It is both the first part of the USPS ENCIRCLE program and the PRC ENCIRCLE program in Docket No. R2005-1 which are not used in Docket No. R2006-1 (see the Postal Service response to POIR No.2, question #3 for the explanation of why those encirclement rules are not used in the PRC version; the same explanation applies to the USPS version).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5**

Only the second part of the USPS ENCIRCLE program filed in Docket No. R2005-1 makes up the USPS ENCIRCLE program which is used in this Docket (see the SAS codes in the ENCIRCLE.rtf file in the attached CD of USPS-LR-L-55, under the MODS subdirectory of the SAS Programs directory). The SAS codes in the USPS ENCIRCLE program have been used since Docket No. R2000-1. They have never been incorporated in the PRC version since the Commission's acceptance of these changes cannot be presumed, particularly when a review of the Commission's spreadsheets in Docket No. R2001-1 indicates no change. Those SAS codes account for the differences in the treatment of Special Services between the USPS version and the PRC version which are reported in this Docket and in Docket No. 2005-1 under Section D.3 of USPS-T11 in compliance with the Rule 53 requirements.

- b. See the response to a) above. The deletion of the program is not an oversight.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING  
OFFICER'S INFORMATION REQUEST (POIR) No. 11**

11. Please provide a copy of the current version of the Postal Operations Manual (POM).

**RESPONSE**

Please see library reference USPS-LR-L-149, Postal Operations Manual, Issue 9.

RESPONSE OF U.S. POSTAL SERVICE WITNESS MILANOVIC (USPS-T-9) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 12a

**12a** Please confirm (if not confirmed, please explain):

- a. The Periodical volumes in line 3, "CCS," are used in the B workpapers' Cost Segment 6 and 7 distribution key, which distributes volume variable costs by shape, to class and subclass.

**RESPONSE:**

Confirmed that the Periodical volumes shown in line 3, "CCS", of Table 1, can be found in B\_Workpapers, CS 7. Although VolAdj.USPS.xls is part of USPS-LR-L-67, the CCS volumes provided by witness Harahush, are used to distribute Cost Segment 7 costs in the B\_Workpapers. The distribution of volume variable costs by shape is a disaggregation performed in USPS-LR-L-67.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

<b>Table 1</b>			
<b>Volume (000)</b>	<b>A</b>	<b>B</b>	<b>C</b>
	<b>Letters</b>	<b>Flats</b>	<b>Parcels</b>
<b>1 RPW</b>	159,750	8,908,484	1,769
<b>2 RCS (without boxholder)</b>	117,215	2,721,016	5,434
<b>3 CCS</b>	233,294	5,211,119	32,035
<b>4 Ratio of RCS to RPW</b>	0.239		0.255
<b>5 RCS Adjusted with Boxholder</b>	38,224	2,810,948	452
<b>6 Ratio of CCS to RPW</b>	0.550		0.499
<b>7 CCS Adjusted</b>	87,800	5,387,766	883
<b>8 Delivered Volume</b>	126,023	8,198,714	1,335
<b>9 Ratio of Delivered to RPW</b>	0.7889	0.9203	0.7547
From Workbook "VolAdj.USPS.xls"			
<b>1</b>	=PeriodicalsVolAdj!C9-11		
<b>2</b>	=PeriodicalsVolAdj!G9-11		
<b>3</b>	=PeriodicalsVolAdj!D9-11		
<b>4</b>	=LetterVols!G9	=ParcelVols!I15	
<b>5</b>	=PeriodicalsVolAdj!H9-11+'8.RuralCrosswalk!G12,K12,N12		
<b>6</b>	=LetterVols!F9	=ParcelVols!H15	
<b>7</b>	=PeriodicalsVolAdj!E9-11		

12. Please confirm (if not confirmed, please explain):
- a. The Periodical volumes in line 3, "CCS," are used in the B workpapers' Cost Segment 6 and 7 distribution key, which distributes volume variable costs by shape, to class and subclass.
  - b. The Periodical volumes in line 7, "CCS Adjusted," are developed in USPS-LR-L-67 and used in conjunction with the Periodical Volumes in line 3 ("CCS") to redistribute the existing CCS class costs (developed in part a.) by shape within the class.
  - c. The Periodical volumes in line 2, "RCS (without boxholder)," are used in the B workpapers' Cost Segment 10 distribution key, which distributes volume variable costs by shape, to class and subclass.
  - d. The Periodical volumes in line 5, "RCS Adjusted with Boxholder" are developed in USPS-LR-L-67 and used in conjunction with the Periodical Volumes in line 2 ("RCS") to redistribute the existing RCS class costs (developed in part b.) by shape within the class.

