

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KELLEY
(USPS-T-30) TO INTERROGATORY OF MMA (MMA/USPS-T30-19) -- ERRATA
(August 15, 2006)

The United States Postal Service hereby provides the revised response of witness Kelley to the following interrogatory of the Major Mailers Association., filed on June 28, 2006: MMM/USPS-T30-19. This replaces the response filed on July 12, 2006. The changes are in the tables, in places in the text referring to figures from the tables, and in the attached spreadsheet. Corrections to related answers will be filed today or tomorrow.

Each interrogatory 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

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX -5402
August 15, 2006

**Revised Response of Postal Service Witness Kelley to Interrogatories
Posed by the Major Mailers Association**

MMA/USPS-T30-19

Please refer to your response to Interrogatory MMA/USPS-T30-2. Part (C) of that question asked you to provide unit delivery costs per delivered letters for various categories off First-Class letters.

- A. Please provide the source and derivation of each of the cost figures shown in your table.
- B. Please provide the source and derivation of each of the volume figures that you used in order to compute the unit costs as shown in your table.
- C. Please explain why it might cost the same to deliver a Mixed AADC Automation letter (4.464 cents) and a 5-digit Automation letter (4.464 cents).
- D. Please explain why it might cost more to deliver a single piece metered letter (15.23 cents) than a single piece stamped letter (12.64 cents).
- E. Please explain why it might cost more than three times as much to deliver a single piece metered letter (15.23 cents) as it costs to deliver an automation letter (4.55 cents).

Response:

A. and B. Refer to the attached workbook for the sources and derivations for the underlying figures from the table provided in response to MMA/USPS-T-30-2(C). The unit delivery costs in the attached spreadsheet were derived using the DPS percentages from the theoretical model rather than the DPS percentages from the carrier systems (otherwise all rate categories within automation would have the same unit delivery costs). One important result from using this method is the test year costs for First Class automation/non-automation will in the attached workbook will not equal the test year costs for First Class automation/nonautomation in USPS-LR-L-67.

- B. Not applicable.
- C. The delivery costs provided in the workbook for part A of this question (just the numerators) were derived using the methodology employed in Docket R2005-1, which relied on DPS percentages derived from a theoretical

**Revised Response of Postal Service Witness Kelley to Interrogatories
Posed by the Major Mailers Association**

model. Since the carrier systems do not record mail volume at the rate category level within First Class Automation, the relative unit delivery costs rely solely on the DPS percentages from the model. The higher the DPS percentage, the lower the unit delivery cost. The DPS percentages based on this model are 80.07 and 80.18 for Mixed AADC and 5-digit automation letters respectively. Therefore, the unit delivery costs for 5-digit automation letters is slightly lower than for Mixed AADC letters. Carrying out the division to a finer level of precision than I provided in response to MMA/USPS-T30-2(C) produces unit delivery costs of 4.751 cents for Mixed AADC and 4.744 cents for 5-digit automation letters.

D. My response to MMA/USPS-T30-2(C) is being revised. It provided unit costs per delivered piece for single piece and metered letters, not stamped letters. The table below provides the unit costs (per delivered piece) for First Class single piece, stamped, metered, and other letters.

Since neither carrier system captures volume for First Class metered letters separately from other First Class Single Piece letters, the unit delivery costs rely solely on the 6.1 Direct Casing Costs recorded by the In-Office Cost System (IOCS). The higher the unit direct casing costs (per delivered piece) the higher the unit delivery costs. The test year unit casing costs and delivery costs for Single Piece, stamped, metered, and other letters are provided in the table below.

**Revised Response of Postal Service Witness Kelley to Interrogatories
Posed by the Major Mailers Association**

First Class	TY 6.1 Direct Casing Cost	TY City Volume	Unit TY6.1 Cost (per City Volume)	UDC TY (per City + Rural Volume)
Single Piece	\$693,361	15,023,144	4.615	12.640
Stamped	\$398,267	8,964,238	4.443	12.441
Metered	\$268,072	5,431,109	4.936	13.008
Other	\$27,022	627,797	4.304	12.282

The unit delivery costs, derived in this manner, for metered letters are more than for stamped or other letters because the unit direct casing costs are higher for metered letters than for stamped or other letters.

E. After my revision to the unit delivery cost (per delivered piece) for metered letters, the relevant unit costs are 13.008 and 4.650 cents for metered and automation letters, respectively. The resulting ratio of unit costs of metered letters to automation letters is 2.80, rather than greater than three. The table below illustrates the test year unit costs by subcomponent (with piggybacks included) which shows that a large portion of the difference can be found in 6.1 direct casing (2.583 cents) and 7.1 delivery activity (3.468 cents). The difference in casing costs is probably due to automation letters having a higher DPS percentage than metered letters. The disparity in delivery activity costs can be explained by the collection costs incurred by metered letters and not by automation letters.

