

# Official Transcript of Proceedings

*Before the*

## UNITED STATES POSTAL RATE COMMISSION

In the Matter of:           SPECIAL SERVICES FEES AND  
CLASSIFICATIONS

Docket No.               MC96-3

VOLUME 11

DESIGNATION OF MATERIAL SUPPLEMENTING  
THE RECORD

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1250 I St., N.W., Suite 300  
Washington, D.C. 20005  
(202) 842-0034

1                               BEFORE THE  
2                               POSTAL RATE COMMISSION

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4   In the Matter of:                               :

5   SPECIAL SERVICES FEES AND                               :       Docket No. MC96-3

6   CLASSIFICATIONS                                               :

7   - - - - - X

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9                               Third Floor Hearing Room  
10                              Postal Rate Commission  
11                              1333 H Street, N.W.  
12                              Washington, D.C. 20268

13  
14                              Volume 11  
15                              Wednesday, January 8, 1997

16  
17               The following documents were transcribed into the  
18   record, pursuant to the Presiding Officer's Ruling at Tr.  
19   10/3623-24.

20  
21   BEFORE:

22                              HON. EDWARD J. GLEIMAN, CHAIRMAN

23                              HON. W.H. "TREY" LeBLANC, III, VICE CHAIRMAN

24                              HON. H. EDWARD QUICK, JR., COMMISSIONER, PRESIDING

25                              HON, GEORGE W. HALEY, COMMISSIONER

ANN RILEY & ASSOCIATES, LTD.  
Court Reporters  
1250 I Street, N.W., Suite 300  
Washington, D.C. 20005  
(202) 842-0034

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


Special Services Fees and Classifications

Docket No. MC96-3

DESIGNATION OF MATERIAL SUPPLEMENTING  
THE RECORD

The attached documents are included in this volume of transcript pursuant to the Presiding Officer's Ruling at Tr. 10/3623-24.

Respectfully submitted,

A handwritten signature in cursive script, reading "Margaret P. Crenshaw". The signature is written in dark ink and is positioned above the printed name and title.

Margaret P. Crenshaw  
Secretary

## Supplemental Designation of Responses

Witness	Response to Interrogatories:		Designated by:
Lyons (USPS)	DFC/USPS-T1 POIR #6	1 1-2	OCA Commission, OCA
Lion (USPS)	OCA/USPS	89	OCA
Bentley (MMA)	USPS/MMA-T1	27 28 (a-b) 30 (a-b) 31 (a-b) 32-36 38 39 (a-b) 39 (e-g) 50 (c-d)	USPS
OCA	USPS/OCA-T200 (redirected from Thompson)	18-28	USPS
USPS	NMS/USPS  Response of USPS to Request of Commissioner LeBlanc Made During Hearings on December 16	8 (revised) 27 (revised) 93-98	NMS NMS NMS Commission

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO  
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T1-1. Please refer to Response of Witness Lyons to Presiding Officer's Information Request No. 4 (Question 8).

a. For this question, please assume the following: (1) The Postal Service believes that some nonresident boxholders would be willing to pay a higher fee for their box than the Postal Service presently charges them; (2) The Postal Service's only goal in proposing a nonresident fee is to increase its total revenue by charging a fee to nonresident boxholders that would be higher than the fee that presently applies to nonresident boxholders. Do you believe that a boxholder who initially rejected a fee increase would subsequently accept the fee increase if he understood that the fee increase were motivated solely by the Postal Service's desire to increase its revenues? If your answer is yes, please explain fully and cite any studies on which you rely in support of your answer.

b. For this question, please assume the following: (1) The Postal Service concludes that nonresident boxholders impose greater costs on the Postal Service than resident boxholders; (2) The Postal Service's only goal in proposing a nonresident fee is to recover the additional costs that nonresident boxholders impose on the Postal Service; (3) The nonresident boxholder to which the following sentence refers does not, by any objective or subjective measure, impose costs on the Postal Service greater than the average cost imposed by resident boxholders in the post office in which the nonresident has his post-office box. Under these three assumptions, do you believe that a boxholder who initially rejected a fee increase would subsequently accept the fee increase if he were told that the nonresident fee was being imposed to recover the additional costs that nonresident boxholders impose on the Postal Service? If your answer is yes, please explain fully and cite any studies on which you rely in support of your contention.

c. The three assumptions in (b) apply to this question. Do you believe that a boxholder who initially rejected a fee increase would subsequently accept the fee increase if he were told that (1) the nonresident fee was designed to recover the additional costs that nonresident boxholders impose on the Postal Service and (2) no studies were conducted to measure and compare the costs that residents and nonresident boxholders impose on the Postal Service? If your answer is yes, please explain fully and cite any studies on which you rely in support of your contention.