**Response**

I am assuming that this question refers to information in Table 1.

b. Confirmed.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

d. Confirmed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS MILANOVIC (USPS-T-9) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 12c

12. Please confirm (if not confirmed, please explain):

c. The Periodical volumes in line 2, "RCS (without boxholder)," are used in the B workpapers' Cost Segment 10 distribution key, which distributes volume variable costs by shape, to class and subclass.

**RESPONSE:**

Confirmed that the Periodical volumes shown in line 2, "RCS(without boxholder)", of Table 1, can be found in B\_Workpapers, CS 10. Although VolAdj.USPS.xls is part of USPS-LR-L-67, the RCS volumes provided by witness Riddle, both with and without boxholder volumes, are used to distribute Cost Segment 10 costs in the B\_Workpapers. The distribution of volume variable costs by shape is a disaggregation performed in USPS-LR-L-67.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

13. Please confirm (if not confirmed, please explain):
- a. The ratio of RCS to RPW Letters, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Standard, and Free/US Postal Service” (as measured by the RCS and RPW, respectively), is used to develop “RCS Adjusted” Letter Volume by multiplying this ratio by the RPW Periodical Letter Volume.
  - b. The ratio of CCS to RPW Letters, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Standard, and Free/US Postal Service” (as measured by the CCS and RPW, respectively), is used to develop “CCS Adjusted” Letter Volume by multiplying this ratio by the RPW Periodical Letter Volume.
  - c. The ratio of RCS to RPW Parcels, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Post-Crosswalk Standard Regular, Bound Printed Matter, Zone Rate Parcels, Media Mail, and Free/US Postal Service Mail” (as measured by the RCS and RPW, respectively), is used to develop “RCS Adjusted” Parcel Volume by multiplying this ratio by the RPW Parcel Volume.
  - d. The ratio of CCS to RPW Parcels, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Post-Crosswalk Standard Regular, Bound Printed Matter, Zone Rate Parcels, Media Mail, and Free/US Postal Service Mail” (as measured by the CCS and RPW, respectively), is used to develop “CCS Adjusted” Parcel Volume by multiplying this ratio by the RPW Parcel Volume.
  - e. The difference in volume between cells A3 and A7 is shifted from Letters to Flats. The difference in volume between cells A2 and A5 is shifted from Letters to Flats.
  - f. The difference in volume between cells C3 and C7 is shifted from Parcels to Flats. The difference in volume between cells C2 and C5 is shifted from Parcels to Flats.

**Response**

I am assuming that this question relates to Table 1 provided with the POIR, which for purposes of this POIR response is attached to my response to item 12.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

d. Confirmed.

e. Not confirmed. The difference in volume between cells A3 and A7 represents the city volume that is shifted from letters to flats. However, the difference between A2 and A5 does not represent the rural volume shift from letters to flats. Row 5 in the table includes boxholder volume which is distributed to shape in the same proportion as originating volume. For Periodical letters, 105 of the total Periodical boxholder volume from RCCS is distributed to Periodical letters. Subtracting 105 from the figure in the table, 38,224, equals 38,119. The amount of Periodical volume shifted from letters to flats is found by subtracting 38,119 from 117,215 which equals 79,097. That figure is contained in cell I9 of worksheet VolAdj.USPS.xls in USPS-LR-L-67.

f. Not confirmed. The difference in volume between cells C3 and C7 represents the city volume that is shifted from parcels to flats. However, the difference between C2 and C5 does not represent the rural volume shift from parcels to flats. Row 5 in the table includes boxholder volume which is distributed to shape in the same proportion as originating volume. For Periodical parcels, 1 of the total Periodical boxholder volume from RCCS is distributed to Periodical parcels. Subtracting that amount from the figure in the table, 452, equals 451. The amount of Periodical volume shifted from parcels to flats is found by subtracting 451 from which equals 4,983. That figure is contained in cell I11 of worksheet VolAdj.USPS.xls in USPS-LR-L-67.

## **RESPONSE OF POSTAL SERVICE WITNESS KELLEY TO POIR NO. 5**

14. When developing the RCS/RPW and CCS/RPW ratios, please explain the rationale for including or excluding the volumes of each subclass. Please focus the response on the shared characteristics (e.g., the percentage of mail delivered) between the included volumes and Periodicals.

### **Response**

I am assuming that this question relates to Table 1 provided with the POIR, which for purposes of this POIR response is attached to my response to item 12.

