

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS MICHAEL W. MILLER TO INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA, INC. AND ALLIANCE
OF NONPROFIT MAILERS (MPA/USPS-T20-3-8)
(June 26, 2006)

The United States Postal Service hereby provides the responses of Postal Service witness Miller (USPS-T-20) to interrogatories MPA/USPS-T20-3-8, filed on July 12, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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MPA/USPS-T20-3. Please refer to your response to MPA/USPS-T20-1(f), where you state, “[t]he manner in which incoming secondary operations are performed is not a determinant for Periodicals Outside County rates.”

(a) Do you agree that the unit cost of incoming secondary operations affects the modeled cost difference between Periodicals Outside County Carrier Route and 5-Digit flats? If not, please explain your response fully.

(b) Please explain what you meant by “[t]he manner in which incoming secondary operations are performed is not a determinant for Periodicals Outside County rates.” In particular, did you mean that “[t]he manner in which incoming secondary operations are performed” has no effect on Periodicals Outside County presorting cost differences by rate category or did you mean something else? If the latter, please explain.

RESPONSE:

(a) Yes. This circumstance is reflected in the Periodicals cost model in USPS-LR-L-43.

In the nonautomation carrier route presort cost model, only 954 of the 10,000 total mail pieces (see USPS-LR-L-43, page 49) are processed through an incoming secondary operation as the vast majority of the mail is routed directly to the carriers. In the nonautomation 5-digit presort cost model (see USPS-LR-L-43, page 47), all 10,000 mail pieces are processed through incoming secondary operations.

(b) I meant that, as they pertain to my testimony, the Periodicals Outside County rate schedule includes rates that differ based on whether mail pieces are prebarcoded and/or presorted and does not include rates based on whether mail pieces are processed through AFSM100, UFSM1000, or manual incoming secondary operations.

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MPA/USPS-T20-4. Please refer to USPS-LR-L-43, PER OC FLATS.xls and Table 1 below.

**Table 1. Incoming Secondary Sortation Statistics
(USPS-LR-L-43, PER OC FLATS.xls)**

Rate Category	% of Volume	# of Incoming Secondary Sorts/Piece			% Manual
		AFSM 100	UFSM 1000	Manual	
Basic Nonauto	2.05%	0.51	0.20	0.30	29.5%
3-Digit Nonauto	2.10%	0.43	0.27	0.31	31.1%
5-Digit Nonauto	2.72%	0.51	0.33	0.18	17.9%
CR Nonauto	48.03%	0.07	0.02	0.02	15.8%
Basic Auto	1.84%	0.51	0.18	0.32	31.5%
3-Digit Auto	12.65%	0.53	0.20	0.29	28.5%
5-Digit Auto	30.61%	0.68	0.18	0.16	15.5%
Wtd Average	100.00%	0.35	0.11	0.12	20.2%

(a) Please confirm that Table 1 accurately summarizes the number of incoming secondary sorts per piece (and the percent of incoming secondary sorts that are manual) by presort level and prebarcoding from USPS-LR-L-43, PER OC FLATS.xls. If not confirmed, please provide the correct figures.

(b) Please confirm that Table 1 accurately summarizes the average (weighted by volume) number of incoming secondary sorts received by Periodicals Outside County flats (and the percent of incoming secondary sorts that are manual) from USPS-LR-L-43, PER OC FLATS.xls. If not confirmed, please provide the correct figures.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

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MPA/USPS-T20-5. This question refers to (1) your response to MPA/USPS-T20-1(e), where you state regarding the Incoming Secondary Machinable Flats coverage factors, “we did not have sufficient data to support their usage,” and (2) USPS-LR-L-43, page 63. Please explain the data that you believe would be necessary to “support their usage.”

RESPONSE:

In my opinion, it would first be necessary to determine the percentage of mail processed through the various incoming secondary operations by class. Even if that data were available, it would typically be expressed in terms of the percentage of pieces finalized in the various incoming secondary operations. Incorporating finalization figures into the cost models is not a simple task as other data inputs included in the cost models (e.g., coverage factors, the percentage of AFSM100 compatible mail, acceptance rates) already affect how much mail for each rate category is processed in the various incoming secondary operations. Furthermore, the inclusion of incoming secondary factors has become a more difficult task over time as the UFSM1000 strategy has evolved (please see Docket No. R2005-1, USPS-T-19, Section III.B.4).

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MPA/USPS-T20-6. This question refers to:

- (1) your response to MPA/USPS-T20-1(e), where you state regarding the Incoming Secondary Machinable Flats coverage factors, “such factors were affected by issues unrelated to mailer prebarcoding and presorting efforts (e.g., whether or not a given ZIP Code was processed on automation/mechanization)”;
- (2) USPS-LR-L-43, page 62;
- (3) lines 21-23 on page 8 of your testimony (USPS-T-20), where you state, “The coverage factors were calculated by dividing the originating/destinating volumes for ‘covered’ facilities by the total originating/destinating volumes for all facilities”; and
- (4) footnote 5 on page 8 of USPS-T-20, which states “The ‘covered’ facilities were those facilities that will have the specific equipment or technology by the midpoint of the test year (March 31, 2008).”

(a) Please confirm that the coverage factors shown on USPS-LR-L-43, page 62, were developed based upon whether or not a facility has a specific equipment or technology. If not confirmed, please explain fully.

(b) Please confirm that whether or not a facility has a specific equipment of technology is unrelated to mailer prebarcoding and presorting efforts. If not confirmed, please explain fully.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

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MPA/USPS-T20-7. Please refer to your response to MPA/USPS-T20-1(e) where you state regarding the Incoming Secondary Machinable Flats coverage factors, “they could not accurately be applied.”

(a) Were they “accurately applied” in Docket No. R2001-1? If not, please explain your response fully.

(b) Please explain why “they could not accurately be applied” in this case.

RESPONSE:

(a) No. In retrospect, I do not believe that they should have been included in the cost models in Docket No. R2001-1, which is why I have since removed them.

(b) I do not believe they could be accurately applied in this case because we do not have data by class. In addition, please see my response to MPA/USPS-T20-5.

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MPA/USPS-T20-8. Please refer to your response to MPA/USPS-T20-2(a), where you state: “To the extent that mailhandlers’ attempts to capture and repair bundles affect the productivity in a given operation, they should be imbedded within the average productivity values.”

(a) Please confirm that your model does not assign the costs of “mailhandlers’ attempts to capture and repair bundles” exclusively to broken bundles. If not confirmed, please explain fully.

(b) Please confirm that your model does not assign allied costs (such as gathering broken bundles and moving them to piece sorting operations) exclusively to broken bundles. If not confirmed, please explain fully.

RESPONSE:

(a) Confirmed.

(b) Confirmed.