**RESPONSE**

Based on the question I was asked in POIR No. 4, my answer reflected the understanding that the nonresident would be told that part of the increase reflected a

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO  
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T1-1, Page 2 of 3

nonresident fee, and that this part of the increase could be avoided by changing post offices at which the box service was obtained. While this issue has not been studied, I believe that this information would tend to focus the nonresident's attention on what he would be giving up by switching his box to another office, and thus might increase his willingness to accept the fee increase.

- (a) If the nonresident boxholder also was made aware that the sole purpose of the increase was to increase the Postal Service's revenues, he might still accept the fee increase, having been reminded of the value of his nonresident box. It would not be surprising for him to consider the benefits he gets from the box more significant than the motivation of the Postal Service.
- (b) If the nonresident boxholder instead was made aware that the sole purpose of the increase was to recover the additional costs that nonresident boxholders impose on the Postal Service, he might still accept the fee increase, having also been reminded of the value of his nonresident box. This would especially be possible if the boxholder understood that as a member of specific consumer groups (such as nonresident boxholders), he often may face charges based on costs based on average costs incurred by those groups, because it is

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO  
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T1-1, Page 3 of 3

impractical and more costly to establish fees that treat each customer's individual characteristics. For example, an all-you-can-eat restaurant might charge one price for all adult customers, and a lower price for all children, based on the quantity of food eaten by the average adult and child, respectively. An adult customer who eats only as much as a child would still be charged the adult price.

- (c) If the nonresident boxholder also was made aware that no studies were conducted to measure and compare the costs that residents and nonresident boxholders impose on the Postal Service, he might still accept the fee increase, having also been reminded of the value of his nonresident box.

RESPONSE OF POSTAL SERVICE WITNESS LYONS  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6

1. Please refer to the after-rates volume forecasting model in LR-SSR-135, Spreadsheet CERTFORE.WK4.

a. Provide the source of the Certified Mail base volume figure of 287.975 million pieces in Cell A:E92. Verify that this base volume figure represents the before-rates volume forecast of Certified Mail for Postal Fiscal Year 1996.

b. Provide the source of the following annual net trend projection factors in Cells A:D95 through A:F95:

Net Trend Projection Factors

Postal Cards	0.963434
Certified Mail	1.033303
Registry	0.902441

RESPONSE:

a. It is my understanding that, as suggested in the question, the 287.975 million piece figure is the before-rates volume forecast for Certified Mail for Postal Fiscal Year 1996. The source of this figure is the forecast underlying the President's Budget, presented in USPS-LR-SSR-102. The only difference is that the figure for Certified Mail shown in LR-SSR-102, 289.613 million, is the forecast for Government Fiscal Year 1996. The methodology and inputs are the same, but a PFY forecast is the output which results if the process is stopped without what would otherwise be the final step, converting the PFY forecast to a GFY forecast.

b. I am informed that the net trend factors listed in Cells A:D95 through A:F95 are the net trends which were used in the President's Budget forecast. They are 5-year mechanical net trends, calculated using a base period of 1989Q2-1990Q1 and forecasting the four-quarter period from 1994Q2-1995Q1 (the last four quarters of the regression period used in the President's

Budget forecast). For each subclass, the mechanical net trend is then calculated from the ratio of actual volume for those four quarter to the forecasted volume for those four quarters. By raising this ratio to the  $(1/5)$ th power, it is converted to the annual net trend factor that would have been necessary to forecast the four-quarter period ending 1995Q1 with no error.