The ratios in rows four and six of column A in Table 1 that were used to determine the magnitude of the Periodical volume shift from letters to flats were derived by taking the average ratio of delivered letters, separately by carrier system, to originating letters across several subclasses of mail. However, due to the magnitude of the volumes of the subclasses considered, the ratio was, essentially, a weighted average of the ratio of delivered volume to originating volume for Standard Mail and First Class Single Piece, with Standard Mail bearing a heavier influence on the ratio due to its greater volume. My belief is that the delivery characteristics of Standard letters are a better proxy for Periodical letters than First Class Single Piece letters, but absent specific data on the issue, I was not comfortable using only the volume for Standard letters in deriving the ratios in rows four and six of column A of Table 1.

The ratios in rows four and six of column C in Table 1 that were used to determine the magnitude of the Periodical volume shift from parcels to flats were derived by taking the average ratio of delivered parcels, separately by carrier system, to originating parcels across several subclasses of mail. Since the originating volume of Periodical parcels is so small with respect to other classes, I found it difficult to compare the delivery characteristics of Periodical parcels with any specific subclass of mail. Therefore, I

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

thought it would be reasonable to use the average, weighted by subclass volume, of delivered volume to originating volume.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

15. Please explain why, using the adjusted volumes found in lines 5 and 7, the ratios of Delivered Volume to RPW for Letters and Parcels are 13.1% and 16.6% smaller, respectively, than the ratio for Flats. Please focus on the specific manner in which these shapes' characteristics cause this difference.

**Response**

I am assuming that this question relates to Table 1 provided with the POIR, which for purposes of this POIR response is attached to my response to item 12.

The ratios in rows four and six of Table 1 that determined the magnitude of the volume adjustment from Periodical letters to flats and from Periodical parcels to flats were applied without the constraint of making the post-crosswalked ratios of delivered volume to originating volume, as shown in row 9 of Table 1, equal across shapes. Given that I had no specific data addressing this issue, I could find no justification for applying a condition that would result in equal ratios of delivered volumes to originating volumes in the subclasses receiving adjustments, such as Periodicals, but not for other subclasses which did not receive a volume adjustment.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

16. USPS-T-30 at page 15, beginning at line 6 states that “[S]ince the costs and volumes are derived from different systems, the possibility exists that the estimated aggregate volume from CCS, which provides a distribution key for cost segment 7 and 10 costs, exceeds the estimated total originating volume. This is an incongruous result since it leads to the conclusion that more mail from a specific rate category is delivered on city and rural routes than was mailed. USPS-LR-L-67 handles this situation by transferring costs from cost segments 6, 7, and 10 from the rate category with the anomalous estimated volume to a rate category that does not have this situation. In practical terms, the volume variable cost segment 6, 7, and 10 costs are generally transferred from parcels to flats within a particular category of mail...” (Footnote omitted.)

- a.. Please confirm that the statement quoted above is the rationale behind the shifts of volumes of parcels to flats. If not, please explain fully.
- b..If so, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for parcels).
- c. Please explain if, and how, the above statement also applies to the letter to flat volume shift.
- d.. If the above statement applies to the letter to flat volume shift, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for letters).
- e. Would you agree that the ODIS/RPW survey generally produces more reliable results than the RCCS and CCCS surveys? Please discuss measures taken to evaluate the reliability of RCCS and CCCS volume estimates when the delivered volume is not higher than the originating volume (e.g., parcel crosswalk).

**Response**

- a. Confirmed.
- c. Yes the above statement applies to letter to flat volume shift. Since the aggregated estimated Periodical volume of letters from the city and rural carrier systems exceeded the originating volume, a crosswalk was developed to shift letters to flats.

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO  
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

16. USPS-T-30 at page 15, beginning at line 6 states that “[S]ince the costs and volumes are derived from different systems, the possibility exists that the estimated aggregate volume from CCS, which provides a distribution key for cost segment 7 and 10 costs, exceeds the estimated total originating volume. This is an incongruous result since it leads to the conclusion that more mail from a specific rate category is delivered on city and rural routes than was mailed. USPS-LR-L-67 handles this situation by transferring costs from cost segments 6, 7, and 10 from the rate category with the anomalous estimated volume to a rate category that does not have this situation. In practical terms, the volume variable cost segment 6, 7, and 10 costs are generally transferred from parcels to flats within a particular category of mail...” (Footnote omitted.)

- a. Please confirm that the statement quoted above is the rationale behind the shifts of volumes of parcels to flats. If not, please explain fully.
- b. If so, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for parcels).
- c. Please explain if, and how, the above statement also applies to the letter to flat volume shift.
- d. If the above statement applies to the letter to flat volume shift, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for letters).
- e. Would you agree that the ODIS/RPW survey generally produces more reliable results than the RCCS and CCCS surveys? Please discuss measures taken to evaluate the reliability of RCCS and CCCS volume estimates when the delivered volume is not higher than the originating volume (e.g., parcel crosswalk).

