

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

SPECIAL SERVICES REFORM, 1996

Docket No. MC96

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OFFICE OF THE SECRETARY

RESPONSE OF UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 3, QUESTIONS 2-3 AND 6-16
(September 6, 1996)

The United States Postal Service hereby provides responses to Presiding Officer's Information Request No. 3, questions 2-3 and 6-16, issued on August 29, 1996. The Postal Service had filed a motion for extension of time to respond to questions 2-3 and 6-17 on September 5, 1996. As stated in its motion for extension, the Postal Service plans to provide an oral status report at the start of hearings on Monday, September 9, 1996, to advise the Commission and the parties on when they might expect a response to the remaining question, number 17.

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



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
September 6, 1996



RESPONSE OF POSTAL SERVICE WITNESS LION TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

2. How many Contract Postal Facilities administered by Group II offices were in operation at the end of 1995?

RESPONSE:

1489. For purposes of this question, an office is defined by a finance number. The estimate is based on the November, 1995 ALMS file, which is the most recent available for calendar year 1995.

DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M. Lion

Dated: Sept 6 1996

RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

3. In response to POIR No. 2, question 9, witness Needham states, "the Postal Service revenue projections make the implicit assumption that only some resident customers ineligible for any kind of carrier delivery will get free boxes. Implementation of the new box fee schedule may mitigate this..."

a. Does the Postal Service intend to offer free boxes to all customers who are ineligible for delivery regardless of which Group office they belong.

b. If yes, please provide your best estimate of the maximum amount of test year box rental revenue that the Postal Service would lose from such a decision.

c. If no, please discuss the equity issues involved in offering free boxes to some customers who are ineligible for delivery and not to other customers who are also ineligible for delivery.

RESPONSE:

a, c. The existing box fee schedule is based upon the type of carrier delivery offered by an office, with a \$2 fee for Group III offices. As explained in the response to POIR No. 2, question 5, these offices generally offer no carrier delivery, and most of their customers are understood to be ineligible for carrier delivery. The low \$2 fee provides some recognition that customers ineligible for carrier delivery deserve a fee break. The existing fee structure does not, however, extend the \$2 fee to customers at Group I and II offices who are ineligible for carrier delivery, or to those postal-operated facilities that offer no carrier delivery.

In view of the difficulties in determining eligibility for delivery for each customer, the Postal Service's proposed box fee structure retains the historical starting point -- the type of carrier delivery an office provides. The proposal

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would reduce the \$2 fee to \$0, and make that fee apply uniformly to all offices lacking carrier delivery, whether postal-operated or contractor-operated. The box fee proposal accordingly promotes the goal of providing one form of free delivery while eliminating an existing inequity.

In itself, however, the proposal would not require the offering of a free box to all customers ineligible for carrier delivery, in particular to box customers at offices which provide carrier delivery only to some but not all of their customers. At these offices, customers may be ineligible for delivery because of the quarter-mile rule, the sheer remoteness of a customer's location, collective customer preference, or decisions by local postal managers to provide delivery by other methods such as general delivery and box service. Providing boxes at no charge for customers ineligible for carrier delivery at offices offering some carrier delivery is a possibility permitted but not required by the Postal Service proposal, with final details to be worked out during implementation.

The goal of implementation will be to develop rules that bridge the gap between the office-based nature of the current and proposed post office box classification structure, and the customer-based policy goal of providing free box service to local customers ineligible for any kind of carrier delivery. These

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rules must be administratively practical, and reflect the wide variety of customer circumstances that can determine eligibility for carrier delivery.

While an office-based box fee structure may be an imperfect means of furthering a goal of one form of free delivery for each customer, the fact that all customers currently ineligible for carrier delivery would not be treated identically does not make the proposal inequitable. Different fees for customers based on the type of office providing box service has been accepted as equitable throughout the history of the Commission. Unlike the customers who would pay \$0, the customers to whom the \$0 fee might not be offered are all served by offices that offer some form of carrier delivery. As noted, moreover, customer ineligibility arises for several reasons, and these provide a reasonable basis for distinguishing customers. Special circumstances can be addressed during implementation. Moreover, the proposal furthers the goal of free delivery, while reducing inequities present in the existing fee schedule.

- b. Not applicable

**RESPONSE OF POSTAL SERVICE WITNESS NEEDHAM TO
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11. In response to OCA/USPS-T8-8, witness Needham shows \$416.7 million in revenue for Certified Mail and \$365.6 million in revenue for return receipt mail. The sum of these two revenues is \$782.3 million. Postal Service Exhibit USPS-T-5J, page 23, shows \$784.3 million. Please explain the \$2 million discrepancy?