**Revised Response of Postal Service Witness Kelley to Interrogatories
Posed by the Major Mailers Association**

Rate Category (letter shaped)	6.1 Direct Casing	6.1 Direct Non- Casing	6.2 Support Burdened on Office	6.2 Support Burdened on Street	7.1 Delivery Activity	7.2 Delivery Support	10 Rural	Total (Cents)
FC Metered	3.753	0.677	1.248	0.200	5.213	0.686	1.232	13.008
FC Auto	1.170	0.197	0.387	0.069	1.745	0.214	0.867	4.650
Difference (Met-Auto)	2.583	0.480	0.861	0.131	3.468	0.472	0.365	8.358

Worksheet	Function								
UDC Summary	Table with TY08 Unit Delivery Costs per Delivered Piece for Requested Categories								
UDCMMA19	Derivation of Unit Costs to answer Interragatory MMS/USPS-T30-19								
TYPresortLettersUSPS	Derivation of Test Year Unit Delivery Costs for Presorted Letters by Rate Category								
BYPresortLettersUSPS	Derivation of Base Year Unit Delivery Costs for Presorted Letters by Rate Category								
RuralBY	Derivation of Base Year Rural Delivery Costs								
Casing	Calculates casing cost per piece based on aggregate DPS percentage for First Class Presort								

Category	TY08 UDC Per Delivered Piece Cents
FC Single Piece	12.640
FC Metered	13.008
Nonautomation	4.586
Automation	4.650
Mixed AADC	4.751
AADC	4.589
3 Digits	4.516
5 Digits	4.744

	TY Costs	TY/BY Volume	TY Orig Vol	BY RPW Volume	City BY Volume	Rural BY Volume	City TY Volume	Rural TY Volume	City + Rural	\$ Cost/Delivered
Column	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Source	LR-67 '2Summary TY'		LR-67 '2Summary TY'	LR-67 'SummaryBY'	LR-67 '9DeliveryVolumes'	LR-67 '9DeliveryVolumes'				
Derivation		(3)/(4)					(5)*(2)	(6)*(2)	(7)+(8)	(1)/(9)
Single Piece	\$ 2,675,500	0.87988155	34,594,330	39,317,031	17,074,053	6,983,381	15,023,144	6,144,548	21,167,692	\$ 0.12640
Metered	\$ 995,455	0.87988155	12,506,408	14,213,740	6,172,545	2,524,605	5,431,109	2,221,353	7,652,462	\$ 0.13008
Nonautomation	\$ 70,482	0.98619516	1,715,306	1,739,317	1,082,466	475,921	1,067,523	469,351	1,536,874	\$ 0.04586
Automation	\$ 1,906,671	0.98619515	45,767,558	46,408,216	28,882,218	12,698,469	28,483,503	12,523,168	41,006,672	\$ 0.04650
Mixed AADC	\$ 120,699	0.98619516	2,835,579	2,875,272	1,789,429	786,747	1,764,726	775,887	2,540,613	\$ 0.04751
AADC	\$ 101,383	0.98619516	2,465,848	2,500,365	1,556,106	684,163	1,534,624	674,719	2,209,342	\$ 0.04589
3 Digits	\$ 914,110	0.98619516	22,592,733	22,908,988	14,257,440	6,268,482	14,060,619	6,181,946	20,242,565	\$ 0.04516
5 Digits	\$ 731,415	0.98619516	17,208,781	17,449,671	10,859,827	4,774,674	10,709,909	4,708,760	15,418,669	\$ 0.04744
Presort Total	\$ 1,977,153	0.98619516	47,482,864	48,147,533	29,964,684	13,174,390	29,551,026	12,992,520	42,543,546	\$ 0.04647
Notes - Columns										
(1) In USPS-LR-L-67 Test Year Costs are only available for FC Single Piece, Auto, and Non Auto										
For rate categories within FC Presort, the test year costs come from worksheet 'TestYearPresort Letters' within this workbook										
FC Metered 'TY costs come from the response to MMA/USPS-T-30-6 (revised)										
(3) FC Single Piece Metered volume is derived by taking the ratio of TY FCSP/BYFC SP * BYFCMet										
(3) TYVol for Rate Categories within FC Presort are derived similarly TYFCPS/BYFCPS *BYFCPS (Rate Cat i)										
(5)and (6) Since FC Metered Volume not estimated by carrier systems volume is estimated with FC Single Piece ratio										
(5)and (6) City and Rural Volume for Auto/Non-Auto and rate categories within Auto the RPW ratio was used										

