

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
JOHN P. KELLEY (USPS-T-15) TO INTERROGATORIES OF  
PITNEY-BOWES INC. (PB/USPS-T15-1-2)  
(July 13, 2006)

The United States Postal Service hereby provides the responses of witness John P. Kelley (USPS-T-15) to the following interrogatories of Pitney-Bowes Inc., filed on June 29, 2006:

PB/USPS-T-15-1-2

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF USPS WITNESS KELLEY (USPS-T-15) TO  
INTERROGATORY OF PITNEY-BOWES, INC.

**PB/USPS-T15-1.** Please refer to the Summary Sheet of USPS-LR-L-39. Please provide the same type of information for First-Class Mail Presort as you have provided for Priority Mail, Express, and Outside County Periodicals for both FY 2005 and the Test Year After Rates (“TYAR”). Please explain your sources and provide your underlying calculations.

**RESPONSE:**

Attached to this response is an Excel workbook that provides the requested information for the base year. The source for all cost information by mode, which is indicated by the separate worksheets, except the worksheet ‘Summary’, within the attached workbook, is worksheet 14.3 from the base year cost segment 14 model (USPS-LR-L-5). The costs on each of these worksheets are identical to the corresponding costs in USPS-LR-L-39.

The distance related costs by mode are derived on the worksheet titled ‘Summary’. I added two columns (I and J) from the corresponding worksheet in USPS-LR-L-39. These columns contain total and distance related volume variable cost segment 14 volume variable costs for First Class Presort Letters (subclass) by mode of transportation. The source of the total subclass costs, by mode, is worksheet 14.4 from the base year cost segment 14 model (USPS-LR-L-5). Since the percentage of costs by mode that are distance related is not affected by the subclass of mail being analyzed, the distance related percentages in column B are identical to those found in USPS-LR-L-39.

My understanding is that information is not available to derive the distance related costs for the test year after rates.

<b>TOTAL COMMERCIAL AIR</b>	<b>ACCRUED</b>	<b>VARIABLE</b>
SYSTEM MANDATORY LOOSE SACK LINEHAUL	90,300	90,300
SYSTEM MANDATORY CONTAINER LINEHAUL	-	-
SYSTEM OPTIONAL L/S LINEHAUL	-	-
SYSTEM CONTAINER GUARANTEE	-	-
SYSTEM MANDATORY LS TERMINAL HANDLING	135,817	135,817
SYSTEM MANDATORY CONTAINER TERM. HAND.	-	-
SYSTEM LOOSE SACK TERMINAL HANDLING	-	-
EMERGENCY/TEMPORARY CONTRACTS LINEHAUL	-	-
EMERGENCY/TEMPORARY CONTRACTS TERMINAL	-	-
PACIFIC ISLAND LINEHAUL	-	-
PACIFIC ISLAND TERMINAL HANDLING	-	-
AIRLIFT - FIRST-CLASS MAIL	-	-
MISCELLANEOUS SERVICE ADJUSTMENTS	(218)	(218)
MISCELLANEOUS CONTRACT ADJUSTMENTS	300	300
MISCELLANEOUS CLAIM ADJUSTMENTS	290	290
EXCISE TAX	5,451	5,451
PERSONNEL SCREENING	-	-
REIMBURSEMENT AND COST REDUCTIONS	(44)	(44)
DAMAGES	-	-
<b>TOTAL COMMERCIAL AIR</b>	<b>231,897</b>	<b>231,897</b>
LINEHAUL	95,751	95,751
TERMINAL HANDLING	135,817	135,817
PERCENT DISTANCE RELATED	41%	41%

<b>ALASKA PREFERENTIAL</b>	Accrued	Variable
BUSH LINE HAUL	10,918	10,918
MAINLINE LINE HAUL	7,668	7,668
BUSH TERMINAL HANDLING	3,427	3,427
MAINLINE TERMINAL HANDLING	4,515	4,515
EXCISE TAX	1,114	1,114
	27,642	27,642
LINEHAUL	19,700	19,700
TERMINAL HANDLING	7,942	7,942
DISTANCE RELATED PERCENTAGE	71%	71%

<b>FEDEX NIGHT</b>	Accrued	Variable
FEDEX NIGHT TRANSPORT BYPASS LINEHAUL	-	-
FEDEX NIGHT TRANSPORT BYPASS NON-LINEHAUL	-	-
FEDEX NIGHT FUEL TRANSPORT BYPASS	-	-
FEDEX NIGHT TRANSPORT NONCON LINEHAUL	105,481	105,481
FEDEX NIGHT TRANSPORT NONCON NON LINEHAUL	15,076	15,076
FEDEX NIGHT TRANSPORT NONCON FUEL	15,432	15,432
FEDEX NIGHT GUARANTEE NON-FUEL TRANSPORT	-	-
FEDEX NIGHT GUARANTEE FUEL	-	-
FEDEX NIGHT READ RATE DISCREPANCIES	-	-
FEDEX NIGHT CTV SHUTTLE	-	-
FEDEX NIGHT TUG AND DOLLY SHUTTLE	-	-
FEDEX NIGHT SYSTEM HANDLING EXPENSE -NC	68	68
FEDEX NIGHT TURN EXCISE TAX	7,232	7,232
FEDEX NIGHT	143,289	143,289
DISTANCE RELATED	-	-