RESPONSE:

I note that page 23 of Exhibit USPS-T-5J was revised on July 1, 1996 to show \$774.9 million in certified mail revenue, instead of the \$784.3 million referenced in the question. The revised difference of \$7.4 million (instead of the \$2 million discrepancy in the question) results from the fact that the return receipt revenue of \$365.6 million is not all associated with certified mail. Approximately \$6.3 million of the \$365.6 million is associated with registered mail, and approximately \$1.1 million is associated with insured mail. See USPS-T-1, WP D, page 2.

DECLARATION

I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: September 6, 1996

Answer of Richard Patelunas to
Presiding Officer's Information Request No. 3
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POIR No. 3 Question 6.

According to Patelunas' Workpaper C-1, page 211, in the base year there are \$31,243,867 in total mail processing costs for certified mail. Of that amount, \$25,904,786 is for basic function incoming. Under what circumstances is an IOCS observation for a clerk or mailhandler working in a mail processing operation handling certified mail pieces assigned to certified rather than the underlying mail class?

POIR No. 3 Question 6.

Please see Library Reference SSR-17, Appendix C, Program ALB080C6

(Encirclement Rules) Specifications, pages 217 - 220.

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POIR No. 3 Question 7.

Consider the following facts.

a. According to Patelunas' Workpaper C-1, page 213, "other" special services are listed as having FY 95 direct labor mail processing costs of \$74,095,168. Also, according to the same workpaper, page 211, Special Services consisting of business reply, return receipt and address correction have FY 95 direct labor mail processing costs of \$74,095,168. Thus, it appears that the "other" special services is comprised of business reply, address correction and return receipt.

b. Patelunas Exhibit USPS-T-5H, page 8, shows that the total attributable costs of "other" special services are expected to be \$220,053,000 in the test year. According to Lyons' Workpaper D, page 3, in the test year after rates the total attributable cost of return receipts is expected to be \$214,021,000 based on the special study conducted by the Postal Service. Thus, on the basis of 9.a. above, it appears that the costs of address correction and business reply combined are expected to be \$6,032,000. These are total costs of which direct labor is only a portion.

c. Patelunas' Workpaper C-1, page 211, shows that the direct labor cost for mail processing related to business reply alone is \$36,578,364 in the base year. This is only a portion of the total business reply attributable costs for FY 95.

d. In summary, given that the CRA shows that the test year after rates total attributable costs for return receipt, business reply and address correction are \$220 million; given that the Service's special study shows that the total attributable costs for return receipt in the test after rates are \$214 million; given that the direct labor mail processing cost for business reply alone in the base year is \$36.6 million and is not likely to be substantially different in the test year after rates; and, given that in the face of \$36 million in direct mail processing cost for business reply, only \$6 million (\$220 million minus \$214 million) remains for the test year after rates total attributable costs of both business reply and address correction combined, there appears to be a significant conflict between the results of the CRA and the result of the Service's special cost study. These facts also imply that if the Service were to conduct special cost studies for business reply and address correction, or use the CRA numbers, the resulting cost estimates when combined with the special study's estimated costs for return

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POIR No. 3 Question 7 continued.

receipt would likely exceed the CRA cost of \$220 million by a substantial amount.

Please discuss this conflict and how the Service reconciles the special study costs with the CRA cost for each individual service.

POIR No. 2 Question 7.

The conclusions drawn from the facts cited above rely on the assumption that the CRA amounts and the special study amounts are interchangeable. The CRA amounts and the special study amounts serve different purposes and they are not intended to be arithmetic complements. It is not correct to use the approach employed in part b of this question. The special study return receipt cost of \$214 million cannot be subtracted from the CRA special service "other" cost of \$220 million to calculate a combined address correction and business reply cost of \$6 million.

Special studies are used for purposes that call for finer detail than is routinely available from the Postal Service's data systems. As pointed out in part a of this question, return receipts are only a portion of the "other" special service line in the CRA. The total "other" special service line of return receipt, business reply and address correction constitutes only .6% of total attributable costs and that is adequate for CRA reporting purposes. For this case though, as has been the tradition for previous cases, the level of detail in the special study

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is meant to capture costs that may not be captured in the CRA as return receipt costs. For example, cost segments 8 and 14 capture no special service costs and segments 9, 10, 12 and 13 capture few special service, particularly "other" special service, costs. Such costs are not missing from the CRA, although they appear somewhere else, rather than as "other" special service. As I explained in my response to OCA/USPS-T8-10, return receipt costs are also a portion of U.S. Postal Service penalty attributable costs. This is the case in Segment 14, in which a return receipt card (PS Form 3811) would appear as U.S. Postal Service penalty mail because it has a postal indicia.

Furthermore, additional CRA data collection efforts would be required to capture some of the costs reflected in the special study. For example, the additional carrier time used to receive mail pieces bearing return receipts and to obtain addressee signatures on those return receipts is not collected in the city carrier data system. Capturing this additional cost resulting from the return receipt service is the function of the special study.