Response

b. The CCCS and RCCS surveys are statistical surveys and as such they obtain rate and shape (or compensation category) information from a sample of routes. For services that have apparent anomalies, the RPW data are obtained from mailing statements and are reported through the PostalOne system. As such, RCCS and CCCS data collectors classify mail by rate category and shape according to the markings and endorsements they see on the mailpieces and how the mailpiece looks at the time of

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO  
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

delivery using defined shape measurement rules, while RPW data come from the mailing statements entered at the many BMEU's across the country at the time of mailing. Examples of situations where a mailpiece can be correctly recorded as a flat in PostalOne and as a parcel in CCCS and RCCS follow.

For Presorted Standard parcels, it is very important to understand that according to the regulations in DMM 301.3.4.2, mailpieces between  $\frac{3}{4}$  and  $1 \frac{1}{4}$  inches thick can pay either flat or parcel rates. Mailpieces prepared as automation flats pay flat rates and avoid the parcel surcharge. Those same pieces entered as flats in order to avoid the parcel rate surcharge would be counted as parcels in CCCS and are likely recorded in the Parcel Compensation Category in RCCS. So both systems are **correctly** recording the mailpieces as they see them when the recording takes place.

For Periodical parcels, it is important to once again understand how data are entered into the mailing statements and also understand what data collection technicians see at the time of recording mailpiece information at the carrier case. The Postal Service permits daily publications to document mailings for the entire month on a single postage statement. If one or more edition of a publication exceeds  $\frac{3}{4}$  inch in a monthly statement of flat publications, it would show as a flat on the mailing statement but would be recorded as a parcel by the data collectors at the case because its width exceeds  $\frac{3}{4}$  inch.

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO  
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

There are other instances where Periodicals may show as flats on mailing statements and parcels in the data systems. For example, if a large but less than  $\frac{3}{4}$  inch flat is rolled prior to its receipt by the carrier so the carrier can handle the mailpiece more easily and efficiently, the flat would be counted as a parcel in the carrier systems because it is thicker than  $\frac{3}{4}$  inch. Furthermore, if a Periodical flat is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle as a Periodical parcel, using the top-piece rule. Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case separation with other mail. In the CCCS, if a large Periodical flat is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system.

Certainly, human error is possible, whether it be at the carrier case or at the BMEU. However, it must be noted that none of the noted differences constitute more than a minor percentage of the total volume involved. Of the four rate category/shape classifications, some are extremely small categories of mail. A very small error in classification from major shape (flat) to one of the minor shapes (parcels) would be magnified in the small shape estimate. But by no means does the minor classification error even indicate that there is a systematic data collection problem.

d. The CCCS and RCCS surveys are statistical surveys and as such they obtain rate and shape (or compensation category) information from a sample of routes. RPW

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO  
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

data are obtained from mailing statements and are reported through the PostalOne system. As such, RCCS and CCCS data collectors classify mail by rate category and shape according to the markings and endorsements they see on the mailpieces and how the mailpiece looks at the time of delivery using defined shape measurement rules, while RPW data come from the mailing statements entered at the many BMEU's across the country at the time of mailing. Examples of situations where a mailpiece can be correctly recorded as a flat in PostalOne and as a letter in CCCS and RCCS follow.

In RCCS, it is possible that mailpieces exceeding  $\frac{1}{4}$  inch in thickness that are "flats" on the postage statement are recorded as one of the letter compensation categories if the mailpiece is  $6 \frac{1}{8}$  inches or less in height and can be cased in the separations of the carrier's case. For example, small magazines less than  $\frac{3}{8}$  inch could be counted as letters.

In CCCS, if a carrier is using a two case system and puts a flat in the letter case, the data collector will count the flat-shaped mailpiece as a letter.

Certainly, human error is possible, whether it be at the carrier case or at the BMEU.

However, it must be noted that none of the noted differences constitute more than a minor percentage of the total volume involved. A very small error in classification from the major shape (periodical flat) to one of the minor shape (periodical letter) would be magnified in

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO  
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

the small shape estimate. But by no means does the minor classification error even indicate that there is a systematic data collection problem.

e. ODIS/RPW results are not used in any of the comparisons discussed in 16a through 16d; the comparisons of estimates are between the carrier statistical systems and data derived from PostalOne. Thus, an analysis of the relative reliability of ODIS/RPW versus and the RCCS and CCCS surveys will not shed light on these issues.