<b>FEDEX DAY</b>	Accrued	Variable
FEDEX DAY TRANSPORT BYPASS LINEHAUL	276,560	204,542
FEDEX DAY TRANSPORT BYPASS NON-LINEHAUL	39,247	29,024
FEDEX DAY FUEL TRANSPORT BYPASS	102,610	102,610
FEDEX DAY HANDLING CHARGE BYPASS	518	518
FEDEX DAY TRANSPORT MIXED LINEHAUL	413,202	305,622
FEDEX DAY TRANSPORT MIXED NON-LINEHAUL	58,415	43,206
FEDEX DAY FUEL TRANSPORT MIXED	153,304	153,304
FEDEX DAY HANDLING CHARGE MIXED	541	541
FEDEX DAY TRANSPORT LOOSE LINEHAUL	2,096	1,542
FEDEX DAY TRANSPORT LOOSE NON-LINEHAUL	298	220
FEDEX DAY FUEL TRANSPORT LOOSE	558	558
FEDEX DAY HANDLING CHARGE LOOSE	(530)	(530)
FEDEX DAY TRANSPORT TRUCK LINEHAUL	31,664	23,419
FEDEX DAY TRANSPORT TRUCK NON-LINEHAUL	4,516	3,340
FEDEX DAY FUEL TRANSPORT TRUCK	11,662	11,662
FEDEX DAY HANDLING CHARGE TRUCK	6,889	6,889
FEDEX DAY HANDLING CHARGE MIXED LOOSE	88,743	88,743
FEDEX DAY GUARANTEE NON-FUEL TRANSPORT	404	-
FEDEX DAY GUARANTEE FUEL	205	-
FEDEX DAY GUARANTEE HANDLING CHARGES	(257)	-
FEDEX DAY OTHER	2,568	2,568
FEDEX DAY CTV SHUTTLE	520	520
FEDEX DAY TUG AND DOLLY SHUTTLE	-	-
FEDEX CONTAINER DAMAGE	5	5
DAY TURN TERMINAL HANDLING CONTRACTOR	106,822	106,822
FEDEX DAY TURN EXCISE TAX	59,230	47,937
FROM EAGLE AND DAYNET COST POOLS	176	176
FEDEX DAY	1,359,967	1,133,239
DISTANCE RELATED	-	-

**CHRISTMAS OPERATIONS**

CHRISTMAS NETWORK LINE HAUL	2,966	2,966
CHRISTMAS NETWORK TERMINAL HANDLING	1,410	1,410
CHRISTMAS NETWORK EXCISE TAX	183	183
CHRISTMAS AIR TAXI LINE HAUL	4,754	4,754
CHRISTMAS AIR TAXI TERMINAL HANDLING	8,605	8,605
CHRISTMAS AIR TAXI EXCISE TAX	279	279
TOTAL CHRISTMAS OPERATIONS	18,196	18,196
LINEHAUL	8,181	8,181
TERMINAL HANDLING	10,015	10,015
DISTANCE RELATED	45%	45%

**ALASKA NON-PREFERENTIAL**

BUSH LINE HAUL	30,466	2,139
MAINLINE LINE HAUL	37,397	2,625
BUSH TERMINAL HANDLING	16,504	1,159
MAINLINE TERMINAL HANDLING	25,625	1,799
EXCISE TAX	4,037	283
TOTAL ALASKA NON-PREFERENTIAL	114,028	8,005
LINEHAUL	71,900	5,047
TERMINAL HANDLING	42,129	2,957
DISTANCE RELATED	63%	63%

<b>AIR TAXI</b>		
LINE HAUL	8,176	8,176
TERMINAL HANDLING	3,417	3,417
EXCISE TAX	475	475
TOTAL AIR TAXI	12,069	12,069
LINEHAUL	8,652	8,652
TERMINAL HANDLING	3,417	3,417
DISTANCE RELATED	72%	72%

<b>HAWAII</b>		
NON-PREFERENTIAL LINE HAUL	20,376	20,376
NON-PREFERENTIAL TERMINAL HANDLING	10,399	10,399
PREFERENTIAL LINE HAUL	-	-
PREFERENTIAL TERMINAL HANDLING	-	-
EXCISE TAX	1,206	1,206
TOTAL HAWAII	31,981	31,981
LINE HAUL	21,582	21,582
TERMINAL HANDLING	10,399	10,399
DISTANCE RELATED	67%	67%