The cost system has to be viewed in its entirety to understand the relevance of the special study in terms of the CRA. The special study is intended to capture return receipt costs included in the CRA lines "US Postal Service" and special service "other", as well as costs such as the carrier costs

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POIR No. 3 Question 7 continued.

discussed in the preceding paragraph. Caution should be exercised when leaping from a mail processing LIOCATT cost of \$14 million for return receipt in Base Year 1995 to a total return receipt cost of \$214 million in Test Year 1996 After Rates. The arithmetic calculations performed on the facts cited in the preface to this question are not comparable.

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POIR No. 3 Question 8.

The LIOCATT Workpapers include separate costs for business reply, address correction, and return receipt. But the Postal Service combines these three costs into a single cost in the CRA. Please explain why the Postal Service does not maintain separate costs for each of these special services throughout the CRA. In this case, why did the Postal Service decide to use a special study for return receipt cost rather than the CRA cost? In general, how does the Postal Service decide to use the results of a special study rather than the CRA cost?

POIR No. 3 Question 8.

The level of disaggregation for business reply, address correction and return receipt found in LIOCATT is obtained directly from the current IOCS data collection methods. For other segments in the CRA though, for example, Cost Segment 14, this level of detail would require additional data collection efforts than are currently employed. Additionally, Cost Segment 7 would require additional data collection to account for the additional carrier time of receiving pieces of mail bearing return receipts and of obtaining addressee signatures for those return receipts. For CRA reporting purposes, the present format is adequate.

The Postal Service uses special studies, rather than CRA costs, to identify costs at a more detailed level needed for pricing particular special services. This level of detail is beyond that required for CRA reporting and is often used for purposes beyond the scope of the CRA. For example, pricing

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POIR No. 3 Question 8 continued.

return receipts in this case relies on the separate cost for regular return receipts,
return receipts for merchandise and return receipts after mailing.

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POIR No. 3 Question 10.

In response to OCA/USPS-13, witness Patelunas states that the volume used to calculate the 1995 unit cost for Certified Mail includes not only certified volume but also the volume of return receipts for merchandise. Why does not the Service shift the return receipt merchandise volumes with the volumes associated with these special services where the costs for return receipt reside? How does the Postal Service justify the apparent misalignment of costs and volumes inherent in the unit cost for Certified Mail?

POIR No. 3 Question 10 Response.

The Postal Service is examining how to categorize these volumes in the future.

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POIR No. 3 Question 12.

In Patelunas' Workpaper WP-B, Base Year 1995 Cost Segment, WS 7.0.4.1, lines 22-26e, the number of actual stops is greater than the number of possible stops for thirteen (13) of the twenty four (24) possible stop type/route category combinations listed. Please explain how the number of actual stops can be greater than the number of possible stops.

POIR No. 3 Question 12.

The source of the actual and possible stops was a preliminary version of Fiscal Year 1995 processing. This data was not updated when the other city carrier inputs were updated for final Fiscal Year 1995 processing. Apparently, the now non-existent source data combined actual stops and possible stops from two different sources. The observation that actual cannot be greater than possible stops is correct.

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POIR No. 3 Question 13.

Please explain why the number of actual stops reported in Patelunas' Workpaper WP-B, Base Year 1995 Cost Segment, WS 7.0.4.1, lines 22-26e, do not match the number of actual and potential stops reported in the CCS source documents presented in this docket, Library Reference SSR-36 or SSR-36A, or the source cited for Actual Stops, Library Reference F-194. Also, please explain the impact on the CRA costs submitted in this docket from using the latest submission of CCS data as contained in LR SSR-36A.

POIR No. 2 Question 13.

See my response to POIR No. 3, Question 12 for an explanation of the source data discrepancies.

The impact on CRA costs submitted in this docket resulting from the changes in the number of actual and possible stops and the inclusion of the changes reported in Library Reference SSR-36A are provided in Attachment I to this response. Attachment I shows the insignificant impact of these changes and it is structured as follows. Page 1 is the Manual Inputs for Cost Segment 7 from my Workpaper WP-A. Page 2 is the Manual Inputs incorporating the adjustments to the number of stops and Library Reference SSR-36A. Page 3 is the absolute difference calculated by subtracting the page 1 amounts from the page 2 amounts. Page 4 is the percentage change calculated by dividing the difference on page 3 by the Base Year amount on page 1.