In general, if “reliability” is construed as having lower statistical variance, then ODIS/RPW will be more reliable than RCCS and CCCS respectively, because ODIS/RPW has a larger quarterly sample size. However, if “reliability” is not construed in this sense, it is impossible to answer the question about the general reliability without specifying a particular mail category and a particular end use of the data, because the systems have different purposes and use different rules in order to achieve different results.

Both CCCS and RCCS have very strict and detailed editing rules and error checks embedded in their respective softwares and processes. The checks and editing processes are discussed in LR -11 and LR -12. However, to recap the points of the library references, there are data quality checks in each of the systems’ data entry software, checks as the data are transferred from the laptop to the web base unit, weekly checks of the data by headquarters personnel as the data are transferred from the web base unit to the mainframe (including callbacks to field personnel), checks of the data on the sum of

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO  
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

RCCS and CCCS to the quarterly RPW Report (rolled up to CRA rate levels over all shapes) and checks of the RCCS and CCCS by personnel other than those in Statistical Programs.

RESPONSE OF U.S. POSTAL SERVICE WITNESS MILANOVIC (USPS-T-9) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 17a-b

Table 2							
	A	B	C	D	E	F	G
	DPS Letters	Sec Seg Letters	Other Letters	Flats Del	Parcels Del		
<b>1 Periodical Volume (000)</b>	15,602	1,890	99,723	2,721,016	5,434		
	DPS	Sec Seg	Letters	Flats	Parcels		
<b>2 Periodical Cost (000)</b>	243	84	4,495	144,278	1,538		
<b>3 Unit Cost</b>	0.0156	0.0442	0.0451	0.0530	0.2831		
	dLet/rDps	dLet/rSS	dFlat/rFlat	dFlat/rFlat	dPar/dPar	dFlat/rLet	dFlat/rPar
<b>4 Periodical Volume (000)</b>	15,602	1,890	20,626	2,721,016	451	79,097	4,983
<b>5 Periodical Cost (000)</b>	243	84	930	144,278	128	3,565	1,411
<b>6 Unit Cost</b>	0.0156	0.0442	0.0451	0.0530	0.2831	0.0451	0.2831
<b>1</b>	USPS-LR-L-5						
	File		"I-Forms.xls"				
	Worksheet		"I-CS10.RCS"				
<b>2-3</b>	USPS-LR-L-67						
	File		"UDCModel.USPS.XLS"				
	Worksheet		"6.Rural Cost"				
<b>4-6</b>	USPS-LR-L-67						
	File		"UDCModel.USPS.XLS"				
	Worksheet		"8.Rural Crosswalk"				

17. Please confirm, with respect to the above table, the following (If not confirmed, please explain fully):
- a. The volumes in A1-E1 are the Periodical Volumes (as measured by the RCCS) used in Cost Segment 10 to distribute shape costs to subclass.
  - b. The costs in A2-E2 are those found in CS10, worksheets 10.1.2 and 10.2.2.

**RESPONSE:**

- a. Confirmed that the periodical volumes, as measured by the RCCS, are used to distribute costs in Cost Segment 10. The distribution of volume variable costs by shape is a disaggregation performed in USPS-LR-L-67.

RESPONSE OF U.S. POSTAL SERVICE WITNESS MILANOVIC (USPS-T-9) TO  
PRESIDING OFFICER'S INFORMATION REQUEST (POIR) No. 5, 17a-b

**RESPONSE TO POIR No. 5, 17a-b (continued)**

b. Confirmed that the costs in A2-E2, which are part of LR-L-67, are also found in CS 10, and are the sum of the individual values obtained from worksheets 10.1.2 and 10.2.2.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

Table 2							
	A	B	C	D	E	F	G
	DPS Letters	Sec Seg Letters	Other Letters	Flats Del	Parcels Del		
<b>1 Periodical Volume (000)</b>	15,602	1,890	99,723	2,721,016	5,434		
	DPS	Sec Seg	Letters	Flats	Parcels		
<b>2 Periodical Cost (000)</b>	243	84	4,495	144,278	1,538		
<b>3 Unit Cost</b>	0.0156	0.0442	0.0451	0.0530	0.2831		
	dLet/rDps	dLet/rSS	dFlat/rFlat	dFlat/rFlat	dPar/dPar	dFlat/rLet	dFlat/rPar
<b>4 Periodical Volume (000)</b>	15,602	1,890	20,626	2,721,016	451	79,097	4,983
<b>5 Periodical Cost (000)</b>	243	84	930	144,278	128	3,565	1,411
<b>6 Unit Cost</b>	0.0156	0.0442	0.0451	0.0530	0.2831	0.0451	0.2831
<b>1</b>	USPS-LR-L-5 File Worksheet		"I-Forms.xls" "I-CS10.RCS"				
<b>2-3</b>	USPS-LR-L-67 File Worksheet		"UDCModel.USPS.XLS" "6.Rural Cost"				
<b>4-6</b>	USPS-LR-L-67 File Worksheet		"UDCModel.USPS.XLS" "8.Rural Crosswalk"				