Fiscal Year 2005							
Weight Related in Yellow	Percent	Priority		Express		Outside County Periodicals	
	Distance	Total	Distance	Total	Distance	Total	Distance
	Related		Related		Related		Related
<b>Air</b>							
Passenger	41.35%	\$ 20,046	\$ 8,289	\$ 2,914	\$ 1,205	\$ 4,641	\$ 1,919
Fed Ex Day	0.00%	\$ 828,808	\$ -	\$ 5,550	\$ -	\$ 8,993	\$ -
Fed Ex Night	0.00%	\$ 367	\$ -	\$ 82,045	\$ -	\$ 430	\$ -
Christmas	44.96%	\$ 14,267	\$ 6,414	\$ 24	\$ 11	\$ 119	\$ 53
Intra-Alaska Non-preferential	63.05%	\$ 1,022	\$ 644	\$ -	\$ -	\$ 208	\$ 131
Intra-Alaska Preferential	71.27%	\$ 12,640	\$ 9,008	\$ -	\$ -	\$ 1,809	\$ 1,289
Intra-Hawaii	67.48%	\$ 13,868	\$ 9,359	\$ -	\$ -	\$ 1,912	\$ 1,291
Air Taxi	71.69%	\$ 6,723	\$ 4,819	\$ 682	\$ 489	\$ 138	\$ 99
<b>Air Total</b>		\$ 897,741	\$ 38,534	\$ 91,215	\$ 1,705	\$ 18,249	\$ 4,781
<b>Highway</b>							
Intra-SCF		\$ 161,382	\$ -	\$ 8,215	\$ -	\$ 72,259	\$ -
Inter-SCF		\$ 172,748	\$ 172,748	\$ 4,012	\$ 4,012	\$ 49,546	\$ 49,546
Intra-BMC		\$ 24,525	\$ 24,525	\$ 840	\$ 840	\$ 21,828	\$ 21,828
Inter-BMC		\$ 10,322	\$ 10,322	\$ 73	\$ 73	\$ 39,206	\$ 39,206
Plant Load		\$ 7,033	\$ 7,033	\$ 0	\$ 0	\$ 6,393	\$ 6,393
Contract Terminal		\$ 1,049	\$ 599	\$ 36	\$ 13	\$ 542	\$ 335
Alaskan		\$ 33	\$ 33	\$ 0	\$ 0	\$ 145	\$ 145
Area Bus		\$ 0	\$ 0	\$ -	\$ -	\$ 0	\$ 0
Empty Equipment		\$ 24,356	\$ -	\$ 1,991	\$ -	\$ 4,228	\$ -
<b>Highway Total</b>		\$ 401,447	\$ 215,259	\$ 15,167	\$ 4,938	\$ 194,146	\$ 117,453
<b>Railroad</b>							
Passenger		\$ 5	\$ 5	\$ -	\$ -	\$ 91	\$ 91
Freight		\$ 199	\$ 199	\$ -	\$ -	\$ 7,289	\$ 7,289
Plant Load		\$ -	\$ -	\$ -	\$ -	\$ 4,849	\$ 4,849
Empty Equipment		\$ 9,074	\$ -	\$ 741	\$ -	\$ 1,585	\$ -
<b>Railroad Total</b>		\$ 9,278	\$ 204	\$ 741	\$ -	\$ 13,815	\$ 12,229
<b>Water</b>							
Inland		\$ 2,390	\$ -	\$ 125	\$ -	\$ 1,072	\$ -
Offshore		\$ 385	\$ 385	\$ 3	\$ 3	\$ 1,690	\$ 1,690
<b>Water Total</b>		\$ 2,775	\$ 385	\$ 128	\$ 3	\$ 2,762	\$ 1,690
<b>Total all modes</b>		\$ 1,311,240	\$ 254,382	\$ 107,251	\$ 6,646	\$ 228,972	\$ 136,154
<b>Percent Distance-related</b>			<b>19.40%</b>		<b>6.20%</b>		<b>59.46%</b>

RESPONSE OF USPS WITNESS KELLEY (USPS-T-15) TO  
INTERROGATORY OF PITNEY-BOWES, INC.

**PB/USPS-T15-2.** In FY 2005, what percentage of First-Class Mail Presort Letters distance related surface transportation costs were incurred in connection with air transportation? Please explain your sources and provide your underlying calculations.

**RESPONSE:**

The Postal Service has not undertaken a special study to calculate this percentage. A relatively quick estimate of First Class Mail Presort Letters (subclass level) distance related surface transportation costs incurred in connection with air mail facilities is 5.4 percent. The numerator used to calculate the percentage is the sum of the products of First Class Presort (subclass level) distance related costs shown in the response to PB/USPS-T15-1 for the inter-SCF, intra-BMC, and inter-BMC highway transportation models and their corresponding estimated proportions of cubic-foot miles of mail loaded or unloaded at airmail facilities. The number of cubic foot miles loaded or unloaded at an airmail facility is obtained using TRACS data. The denominator is the aggregate distance related costs for these highway transportation modes as reported in response to PB/USPS-T15-1.

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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July 13, 2006  
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