Component=	46	47	48	49	50	51	52	53	54	Total
FIRST-CLASS MAIL:										
LETTERS & PARCELS	230,702	50,236	76,031	0	0	0	0	0	0	356,969
PRESORT LTR & PCL	192,179	11,350	32,164	0	0	0	0	0	0	235,693
POSTAL CARDS	1,334	387	586	0	0	0	0	0	0	2,307
PRIVATE POSTCARDS	12,609	2,617	4,492	0	0	0	0	0	0	19,718
PRESORT PRVT P CS	8,285	583	1,822	0	0	0	0	0	0	10,690
TOTAL FIRST	445,109	65,173	115,095	0	0	0	0	0	0	625,377
PRIORITY MAIL	17,830	1,004	2,649	0	0	0	0	0	0	21,483
EXPRESS MAIL	7,202	2,377	2,934	0	0	0	0	0	0	12,513
MAILGRAMS	19	2	11	0	0	0	0	0	0	32
SECOND-CLASS MAIL:										
WITHIN COUNTY	6,933	228	811	0	0	0	0	0	0	7,972
OUTSIDE COUNTY:										
REG RATE PUB	53,032	1,745	6,207	0	0	0	0	0	0	60,984
NONPROFIT PUB	17,442	575	2,041	0	0	0	0	0	0	20,058
CLASSROOM PUB	496	16	58	0	0	0	0	0	0	570
TOTAL SECOND	77,903	2,564	9,117	0	0	0	0	0	0	89,584
THIRD-CLASS MAIL										
SINGLE PIECE RATE	1,461	1,143	1,468	0	0	0	0	0	0	4,072
BULK RATE-REG										
CAR PRESORT	238,144	18,317	40,297	0	0	0	0	0	0	296,758
OTHER	182,618	8,774	16,521	0	0	0	0	0	0	207,913
TOTAL REGULAR	420,762	27,091	56,818	0	0	0	0	0	0	504,671
BULK RATE-NONPROF										
CAR PRESORT	12,954	1,243	2,630	0	0	0	0	0	0	16,827
OTHER	46,890	1,557	3,660	0	0	0	0	0	0	52,107
TOTAL NONPROF	59,844	2,800	6,290	0	0	0	0	0	0	68,934
TOTAL THIRD	482,067	31,034	64,576	0	0	0	0	0	0	577,677
FOURTH-CLASS MAIL:										
PARCELS ZONE RATE	16,041	470	2,747	0	0	0	0	0	0	19,258
BOUND PRNT MATTER	14,275	480	5,103	0	0	0	0	0	0	19,858
SPC 4TH-CL RATE	8,853	222	2,358	0	0	0	0	0	0	11,433
LIBRARY RATE	1,152	63	373	0	0	0	0	0	0	1,588
TOTAL FOURTH	40,321	1,235	10,581	0	0	0	0	0	0	52,137
**										
US POSTAL SERVICE	2,234	514	1,369	0	0	0	0	0	0	4,117
FREE MAIL--BLIND & HNDC & SERVICEMEN	1,301	66	176	0	0	0	0	0	0	1,543
INTERNATIONAL MAIL	4,763	872	2,283	0	0	0	0	0	0	7,918
TOTAL ALL MAIL	1,078,749	104,841	208,791	0	0	0	0	0	0	1,392,381
SPECIAL SERVICES										
REGISTRY	3,122	50	0	0	0	0	0	0	0	3,172
CERTIFIED	41,058	698	0	0	0	0	0	0	0	41,756
INSURANCE	1,568	70	0	0	0	0	0	0	0	1,638
COD	1,304	13	0	0	0	0	0	0	0	1,317
SPECIAL DELIVERY	0	0	0	0	0	0	0	0	0	0
MONEY ORDERS	0	0	0	0	0	0	0	0	0	0
STAMPED ENVELOPES	0	0	0	0	0	0	0	0	0	0
SPECIAL HANDLING	0	0	0	0	0	0	0	0	0	0
POST OFFICE BOX	0	0	0	0	0	0	0	0	0	0
OTHER	0	0	0	0	0	0	0	0	0	0
TOTAL SPC SVCS	47,052	831	0	0	0	0	0	0	0	47,883
ATTRIBUTABLE	1,125,801	105,672	208,791	0	0	0	0	0	0	1,440,264
OTHER	0	607,706	2,151,718	473,018	147,814	111,276	340,171	240,567	1,788,645	5,860,915
TOTAL COSTS	1,125,801	713,378	2,360,509	473,018	147,814	111,276	340,171	240,567	1,788,645	7,301,179