17. Please confirm, with respect to the above table, the following (If not confirmed, please explain fully):
- a. The volumes in A1-E1 are the Periodical Volumes (as measured by the RCCS) used in Cost Segment 10 to distribute shape costs to subclass.
  - b. The costs in A2-E2 are those found in CS10, worksheets 10.1.2 and 10.2.2.
  - c. The unit costs in A3-E3 are those developed by the RCCS, used in conjunction with the volumes found in A1-E1 to develop the CS10 costs found in A2-E2.
  - d. The volumes in A4-E4 are the Periodical Volumes found in the "8.Rural Crosswalk" sheet, file UDCMODEL.USPS in LR-L-67, correlating to the volume shift described earlier.
  - e. The letters shifted to flats are considered "Other Letters," and the cost shift, per unit, is the "Other Letter" unit cost.
  - f. The parcels shifted to flats are considered "Parcels," and the cost shift, per unit, is the "Parcels" unit cost.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

**Response**

- c. Not confirmed. The cost segment 10 costs are not derived using the unit costs in Table 2. The costs are calculated in cost segment 10 are distributed to subclass within each compensation category based on the volumes from RCCS. After the cost segment 10 costs are distributed to subclass, USPS-LR-L67 calculates the unit costs as shown in Table 2.
- d. Confirmed.
- e. Confirmed.
- f. Confirmed.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

18. Please explain:
- a. why pieces moved from Letters to Flats (see question 17.e.) incur costs as “Other Letters;”
  - b. why pieces moved from Parcels to Flats (see question 17.f.) incur costs as “Parcels.”

**Response**

I am assuming that this question relates to Table 2 provided with the POIR, which for purposes of this POIR response is attached to my response to item 17.

- a. The Rural Carrier Cost System (RCCS) records mail volume by compensation category rather than shape. The data collectors record sampled pieces in accordance with the rules used for the Rural Carrier Mail (RMC) counts which are utilized to compensate rural carriers. The shifted volume from letters to flats represents an estimate of the number of pieces that were recorded in the compensation category “Other Letters” by RCCS but qualified as flats according to the DMM definition of flats.

The reason I used the “Other Letter” unit cost to shift the costs is that I assumed that RCCS accurately captures the delivery cost consequences of sampled pieces. In this instance, for each shifted piece, presumably, the rural carrier was compensated for either a “DPS Letter”, “Sector Segment Letter”, or “Other Letters”. Since “DPS” and “Sector Segment Letters” are automated and are designed to run on barcode sorters, I concluded that pieces recorded as “Other Letters” as opposed to “DPS” or “Sector Segment” letters had the dimensions that qualified them as flats according to the DMM. Therefore, the shifted rural Periodical volume from letters to flats came from volume contained in the “Other Letter compensation category.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

b. The Rural Carrier Cost System (RCCS) records mail volume by compensation category rather than shape. The data collectors record sampled pieces in accordance with the rules used for the Rural Carrier Mail (RMC) counts which are used to compensate rural carriers. The shifted parcel to flat volume represents an estimate of the number of pieces that were recorded in the compensation category "Parcels Delivered" by RCCS but qualified as flats according to the DMM definition of flats.

The reason I used the unit costs for "Parcels" to shift the cost is that I assume that RCCS accurately captures the delivery cost consequences of sampled pieces. For each piece that was moved from parcels to flats, the rural carrier was compensated for that piece at the parcel rate. Therefore, since each shifted piece actually incurred parcel delivery costs equal to the corresponding unit parcel cost in the table, that cost was shifted to flats in deriving unit delivery costs.

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

19. Please provide, for cost segments 6 and 7, a table similar to Table 2, as well as a rationale behind the cost shifts.

**Response**

I am assuming that this question relates to Table 2 provided with the POIR, which for purposes of this POIR response is attached to item 17.

The objective of USPS-LR-L-67 is to calculate accurate delivery costs by rate category. This involves both the shape – letter, flat, or parcel – and the content of the mail. The denominator for all of the unit delivery costs is the total originating volume for that rate category. However, the costs are largely dependent on the volumes recorded from the city and rural carrier cost systems (CCS). Since the costs and volumes are derived from different systems, the possibility exists that the estimated aggregate volume from CCS, which provides a distribution key for cost segment 7 and 10 costs, exceeds the estimated total originating volume. Some of the reasons for this occurring are contained in response to POIR No 5. question 16 (b). Regardless of the specific reasons, I think it is important to account for this result by making a reasonable adjustment to the costs for the rate categories affected.