First Class Presort Letters	DPS%	Cased %	TOTAL IN-OFFICE DIRECT LABOR CASING COST	NON-CASED %	TOTAL IN-OFFICE DIRECT LABOR CASING PLUS NON-CASING COST PER TOTAL CCS PIECE	CCS VOLUME BY PERMIT CATEGORY	TOTAL IN-OFFICE DIRECT LABOR CASING PLUS NON-CASING COST	Permit Volume	6.1 In-Office Direct Labor, Casing	6.1 In-Office Direct Labor, Non-Casing	6.2 In-Office Overhead, & Support Burdened on Office	7.1 Delivery Activities	7.2 Delivery Activities	6.2 In-Office Support Burdened on Street	10 Rural	Total City	USPS City Piggyback Factor	USPS Rural Piggyback Factor	Total Piggyback Costs	City Unit Delivery Cost	Rural Unit Delivery Cost	Unit Delivery Cost
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Nonautomation -- Nommach Mixed ADC	0.00%	100.00%	\$ 313.95	0.00%	\$ 0.05012	6,337	\$ 328	10,042	314	141	\$ 92.85	\$ 124	\$ 15	\$ 5	\$ 157	\$ 565	1,263	\$ 1.188	\$ 901	\$ 0.0711	\$ 0.0186	\$ 0.0897
Nonautomation -- Nommach ADC	0.00%	100.00%	\$ 148.58	0.00%	\$ 0.05012	2,999	\$ 155	4,752	149	71	\$ 43.94	\$ 59	\$ 7	\$ 2	\$ 74	\$ 268	1,263	\$ 1.188	\$ 426	\$ 0.0711	\$ 0.0186	\$ 0.0897
Nonautomation -- Mach Mixed AADC	82.65%	25.61%	\$ 5,658.72	74.39%	\$ 0.01444	445,948	\$ 6,648	706,662	5,659	990	\$ 1,881.99	\$ 8,748	\$ 1,074	\$ 345	\$ 4,538	\$ 18,697	1,263	\$ 1.188	\$ 29,006	\$ 0.0334	\$ 0.0076	\$ 0.0410
Nonautomation -- Mach AADC	82.65%	25.61%	\$ 1,886.91	74.39%	\$ 0.01444	148,702	\$ 2,217	235,637	1,887	330	\$ 627.55	\$ 2,917	\$ 358	\$ 115	\$ 1,513	\$ 6,235	1,263	\$ 1.188	\$ 9,672	\$ 0.0334	\$ 0.0076	\$ 0.0410
Nonautomation -- Nommach 3-Digit	0.00%	100.00%	\$ 190.48	0.00%	\$ 0.05012	3,845	\$ 199	6,093	190	91	\$ 56.34	\$ 75	\$ 9	\$ 3	\$ 95	\$ 343	1,263	\$ 1.188	\$ 547	\$ 0.0711	\$ 0.0186	\$ 0.0897
Nonautomation -- Nommach 5-Digit	0.00%	100.00%	\$ 38.55	0.00%	\$ 0.05012	778	\$ 40	1,233	39	21	\$ 11.40	\$ 15	\$ 2	\$ 1	\$ 19	\$ 69	1,263	\$ 1.188	\$ 111	\$ 0.0711	\$ 0.0186	\$ 0.0897
Nonautomation -- Mach 3-Digit	84.92%	23.57%	\$ 4,548.47	76.43%	\$ 0.01346	389,499	\$ 5,413	617,210	4,548	864	\$ 1,532.24	\$ 7,641	\$ 938	\$ 301	\$ 3,807	\$ 15,625	1,263	\$ 1.188	\$ 24,510	\$ 0.0324	\$ 0.0073	\$ 0.0397
Nonautomation -- Mach 5-Digit	84.92%	23.57%	\$ 985.12	76.43%	\$ 0.01346	84,359	\$ 1,172	133,677	985	187	\$ 331.86	\$ 1,655	\$ 203	\$ 65	\$ 825	\$ 3,427	1,263	\$ 1.188	\$ 5,309	\$ 0.0324	\$ 0.0073	\$ 0.0397
Automation Mixed AADC	80.07%	27.93%	\$ 24,764.68	72.07%	\$ 0.01555	1,789,429	\$ 28,736	2,835,579	24,765	3,971	\$ 8,134.38	\$ 35,104	\$ 4,310	\$ 1,383	\$ 19,028	\$ 77,667	1,263	\$ 1.188	\$ 120,699	\$ 0.0346	\$ 0.0080	\$ 0.0426
Automation AADC	82.54%	25.72%	\$ 19,825.42	74.28%	\$ 0.01449	1,556,106	\$ 23,279	2,465,848	19,825	3,453	\$ 6,589.63	\$ 30,527	\$ 3,748	\$ 1,202	\$ 15,868	\$ 65,346	1,263	\$ 1.188	\$ 101,383	\$ 0.0335	\$ 0.0076	\$ 0.0411
Auto 3-Digit Letters	83.65%	24.72%	\$ 174,578.88	75.28%	\$ 0.01401	14,257.440	\$ 206,219	22,592,733	174,579	31,641	\$ 58,375.47	\$ 279,696	\$ 34,341	\$ 11,015	\$ 142,578	\$ 589,647	1,263	\$ 1.188	\$ 914,110	\$ 0.0330	\$ 0.0075	\$ 0.0405
Auto 5-Digit Letters CSBCS/Manual Sites	49.85%	55.13%	\$ 62,371.04	44.87%	\$ 0.02860	2,283,389	\$ 67,438	3,618,321	62,371	5,067	\$ 19,090.09	\$ 44,795	\$ 5,500	\$ 1,764	\$ 36,501	\$ 138,587	1,263	\$ 1.188	\$ 218,399	\$ 0.0484	\$ 0.0120	\$ 0.0604
Auto 5-Digit Letters Other Sites	88.26%	20.57%	\$ 87,400.07	79.43%	\$ 0.01202	8,576,438	\$ 106,433	13,590,460	87,400	19,033	\$ 30,128.52	\$ 168,249	\$ 20,657	\$ 6,626	\$ 78,770	\$ 332,094	1,263	\$ 1.188	\$ 513,016	\$ 0.0309	\$ 0.0069	\$ 0.0377
Auto 5-Digit Letters	80.18%	27.84%	\$ 149,771.11	72.16%	\$ 0.01550	10,859,827	\$ 17,208,781	149,771	24,101	\$ 49,218.61	\$ 213,043	\$ 26,157	\$ 8,390	\$ 115,271	\$ 470,681	1,263	\$ 1.188	\$ 731,415	\$ 0.0345	\$ 0.0080	\$ 0.0425	
Auto CR Letters	52.54%	52.71%	\$ 10,953.74	47.29%	\$ 0.02744	419,416	\$ 1,1865	664,618	10,954	931	\$ 3,364.21	\$ 8,228	\$ 1,010	\$ 324	\$ 6,505	\$ 24,811	1,263	\$ 1.188	\$ 39,064	\$ 0.0472	\$ 0.0116	\$ 0.0588
Presort Letters Subtotal	81.65%	26.52%	\$ 393,664.61	73.48%	\$ 0.01487	29,964,684	\$ 460,163	47,482,864	\$ 393,664.61	\$ 66,498.68	\$ 130,260.46	\$ 587,834.43	\$ 72,173.28	\$ 23,150.99	\$ 310,279.25	\$ 1,273,582	1,263	\$ 1.188	\$ 1,977,153	\$ 0.0339	\$ 0.0078	\$ 0.0416
Presort Letters Subtotal/Check			\$ 393,664.62			29,964,684	\$ 460,163.30	47,482,864	\$ 393,664.62	\$ 66,498.68	\$ 130,260.47	\$ 587,834	\$ 72,173	\$ 23,151	\$ 310,279	\$ 1,273,582	1,263	\$ 1.188	\$ 1,977,153	\$ 0.0339	\$ 0.0078	\$ 0.0416