Component=	46	47	48	49	50	51	52	53	54	Total
FIRST-CLASS MAIL:										
LETTERS & PARCELS	230,590	50,236	76,030	0	0	0	0	0	0	356,856
PRESORT LTR & PCL	192,190	11,350	32,165	0	0	0	0	0	0	235,705
POSTAL CARDS	1,334	387	586	0	0	0	0	0	0	2,308
PRIVATE POSTCARDS	12,630	2,617	4,497	0	0	0	0	0	0	19,744
PRESORT PRVT P CS	8,283	583	1,820	0	0	0	0	0	0	10,685
TOTAL FIRST	445,027	65,174	115,097	0	0	0	0	0	0	625,298
PRIORITY MAIL	17,818	1,004	2,649	0	0	0	0	0	0	21,471
EXPRESS MAIL	7,219	2,377	2,934	0	0	0	0	0	0	12,531
MAILGRAMS	19	2	11	0	0	0	0	0	0	33
SECOND-CLASS MAIL										
WITHIN COUNTY	6,902	228	811	0	0	0	0	0	0	7,941
OUTSIDE COUNTY										
REG RATE PUB	52,798	1,745	6,208	0	0	0	0	0	0	60,752
NONPROFIT PUB	17,367	575	2,042	0	0	0	0	0	0	19,983
CLASSROOM PUB	494	16	58	0	0	0	0	0	0	568
	0	0	0							
TOTAL SECOND	77,561	2,564	9,119	0	0	0	0	0	0	89,244
THIRD-CLASS MAIL:										
SINGLE PIECE RATE	1,471	1,143	1,468	0	0	0	0	0	0	4,082
BULK RATE-REG										
CAR PRESORT	239,067	18,317	40,309	0	0	0	0	0	0	297,692
OTHER	182,297	8,774	16,526	0	0	0	0	0	0	207,597
TOTAL REGULAR	421,364	27,090	56,835	0	0	0	0	0	0	505,289
BULK RATE-NONPROF										
CAR PRESORT	12,925	1,243	2,630	0	0	0	0	0	0	16,798
OTHER	46,822	1,557	3,662	0	0	0	0	0	0	52,042
TOTAL NONPROF	59,748	2,800	6,292	0	0	0	0	0	0	68,840
TOTAL THIRD	482,583	31,033	64,595	0	0	0	0	0	0	578,212
FOURTH-CLASS MAIL:										
PARCELS ZONE RATE	16,008	470	2,748	0	0	0	0	0	0	19,226
BOUND PRNT MATTER	14,256	478	5,103	0	0	0	0	0	0	19,837
SPC 4TH-CL RATE	8,853	222	2,357	0	0	0	0	0	0	11,432
LIBRARY RATE	1,149	63	373	0	0	0	0	0	0	1,586
TOTAL FOURTH	40,266	1,234	10,581	0	0	0	0	0	0	52,081
**										
US POSTAL SERVICE	2,232	514	1,368	0	0	0	0	0	0	4,114
FREE MAIL--BLIND & HNDC & SERVICEMEN	1,299	66	175	0	0	0	0	0	0	1,541
INTERNATIONAL MAIL	4,758	872	2,283	0	0	0	0	0	0	7,913
TOTAL ALL MAIL	1,078,783	104,841	208,813	0	0	0	0	0	0	1,392,437
SPECIAL SERVICES										
REGISTRY	3,119	50	0	0	0	0	0	0	0	3,169
CERTIFIED	41,029	698	0	0	0	0	0	0	0	41,728
INSURANCE	1,566	70	0	0	0	0	0	0	0	1,636
COD	1,302	13	0	0	0	0	0	0	0	1,315
SPECIAL DELIVERY	0	0	0	0	0	0	0	0	0	0
MONEY ORDERS	0	0	0	0	0	0	0	0	0	0
STAMPED ENVELOPES	0	0	0	0	0	0	0	0	0	0
SPECIAL HANDLING	0	0	0	0	0	0	0	0	0	0
POST OFFICE BOX	0	0	0	0	0	0	0	0	0	0
OTHER	0	0	0	0	0	0	0	0	0	0
			0							
TOTAL SPC SVCS	47,017	831		0	0	0	0	0	0	47,848
ATTRIBUTABLE	1,125,800	105,672	208,813	0	0	0	0	0	0	1,440,285
OTHER	0	607,709	2,151,725	473,018	147,814	111,276	340,171	240,567	1,788,645	5,860,925
TOTAL COSTS	1,125,800	713,381	2,360,538	473,018	147,814	111,276	340,174	240,564	1,788,618	7,301,183