Specifically, for Periodical letters and parcels, CCCS estimates base year volumes of 233,294 letters and 32,035 parcels, as compared with the estimates from RPW of 159,750 letters and 1,769 parcels. I concluded that deriving the unit delivery costs based on unadjusted volumes would place too much cost burden on letters and parcels and consequently lower the flats unit delivery cost. In an effort to develop a unit delivery cost with costs in the numerator consistent with the volumes in the denominator, I made the volume and cost adjustments that are used in USPS-LR-L-67 and that are summarized in

**RESPONSE OF POSTAL SERVICE WITNESS KELLEY  
TO POIR NO. 5**

the attached spreadsheet.

The attached spreadsheet shows that \$7.42 million were shifted from Periodical letters to flats, and that \$7.36 million were shifted from parcels to flats. Since city costs are not derived with different costs pools for DPS and 'Other' letters, no distinction needed to be made with regard to the cost of the type of letter that was shifted to flats. City parcel costs, however, are divided between small and large parcels. After the magnitude of the shift is determined, as many small parcels, up to the estimated volume, are shifted from small parcels to flats. Then the remaining volume, if any, that needs to be shifted comes from the CCCS large parcel volume. The justification for this approach is that it seems much more likely that pieces recorded as small parcels have dimensions that qualify as flats according to the DMM. For Periodicals, the shift results in 23,343 small parcels and 7,909 large parcels which corresponded to \$7.36 million in segment 6 and 7 costs being shifted to flats.