Formula - Source of Column - Source Row 18 (Column Total) if applicable

- (1) Witness Abdurahman model
- (2) 1-(0.9*(1))
- (3) Casing cost per piece * volume cased - worksheet 'Casing'
- (4) 1-(2)
- (5) Casing + Noncasing cost per piece - worksheet 'Casing'
- (6) City volume divided using RWPs proportions - USPS-LR-L-67 workbook UDCInputs.USPS.xls worksheet DPS%
- (7) (5) * cased volume - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (8) base year originating volume - USPS-LR-L-67
- (9) =(3) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (10) (7) - (3) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (11) (9)+(10)+(11)+(12) - to t13 - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (12) ratio of RWV volume * 7.1 cost - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (13) ratio of RWV volume * 7.2 cost - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (14) ratio of RWV volume * 6.2 cost - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (15) worksheet Ruralcosts - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (16) (9)+(10)+(11)+(12)+(13)+(14)
- (17) USPS-LR-L-67 workbook UDCInputs.USPS.xls worksheet 'TPack'
- (18) USPS-LR-L-67 workbook UDCInputs.USPS.xls worksheet 'TPPack'
- (19) (16)*(17)+(15)*(18) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (20) (16)-(8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (21) (15) / (8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'
- (22) (19)/(8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryTY'