Component=	46	47	48	49	50	51	52	53	54	Total
FIRST-CLASS MAIL										
LETTERS & PARCELS	(112)	0	(1)	0	0	0	0	0	0	-113
PRESORT LTR & PCL	11	(0)	1	0	0	0	0	0	0	12
POSTAL CARDS	0	0	(0)	0	0	0	0	0	0	1
PRIVATE POSTCARDS	21	0	5	0	0	0	0	0	0	26
PRESORT PRVT P CS	(2)	(0)	(2)	0	0	0	0	0	0	-5
TOTAL FIRST	(82)	1	2	0	0	0	0	0	0	-79
PRIORITY MAIL	(12)	0	0	0	0	0	0	0	0	-12
EXPRESS MAIL	17	0	0	0	0	0	0	0	0	18
MAILGRAMS	0	0	0	0	0	0	0	0	0	1
SECOND-CLASS MAIL										
WITHIN COUNTY	(31)	(0)	(0)	0	0	0	0	0	0	-31
OUTSIDE COUNTY										
REG RATE PUB	(234)	(0)	1	0	0	0	0	0	0	-232
NONPROFIT PUB	(75)	(0)	1	0	0	0	0	0	0	-75
CLASSROOM PUB	(2)	0	0	0	0	0	0	0	0	-2
TOTAL SECOND	(342)	(0)	2	0	0	0	0	0	0	-340
THIRD-CLASS MAIL:										
SINGLE PIECE RATE	10	0	0	0	0	0	0	0	0	10
BULK RATE-REG										
CAR PRESORT	923	(0)	12	0	0	0	0	0	0	934
OTHER	(321)	(0)	5	0	0	0	0	0	0	-316
TOTAL REGULAR	602	(1)	17	0	0	0	0	0	0	618
BULK RATE-NONPROF										
CAR PRESORT	(29)	(0)	(0)	0	0	0	0	0	0	-29
OTHER	(68)	0	2	0	0	0	0	0	0	-65
TOTAL NONPROF	(96)	0	2	0	0	0	0	0	0	-94
TOTAL THIRD	516	(1)	19	0	0	0	0	0	0	535
FOURTH-CLASS MAIL										
PARCELS ZONE RATE	(33)	0	1	0	0	0	0	0	0	-32
BOUND PRNT MATTER	(19)	(2)	(0)	0	0	0	0	0	0	-21
SPC 4TH-CL. RATE	0	(0)	(1)	0	0	0	0	0	0	-1
LIBRARY RATE	(3)	0	0	0	0	0	0	0	0	-2
TOTAL FOURTH	(55)	(1)	(0)	0	0	0	0	0	0	-56
**										
US POSTAL SERVICE	(2)	0	(1)	0	0	0	0	0	0	-3
FREE MAIL--BLIND & HNDC & SERVICEMEN	(2)	0	(1)	0	0	0	0	0	0	-2
INTERNATIONAL MAIL	(5)	0	0	0	0	0	0	0	0	-5
TOTAL ALL MAIL	34	0	22	0	0	0	0	0	0	56
SPECIAL SERVICES										
REGISTRY	(3)	0	0	0	0	0	0	0	0	-3
CERTIFIED	(29)	0	0	0	0	0	0	0	0	-28
INSURANCE	(2)	(0)	0	0	0	0	0	0	0	-2
COD	(2)	0	0	0	0	0	0	0	0	-2
SPECIAL DELIVERY	0	0	0	0	0	0	0	0	0	0
MONEY ORDERS	0	0	0	0	0	0	0	0	0	0
STAMPED ENVELOPES	0	0	0	0	0	0	0	0	0	0
SPECIAL HANDLING	0	0	0	0	0	0	0	0	0	0
POST OFFICE BOX	0	0	0	0	0	0	0	0	0	0
OTHER	0	0	0	0	0	0	0	0	0	0
TOTAL SPC SVCS	(35)	0	0	0	0	0	0	0	0	-35
ATTRIBUTABLE	(1)	0	22	0	0	0	0	0	0	21
OTHER	0	3	7	0	0	0	0	0	0	10
TOTAL COSTS	(1)	3	29	0	0	0	3	(3)	(27)	4