Line No		Letter (includes DPS)	Flat	Small Parcel	Large Parcel	Total Parcels	Total Volume										
(1)	Periodical Volume (000) (Unadjusted)	233,294	5,211,119	23,243	8,792	32,035	5,476,448										
(2)	Periodical Volume (000) (Adjusted)	87,800	5,387,766	-	883	883	5,476,448										
(3)	Volume Difference	(145,494)	176,647	(23,243)	(7,909)	(31,152)	-										
				6.2 Support Other (burdened on Office) (3)	6.2 Support Other (burdened on Letter Routes) (4)	6.2 Support Other (burdened on SPR Street) (5)	6.2 Support (6)	Total Segment 6 (7)	7.1 Delivery Activities Letter Routes (8)	7.1 Delivery Activities Special Purpose Routes (9)	7.1 Total Costs (10)	7.2 Support Activities Letter Routes (11)	7.2 Support Activities Special Purpose Routes (12)	Total Cost Segment 7 (13)	Total Cost Segments 6 and 7 (14)		
	Periodical Subclass Cost (000)	\$ 259,620	\$ 59,591	\$ 11,140	\$ 4,459	\$ 68	\$ 75,258	\$ 334,878	\$ 112,742	\$ 4,447	\$ 117,189	\$ 13,676	\$ 1,492	\$ 132,357	\$ 467,235		
	Periodicals Letters Cost (000) Unadjusted	\$ 5,281	\$ 1,212	\$ 227	\$ 168	\$ 3	\$ 1,609	\$ 6,890	\$ 4,243	\$ 189	\$ 4,432	\$ 515	\$ 64	\$ 5,010	\$ 11,900		
	Periodicals Flats Cost (000) Unadjusted	\$ 253,279	\$ 58,136	\$ 10,868	\$ 4,077	\$ 65	\$ 73,145	\$ 326,425	\$ 103,080	\$ 4,231	\$ 107,312	\$ 12,504	\$ 1,420	\$ 121,235	\$ 447,660		
	Periodicals Parcels Cost (000) Unadjusted	\$ 1,060	\$ 243	\$ 45	\$ 214	\$ 0	\$ 503	\$ 1,563	\$ 5,419	\$ 26	\$ 5,445	\$ 657	\$ 9	\$ 6,111	\$ 7,674		
	Periodicals Small Parcels Cost (000) Unadjusted								\$ 3,062	\$ 19	\$ 3,081	\$ 371	\$ 6	\$ 3,458	\$ 3,458		
	Periodicals Large Parcels Cost (000) Unadjusted								\$ 2,357	\$ 7	\$ 2,364	\$ 286	\$ 2	\$ 2,653	\$ 2,653		
	Periodical Subclass Cost (000)	\$ 259,620	\$ 59,591	\$ 11,140	\$ 4,459	\$ 68	\$ 75,258	\$ 334,878	\$ 112,742	\$ 4,447	\$ 117,189	\$ 13,676	\$ 1,492	\$ 132,357	\$ 467,235		
	Periodicals Letters Cost (000) Adjusted	\$ 1,987	\$ 456	\$ 85	\$ 63	\$ 1	\$ 606	\$ 2,593	\$ 1,597	\$ 71	\$ 1,668	\$ 194	\$ 24	\$ 1,886	\$ 4,479		
	Periodicals Flats Cost (000) Adjusted	\$ 257,603	\$ 59,128	\$ 11,053	\$ 4,386	\$ 67	\$ 74,635	\$ 332,238	\$ 110,908	\$ 4,375	\$ 115,283	\$ 13,453	\$ 1,468	\$ 130,205	\$ 462,443		
	Periodicals Parcels Cost (000) Adjusted	\$ 29	\$ 7	\$ 1	\$ 9	\$ 0	\$ 17	\$ 47	\$ 237	\$ 1	\$ 237	\$ 29	\$ 0	\$ 266	\$ 313		
	Periodicals Small Parcels Cost (000) Adjusted								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
	Periodicals Large Parcels Cost (000) Adjusted								\$ 237	\$ 1	\$ 237	\$ 29	\$ 0	\$ 266			
	Cost Difference (adjusted - unadjusted)																
	Periodical Subclass Cost (000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
	Periodicals Letters Cost (000) Adjusted	\$ (3,293)	\$ (756)	\$ (141)	\$ (105)	\$ (2)	\$ (1,004)	\$ (4,297)	\$ (2,646)	\$ (118)	\$ (2,764)	\$ (321)	\$ (40)	\$ (3,125)	\$ (7,422)		
	Periodicals Flats Cost (000) Adjusted	\$ 4,324	\$ 992	\$ 186	\$ 310	\$ 2	\$ 1,490	\$ 5,814	\$ 7,828	\$ 143	\$ 7,972	\$ 950	\$ 48	\$ 8,969	\$ 14,783		
	Periodicals Parcels Cost (000) Adjusted	\$ (1,031)	\$ (237)	\$ (44)	\$ (205)	\$ (0)	\$ (486)	\$ (1,517)	\$ (5,182)	\$ (25)	\$ (5,208)	\$ (629)	\$ (8)	\$ (5,845)	\$ (7,361)		
	Periodicals Small Parcels Cost (000) Adjusted								\$ (3,062)	\$ (19)	\$ (3,081)	\$ (371)	\$ (6)	\$ (3,458)			
	Periodicals Large Parcels Cost (000) Adjusted								\$ (2,120)	\$ (6)	\$ (2,127)	\$ (257)	\$ (2)	\$ (2,386)			
	Line No - Source																
	(1) USPS-LR-L-5 - I FORMS.xls																
	(2) USPS-LR-L-67 - VolAdj_USPS.xls - PeriodicalVolAdj																
	(3) (2) - (1)																
	Column No - Source																
	(1) - USPS-LR-L-67 - UDCInputs.USPS - CARM																
	(2) Ratio of 6.1 Costs - USPS-LR-L-67 - UDCInputs.USPS - CS6&7CRA																
	(3) Ratio of 6.1 Costs - USPS-LR-L-67 - UDCInputs.USPS - 7.06																
	(4) Ratio of 7.1 Letter Route Costs - USPS-LR-L-67 - UDCInputs.USPS - 7.06																
	(5) Ratio of 7.1 Special Purpose Route Costs - USPS-LR-L-67 - UDCInputs.USPS - 7.06																
	(6) (2) + (3) + (4) + (5)																
	(7) (1) + (6) - USPS-LR-L-67 - UDCInputs.USPS.xls - CS6&7CRA																
	(8) USPS-LR-L-67 - UDCInputs.USPS.xls - CS6&7SHAPE																
	(9) Ratio of Delivered Volumes - USPS-LR-L-67 - UDCInputs.USPS - 7.06																
	(10) (8) + (9) - USPS-LR-L-67 - UDCInputs.USPS.xls - CS6&7CRA																
	(11) Ratio of 7.1 Letter Route Costs - USPS-LR-L-67 - UDCInputs.USPS - 7.06																
	(12) Ratio of 7.1 Special Purpose Route Costs - USPS-LR-L-67 - UDCInputs.USPS - 7.06																
	(13) (10) + (11) + (12) - USPS-LR-L-67 - UDCInputs.USPS.xls - CS6&7CRA																
	(14) (7) + (13) - USPS-LR-L-67 - UDCInputs.USPS.xls - CS6&7CRA																