First Class Presort Letters	DPS% (1)	Cased % (2)	TOTAL IN-OFFICE DIRECT LABOR CASING COST (3)	NON-CASED % (4)	TOTAL IN-OFFICE DIRECT LABOR Casing PLUS NON-CASING COST PER TOTAL CCS PIECE (5)	CCS VOLUME BY PERMIT CATEGORY (6)	TOTAL IN-OFFICE DIRECT LABOR Casing PLUS NON-CASING COST (7)	Permit Volume (8)	6.1 In-Office Direct Labor, Non-Casing (9)	6.2 In-Office Overhead, & Support Burdened on Office (10)	7.1 Delivery Activities Support (11)	7.2 Delivery Burdened on Street (12)	6.2 In-Office Activities Support (13)	10 Rural Carriers (14)	Total City (15)	USPS City Piggyback Factor (17)	USPS Rural Piggyback Factor (18)	Total Piggyback Costs (19)	City Unit Delivery Cost (20)	Rural Unit Delivery Cost (21)	Unit Delivery Cost (22)	
Nonautomation -- Nonmach Mixed ADC	0.00%	100.00%	\$ 304.00	0.00%	\$ 0.05012	6.337	\$ 318	10,182	304	141	\$ 86.54	\$ 116	\$ 14	\$ 5	\$ 134	\$ 539	1.249	1.179	\$ 831	\$ 0.0661	\$ 0.0155	\$ 0.0816
Nonautomation -- Nonmach ADC	0.00%	100.00%	\$ 143.87	0.00%	\$ 0.05012	2,999	\$ 150	4,819	144	6	\$ 40.95	\$ 55	\$ 7	\$ 2	\$ 63	\$ 255	1.249	1.179	\$ 393	\$ 0.0661	\$ 0.0155	\$ 0.0816
Nonautomation -- Mach Mixed AACD	82.65%	25.61%	\$ 5,479.34	74.39%	\$ 0.01444	445,948	\$ 6,438	716,554	5,479	958	\$ 1,753.96	\$ 8,153	\$ 1,001	\$ 321	\$ 35	\$ 17,667	1.249	1.179	\$ 22,113	\$ 0.0308	\$ 0.0001	\$ 0.0309
Nonautomation -- Mach AACD	82.65%	25.61%	\$ 1,827.09	74.39%	\$ 0.01444	148,702	\$ 2,147	238,936	1,827	320	\$ 584.86	\$ 2,719	\$ 334	\$ 107	\$ 7	\$ 5,891	1.249	1.179	\$ 7,368	\$ 0.0308	\$ 0.0000	\$ 0.0308
Nonautomation -- Nonmach 3-Digit	0.00%	100.00%	\$ 184.44	0.00%	\$ 0.05012	3,845	\$ 193	6,178	184	8	\$ 52.50	\$ 70	\$ 9	\$ 3	\$ 9,436	\$ 327	1.249	1.179	\$ 11,534	\$ 0.0661	\$ 1.8009	\$ 1.8670
Nonautomation -- Nonmach 5-Digit	0.00%	100.00%	\$ 37.33	0.00%	\$ 0.05012	778	\$ 39	1,250	37	2	\$ 10.63	\$ 14	\$ 2	\$ 1	\$ 3,146	\$ 66	1.249	1.179	\$ 3,793	\$ 0.0661	\$ 2.9671	\$ 3.0333
Nonautomation -- Mach 3-Digit	84.92%	23.57%	\$ 4,404.28	76.43%	\$ 0.01346	389,499	\$ 5,241	625,850	4,404	837	\$ 1,428.00	\$ 7,121	\$ 874	\$ 280	\$ 3,469	\$ 14,945	1.249	1.179	\$ 22,761	\$ 0.0298	\$ 0.0065	\$ 0.0364
Nonautomation -- Mach 5-Digit	84.92%	23.57%	\$ 953.89	76.43%	\$ 0.01346	84,359	\$ 1,135	135,548	954	181	\$ 309.28	\$ 1,542	\$ 189	\$ 61	\$ 751	\$ 3,237	1.249	1.179	\$ 4,930	\$ 0.0298	\$ 0.0065	\$ 0.0364
Automation Mixed AACD	80.07%	27.93%	\$ 23,979.65	72.07%	\$ 0.01555	1,789,429	\$ 27,825	2,875,272	23,980	3,845	\$ 7,580.96	\$ 32,716	\$ 4,017	\$ 1,288	\$ 17,188	\$ 73,427	1.249	1.179	\$ 111,999	\$ 0.0319	\$ 0.0070	\$ 0.0390
Automation AACD	82.54%	25.72%	\$ 19,196.96	74.28%	\$ 0.01449	1,556,106	\$ 22,541	2,500,365	19,197	3,344	\$ 6,141.32	\$ 28,450	\$ 3,493	\$ 1,120	\$ 14,394	\$ 61,746	1.249	1.179	\$ 94,110	\$ 0.0309	\$ 0.0068	\$ 0.0376
Auto 3-Digit Letters	83.65%	24.72%	\$ 169,044.81	75.28%	\$ 0.01401	14,257,440	\$ 199,682	22,908,988	169,045	30,638	\$ 54,404.01	\$ 260,688	\$ 32,004	\$ 10,266	\$ 129,591	\$ 557,025	1.249	1.179	\$ 848,689	\$ 0.0304	\$ 0.0067	\$ 0.0370
Auto 5-Digit Letters CSBCS/Manual Sites	49.85%	55.13%	\$ 60,393.91	44.87%	\$ 0.02868	2,283,389	\$ 65,301	3,668,971	60,394	4,907	\$ 17,791.34	\$ 41,747	\$ 5,126	\$ 1,644	\$ 31,891	\$ 131,609	1.249	1.179	\$ 202,021	\$ 0.0448	\$ 0.0102	\$ 0.0551
Auto 5-Digit Letters Other Sites	88.26%	20.57%	\$ 84,629.52	79.43%	\$ 0.01202	8,576,438	\$ 103,059	13,780,700	84,630	18,430	\$ 28,078.72	\$ 156,802	\$ 19,252	\$ 6,175	\$ 72,253	\$ 313,368	1.249	1.179	\$ 476,683	\$ 0.0284	\$ 0.0062	\$ 0.0346
Auto 5-Digit Letters	80.18%	27.84%	\$ 145,023.43	72.16%	\$ 0.01550	10,859,827	\$ 168,360	17,449,671	145,023	23,337	\$ 45,870.12	\$ 198,549	\$ 24,378	\$ 7,820	\$ 104,144	\$ 444,977	1.249	1.179	\$ 678,704	\$ 0.0319	\$ 0.0070	\$ 0.0389
Auto CR Letters	52.54%	52.71%	\$ 10,606.51	47.29%	\$ 0.02744	419,416	\$ 11,508	673,921	10,607	901	\$ 3,135.33	\$ 7,668	\$ 941	\$ 302	\$ 5,695	\$ 23,555	1.249	1.179	\$ 36,142	\$ 0.0437	\$ 0.0100	\$ 0.0536
Presort Letters Subtotal	81.65%	26.52%	\$ 381,185.61	73.48%	\$ 0.01487	29,964,684	\$ 445,576	48,147,533	\$ 381,185.62	64,391	\$ 121,398	\$ 547,842	\$ 67,263	\$ 21,576	\$ 288,055	\$ 1,203,656	1.249	1.179	\$ 1,843,368	\$ 0.0314	\$ 0.0071	\$ 0.0383
Presort Letters Subtotal*Check			\$ 381,185.62			29,964,684	\$ 445,576.32	48,147,533	\$ 381,185.62	\$ 64,390.70	\$ 121,398.46	\$ 547,842	\$ 67,263	\$ 21,576	\$ 288,055	\$ 1,203,656	1.249	1.179	\$ 1,843,368	\$ 0.0312	\$ 0.0071	\$ 0.0383
(22)(9)(8) - (16)(17) - (18)(19)																						
(19)(16)(17) + (18)(19)																						
(20)(16)(8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'																						
(21)(15) / (8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'																						
(22)(19)(8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'																						