Component=	46	47	48	49	50	51	52	53	54	Total
FIRST-CLASS MAIL:										
LETTERS & PARCELS	-0.05%	0.00%	0.00%	0	0	0	0	0	0	0
PRESORT LTR & PCL	0.01%	0.00%	0.00%	0	0	0	0	0	0	0
POSTAL CARDS	0.02%	0.13%	-0.03%	0	0	0	0	0	0	0
PRIVATE POSTCARDS	0.17%	0.01%	0.10%	0	0	0	0	0	0	0
PRESORT PRVT P CS	-0.03%	-0.04%	-0.12%	0	0	0	0	0	0	0
TOTAL FIRST	-0.02%	0.00%	0.00%	0	0	0	0	0	0	0
PRIORITY MAIL	-0.07%	0.00%	0.00%	0	0	0	0	0	0	0
EXPRESS MAIL	0.24%	0.00%	0.01%	0	0	0	0	0	0	0
MAILGRAMS	2.24%	2.24%	2.24%	0	0	0	0	0	0	0
SECOND-CLASS MAIL										
WITHIN COUNTY	-0.44%	0.00%	-0.03%	0	0	0	0	0	0	0
OUTSIDE COUNTY:										
REG RATE PUB	-0.44%	0.00%	0.02%	0	0	0	0	0	0	0
NONPROFIT PUB	-0.43%	-0.07%	0.04%	0	0	0	0	0	0	0
CLASSROOM PUB	-0.44%	2.24%	0.48%	0	0	0	0	0	0	0
TOTAL SECOND	-0.44%	0.00%	0.02%	0	0	0	0	0	0	0
THIRD-CLASS MAIL										
SINGLE PIECE RATE	0.70%	0.01%	0.01%	0	0	0	0	0	0	0
BULK RATE-REG										
CAR PRESORT	0.39%	0.00%	0.03%	0	0	0	0	0	0	0
OTHER	-0.18%	0.00%	0.03%	0	0	0	0	0	0	0
TOTAL REGULAR	0.14%	0.00%	0.03%	0	0	0	0	0	0	0
BULK RATE-NONPROF										
CAR PRESORT	-0.22%	-0.01%	-0.01%	0	0	0	0	0	0	0
OTHER	-0.14%	0.01%	0.06%	0	0	0	0	0	0	0
TOTAL NONPROF	-0.16%	0.00%	0.03%	0	0	0	0	0	0	0
TOTAL THIRD	0.11%	0.00%	0.03%	0	0	0	0	0	0	0
FOURTH-CLASS MAIL:										
PARCELS ZONE RATE	-0.21%	0.07%	0.05%	0	0	0	0	0	0	0
BOUND PRNT MATTER	-0.14%	-0.31%	0.00%	0	0	0	0	0	0	0
SPC 4TH-CL RATE	0.00%	-0.06%	-0.06%	0	0	0	0	0	0	0
LIBRARY RATE	-0.24%	0.62%	0.05%	0	0	0	0	0	0	0
TOTAL FOURTH	-0.14%	-0.08%	0.00%	0	0	0	0	0	0	0
**										
US POSTAL SERVICE	-0.09%	0.05%	-0.07%	0	0	0	0	0	0	0
FREE MAIL--BLIND & HNDC & SERVICEMEN	-0.12%	0.69%	-0.66%	0	0	0	0	0	0	0
INTERNATIONAL MAIL	-0.10%	0.01%	0.00%	0	0	0	0	0	0	0
TOTAL ALL MAIL	0.00%	0.00%	0.01%	0	0	0	0	0	0	0
SPECIAL SERVICES										
REGISTRY	-0.08%	0.20%	0.00%	0	0	0	0	0	0	0
CERTIFIED	-0.07%	0.04%	0.00%	0	0	0	0	0	0	0
INSURANCE	-0.11%	-0.68%	0.00%	0	0	0	0	0	0	0
COD	-0.19%	2.24%	0.00%	0	0	0	0	0	0	0
SPECIAL DELIVERY	0.00%	0.00%	0.00%	0	0	0	0	0	0	0
MONEY ORDERS	0.00%	0.00%	0.00%	0	0	0	0	0	0	0
STAMPED ENVELOPES	0.00%	0.00%	0.00%	0	0	0	0	0	0	0
SPECIAL HANDLING	0.00%	0.00%	0.00%	0	0	0	0	0	0	0
POST OFFICE BOX	0.00%	0.00%	0.00%	0	0	0	0	0	0	0
OTHER	0.00%	0.00%	0.00%	0	0	0	0	0	0	0
TOTAL SPC SVCS	-0.08%	0.03%	0.00%	0	0	0	0	0	0	0
ATTRIBUTABLE	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
OTHER	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0
TOTAL COSTS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0

Answer of Richard Patelunas to
Presiding Officer's Information Request No. 3
to United States Postal Service

POIR No. 3 Question 14.

Please identify the source for the number of actual and potential stops reported in Patelunas' Workpaper WP-B, Base Year 1995 Cost Segment, WS 7.0.4.1, lines 22-26e.

POIR No. 3 Question 14 Response.

The source was a preliminary version of the Fiscal Year 1995 processing. By mistake, these amounts were not updated when the other city carrier data inputs were updated.

Answer of Richard Patelunas to
Presiding Officer's Information Request No. 3
to United States Postal Service

POIR No. 3 Question 15.

Please provide the FY 95 average cost per cubic foot-mile for highway services comparable to that filed in Docket No. R94-1 at Tr. 3/1020-21 and the average cost per cubic foot for account 53121, Intra-SCF highway.

POIR No. 3 Question 15.

Please see Attachment 1 to this response.

Answer of Richard Patelunas to
Presiding Officer's Information Request No. 3
to United States Postal Service

POIR No. 3 Question 16.

Please provide FY 95 Intra-Alaska Air data comparable to that provided in
Docket No. R94-1 at Tr. 3/1020-21.

POIR No. 2 Question 16.

Please see Attachment 1 to this response.