Formula - Source of Column - Source Row 18 (Column Total) if applicable

(1) Witness Abdriham model

(2) 1-(9)*(11)

(3) Casing cost per piece * volume cased - worksheet 'Casing'

(4) 1-(2)

(5) Casing + Noncasing cost per piece - worksheet 'Casing'

(6) City volume divided using RPW proportions - USPS-LR-L-67 workbook UDCInputs.USPS.xls worksheet DPS%

(7) (5) * cased volume - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(8) base year originating volume - USPS-LR-L-87

(9) = (3) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(10) (7) - (3) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(11) (9)+(10)/(11)+(12) * tot13 - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(12) ratio of RPW volume * 7.1 cost - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(13) ratio of RPW volume * 7.2 cost - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(14) ratio of RPW volume * 6.2 cost - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(15) worksheet Ruralcosts - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(16) (9)+(10)+(11)+(12)+(13)+(14)

(17) USPS-LR-L-67 workbook UDCInputs.USPS.xls worksheet 'BYPack'

(18) USPS-LR-L-67 workbook UDCInputs.USPS.xls worksheet 'BYPack'

(19) (16)(17) + (18)(19) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(20) (16)(8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(21) (15) / (8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

(22)(19)(8) - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 'SummaryBY'

First Class Presort Letters	Permit Volume (1)	Permit Volume % (2)	DPS% (3)	Cased % (4)	DPS Permit Volume (5)	% of Total DPS Permit Volume (6)	DPS Cost (7)	Other Letter Permit Volume (8)	% of Total Other Letter Permit Volume (9)	Other Letter Cost (10)	Sector- Segment Permit Volume (11)	% of Total Sector- Segment Permit Volume (12)	Sector Cost (13)	Boxholde r Volume (14)	% of Boxholde r Permit Volume (15)	Boxholde r Cost (16)	Postage Due Volume (17)	% of Postage Due Permit Volume (18)	Postage Due Cost (19)	Total Rural (20)
Nonautomation -- Nonmach Mixed ADC	10,182	0.02%	0.00%	100.00%	-	0.00%	-	9,462	0.12%	\$ 135.68	720	0.12%	\$ 10.13	5	0.12%	\$ 0.16	0.04	0.0211%	\$ 0.0034	\$ 146
Nonautomation -- Nonmach ADC	4,819	0.01%	0.00%	100.00%	-	0.00%	-	4,478	0.05%	\$ 64.21	341	0.05%	\$ 4.80	2	0.05%	\$ 0.08	0.02	0.0100%	\$ 0.0016	\$ 69
Nonautomation -- Mach Mixed AADC	716,554	1.49%	82.65%	25.61%	592,253	1.51%	2,431	115,510	1.41%	\$ 1,656.32	8,791	1.41%	\$ 123.71	64	1.41%	\$ 1.98	3.00	1.4882%	\$ 0.2407	\$ 4,213
Nonautomation -- Mach AADC	238,936	0.50%	82.65%	25.61%	197,487	0.50%	811	38,517	0.47%	\$ 552.30	2,931	0.47%	\$ 41.25	21	0.47%	\$ 0.66	1.00	0.4963%	\$ 0.0803	\$ 1,405
Nonautomation -- Nonmach 3-Digit	6,178	0.01%	0.00%	100.00%	-	0.00%	-	5,741	0.07%	\$ 82.32	437	0.07%	\$ 6.15	3	0.07%	\$ 0.10	0.03	0.0128%	\$ 0.0021	\$ 89
Nonautomation -- Nonmach 5-Digit	1,250	0.00%	0.00%	100.00%	-	0.00%	-	1,162	0.01%	\$ 16.66	88	0.01%	\$ 1.24	1	0.01%	\$ 0.02	0.01	0.0026%	\$ 0.0004	\$ 18
Nonautomation -- Mach 3-Digit	625,850	1.30%	84.92%	23.57%	531,480	1.35%	2,182	87,696	1.07%	\$ 1,257.49	6,674	1.07%	\$ 93.92	48	1.07%	\$ 1.50	2.62	1.2999%	\$ 0.2102	\$ 3,535
Nonautomation -- Mach 5-Digit	135,548	0.28%	84.92%	23.57%	115,109	0.29%	472	18,993	0.23%	\$ 272.35	1,445	0.23%	\$ 20.34	10	0.23%	\$ 0.32	0.57	0.2815%	\$ 0.0455	\$ 766
Automation Mixed AADC	2,875,272	5.97%	80.07%	27.93%	2,302,325	5.86%	9,450	532,427	6.48%	\$ 7,634.55	40,520	6.48%	\$ 570.21	294	6.48%	\$ 9.11	12.03	5.9718%	\$ 0.9658	\$ 17,665
Automation AADC	2,500,365	5.19%	82.54%	25.72%	2,063,753	5.25%	8,471	405,734	4.94%	\$ 5,817.88	30,878	4.94%	\$ 434.52	224	4.94%	\$ 6.94	10.46	5.1931%	\$ 0.8398	\$ 14,731
Auto 3-Digit Letters	22,908,988	47.58%	83.65%	24.72%	19,163,296	48.75%	78,658	3,480,790	42.39%	\$ 49,911.58	264,901	42.39%	\$ 3,727.78	1,921	42.39%	\$ 59.55	95.86	47.5808%	\$ 7,6947	\$ 132,365
Auto 5-Digit Letters CSBCS/Manual Sites	3,668,971	7.62%	49.85%	55.13%	1,829,028	4.65%	7,508	1,709,819	20.82%	\$ 24,517.36	130,124	20.82%	\$ 1,831.14	944	20.82%	\$ 29.25	15.35	7.6203%	\$ 1,2323	\$ 33,886
Auto 5-Digit Letters Others Site	13,780,700	28.62%	88.26%	20.57%	12,162,335	30.94%	49,922	1,503,912	18.31%	\$ 21,564.82	114,453	18.31%	\$ 1,610.63	830	18.31%	\$ 25.73	57.66	28.6216%	\$ 4,6287	\$ 73,128
Auto 5-Digit Letters	17,449,671	36.24%	80.18%	27.84%	13,991,363	35.59%	57,430	3,213,731	39.14%	\$ 46,082.18	244,577	39.14%	\$ 3,441.77	1,774	39.14%	\$ 54.98	73.01	36.2421%	\$ 5,8610	\$ 107,014
Auto CR Letters	673,921	1.40%	52.54%	52.71%	354,072	0.90%	1,453	297,229	3.62%	\$ 4,262.02	22,620	3.62%	\$ 318.32	164	3.62%	\$ 5.08	2.82	1.3997%	\$ 0.2264	\$ 6,039
Presort Letters Subtotal, Check	48,147,533	100.00%	81.65%	26.52%	39,311,139	100.00%	161,358	8,211,471	100%	\$ 117,746	624,924	100.00%	\$ 8,794.14	4,532	100.00%	\$ 140.48	201.46	100.0000%	\$ 16,1719	\$ 288,055
Presort Letters Subtotal*	48,147,533	100%			\$ 39,311,139	100%	\$ 161,358	\$ 8,211,471	100%	\$ 117,746	624,924	100%	\$ 8,794	453153%	100%	\$ 140.48	201.46	100%	\$ 16.17	\$ 288,055
Ratio of Oth Ltrs to the Sum of Oth Ltrs and SecSeq Ltrs	92.93%																			
Formula - Source of Column																				
(1) Originating Volume - USPS-LR-L-87																				
(2) % by rate category																				
(3) Witness Abdrahman's model																				
(4) 1-(9)*(3)																				
(5) (3)*(1)																				
(6) % DPS by rate category																				
(7) (6) * Rural Standard Letter DPS cost - USPS-LR-67 workbook UDCModel.USPS.xls worksheet '11b Rural Disagg																				
(8) (1)-(5) *(other letters/other + sector segment) - USPS-LR-67 workbook UDCModel.USPS.xls worksheet '11b Rural Disagg																				
(9) % other by rate category																				
(10) (9) * Rural Standard Other Letter cost - USPS-LR-67 workbook UDCModel.USPS.xls worksheet '11b Rural Disagg																				
(11) (1)-(5)-(8)																				
(12) % sector segment by rate category																				
(13) (12) * Rural Standard Sector Segment cost - USPS-LR-67 workbook UDCModel.USPS.xls worksheet '11b Rural Disagg																				
(14) Ratio of total boxholder volume by rate category - USPS-LR-L-67 workbook UDCModel.USPS.xls worksheet 8/RuralCrosswalk																				
(15) total boxholder standard letters by rate category																				
(16) (15) * Rural Standard Boxholder letter cost - USPS-LR-67 workbook UDCModel.USPS.xls worksheet '11b Rural Disagg																				
(17) total postage due standard letters by rate category																				
(18) % postage due by rate category																				
(19) (18)*Rural Standard Postage Due letter cost -USPS-LR-67 workbook UDCModel.USPS.xls worksheet '11b Rural Disagg																				
(20) (7)+(10)+(13)+(16)+(19) - USPS-LR-67 workbook UDCModel.USPS.xls worksheet 'Summary BY																				