QUESTION 15

Average Cost Per Cubic Foot Mile

1995

53121	\$ 0.003684197
53124	\$ 0.001815708
53127	\$ 0.0007413
53131	\$ 0.000394368

Average Cost Per Cubic Foot

1995

53121	\$ 0.0063059
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QUESTION 16

Intra-Alaska Air Rates

	Mainline Nonpriority	
FY 1995	Line Haul (per ton-mile)	Terminal Handling (per pound)
July 1 - Dec 31 1994	\$ 0.7823	\$ 0.2326
Jan. 1 - June 30 1995	\$ 0.7218	\$ 0.2061
July 1 - Dec. 31 1995	\$ 0.7324	\$ 0.2249

	Bush Nonpriority	
FY 1995	Line Haul (per ton-mile)	Terminal Handling (per pounds)
Apr. 1 1994 - March 31 1995	\$ 7.4478	\$ 0.3142
Apr. 1 1995 - March 31 1996	\$ 6.5091	\$ 0.3260

Total Accrued Cost by Account (in thousands)

1995	Dollars	Adjustments	Adjusted Totals
53562 Intra-Alaska mainline-nonpriority line	21,965	0	21,965
53566 Intra-Alaska mainline-nonpriority terminal	25,611	0	25,611
53561 Intra-Alaska bush-nonpriority line	19,070	0	19,070
53565 Intra-Alaska bush-nonpriority terminal	16,207	0	16,207
53563 Intra-Alaska bush-priority line	3,129	0	3,129
53567 Intra-Alaska bush-priority terminal	2,503	0	2,503

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Richard Patelunas", is written over a horizontal line.

Dated: 9-6-96

Answer of Witness Lyons to
Presiding Officer's Information Request No. 3
to United States Postal Service

POIR No. 3 Question 9.

What Postal Service activities are reflected in the cost of returning return receipt? (See USPS-LR-SSR-104, page 7, Table B.) Why does the Postal Service use the total unit attributable cost of Postal Cards as a proxy for the cost of returning return receipt? Using the total attributable cost for Postal Cards reflects all the cost segments and components. What activities does this approach capture that are not already captured either in the special study for return receipt or the CRA based costs for return receipt? For example, since the special study reflects window service cost, why should the proxy cost also include window service cost and the related costs for window service like floor space?

Since the cost of Postal Cards is a CRA cost and since the Service has available data for a CRA cost for return receipt, please discuss why the Postal Service chose the Postal Card cost as a proxy for the cost of returning return receipt rather than using the CRA cost for return receipt.

POIR No. 2 Question 9.

It is my understanding that all Postal Service activities attributable to Postal Cards are reflected in the unit cost of the line labeled "returning return receipt" in USPS-LR-SSR-104. The Postal Service uses the total unit attributable cost of Postal Cards as a proxy for the cost of returning return receipt because that is the type of mail that most closely resembles the return receipt card in terms of cost causing characteristics (e.g. - weight, shape, deferability, mail processing stream, transportation, etc.). Rather than attempting to extract the non-relevant costs, such as, window service unit costs, total unit costs were used to avoid under-attribution.

Answer of Witness :Lyons to
Presiding Officer's Information Request No. 3
to United States Postal Service

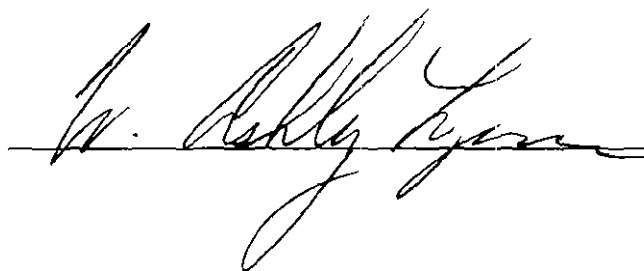
POIR No. 3 Question 9 continued.

Total unit cost of postal cards is perhaps an imperfect proxy, but given the fact that this element of total attributable cost for return receipt is relatively small, a new special study for this element alone or an adjustment to the cost proxy is not justified. The 7.7 cent unit cost proxy used in the return receipt study represents 9% of the total attributable cost for return receipts and 7% of total attributable cost for return receipts for merchandise. Assuming that the 7.7 cent figure were 25 percent lower, however, the total unit cost for return receipt would decline from 87 to 86 cents, and total unit cost for return receipts for merchandise would decline from \$1.05 to \$1.03. Such an adjustment would not change the return receipt pricing proposal in this case. I would note return receipt cards frequently feature handwritten addresses and may be more difficult to process than some other postal cards.

With respect to the "CRA cost for return receipt", please see witness Patelunas's responses to POIR No. 3, questions 7 and 8.

DECLARATION

I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "W. Ashley Lyons", written over a horizontal line.

Dated: 4-6-96

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
September 6, 1996