Line No.	Total In-Office Direct Labor Casing Plus Non-Casing, All Route Groups	Casing Portion Of In-Office Direct Labor, All Route Groups	Casing Portion Of In-Office Direct Labor, Letter Routes Only	Non-Casing Portion Of In-Office Direct Labor, All Route Groups	Assumed % Dps Mail Cased	CCS Volume	% DPS	% Cased	% Non-Cased	In-Office Direct Labor Casing Cost Per CCS Piece - Cased Pieces	In-Office Direct Labor Casing Plus Non-Casing Cost Per CCS Piece - Cased Pieces	In-Office Direct Labor Non-Casing Cost Per CCS Piece - Applied to All Pieces	
Col. No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Units	\$ (000)	\$ (000)	\$ (000)	\$ (000)		Pieces (000)							
Source/Calculations	IOCS CARMM	IOCS CARMM	IOCS CARMM	IOCS CARMM			Theoretical Model	(1 - C7) + (C7 x C5)	C7 x (1 - C5)	C2 / (C8 x C6)	C2 / (C8 x C6) + C12	C4 / C6	
1	FC Presort - Letter-Shape Pieces Only	445,576	381,186	373,394	64,391	10.0%	29,964,684	81.65%	26.52%	73.48%	0.0480	0.0501	0.0021

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.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
August 15, 2006