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 6, QUESTION 2

2. The July 22, 1996, revision to USPS-T-1, WP A, page 4, adjusted the data on "Question 11 Responses" so that a missing \$800 to \$900 value range was added. However, the \$1,000 to \$1,500 Value Level Range was changed to \$900 to \$1,500, which is different than the actual survey results given in Library Reference 109. Would it be more consistent with the survey results given in LR-109 to adjust the original WP A by starting the value ranges at \$700, advance in \$100 increments until \$1,000 is reached, and then continue with the value ranges as in Question 11, Library Reference 109. The change would also be consistent with the sum given in WP A for "Total Revenue from New Pieces 700 to 2,000."

If the value ranges do start at \$700, please confirm that the Average Fee per piece for New Insured pieces will be \$13.71 versus the current \$13.13.

**RESPONSE**

My understanding of the survey in LR-SSR-109 is that it asked major insured parcel shippers about a possible increase in the insurance indemnity limit above \$600. Such customers would know that parcels valued at from \$501 to \$600, for example, would be insured at the \$600 level. It is thus reasonable to conclude that customers responding to question 11 would report parcels valued from \$601 to \$700 in the \$700 line in question 11, parcels valued at \$701 to \$800 in the \$800 line, parcels valued at \$801 to \$900 in the \$900 line, and parcels valued at \$901 to \$1500 in the \$1,000 to \$1,500 line. Therefore, I believe that my Workpaper A, page 4 is more consistent with the survey results in LR-SSR-109 than the alternative approach presented in the above question. The alternative approach would not take account of any additional parcels valued between \$600 and \$700. I do recognize that the sum given in WP A for "Total Revenue from New Pieces 700 to 2,000" should be labelled

RESPONSE OF POSTAL SERVICE WITNESS LYONS TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 6, QUESTION 2

Page 2 of 2

"Total Revenue from New Pieces 600+ to 2,000", which would then be consistent with the title of that table three lines above.

If the value ranges do start at \$700, the Average Fee per piece for New Insured pieces for the first survey would be \$13.71 versus the current \$12.81.

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

OCA/USPS-89. Please refer to the response to OCA/USPS-88.

- a. Library Reference SSR-156 includes two diskettes, each containing a single file named FMSRTE.DAT. Please explain the difference between these two files.
- b. Does either of the FMSRTE.DAT files correspond to one of the data sets named FMSRTE in either SSR-99 or in SSR-156? If so, please identify the data set (by library reference, page, and line number) and which of the FMSRTE.DAT files it corresponds to. If not, please explain exactly which data was used to produce the FMSRTE.DAT files.
- c. The second SAS program of SSR-99 required only two input data sets (files ROUTES.LDLSMN.PS754D01.STATB.VOLUME00x and FMS.DATA) to produce tables of average cost per square foot figures. Tables of average cost per square foot figures are produced in SSR-156 using the input files of SSR-99 plus three additional files (INSTMAST.FY9603.TXT, POBOX.SVYSTEP2.JAN30.DAT, and H30005.POBOX.ADDRFMS.DATA).
  - i. Please explain why the additional files were necessary for SSR-156.
  - ii. Please describe the contents of each of the files used in SSR-156 and define each variable used. For example, what is the difference between CAG, FMSCAG, and ACAG?
- d. Please refer to the tables of cost per square foot by delivery group at page 29 of SSR-156 and at page 31 of SSR-99. Please explain why these figures do not agree for delivery groups 1C, 2, and 3. Please identify which of the two tables of cost per square foot is correct.
- e. Please compare the tables at page 29 of SSR-156 with the table at page 31 of SSR-99. In SSR-156, the numbers of observations for groups 1C, 2, and 3 are 5854, 14959, and 4468, respectively. In SSR-99, the corresponding figures are 5853, 14989, and 4438. Please explain the reason for this discrepancy.
- f. Please refer to the attached tabulations of the larger of the two FMSRTE.DAT files included with SSR-156.
  - i. Please explain why the number of observations by CAG for FMSRTE.DAT differs from that shown at pages 22-24 of SSR-156 for CAGs G-L.
  - ii. Please explain why the number of observations by delivery group for FMSRTE.DAT differs from that shown at page 29 of SSR-156 and from that shown at page 31 of SSR-99.
- g. Please refer to pages 30 and 32 of SSR-156. The table on page 30 is titled "COST PER SQFT BY DELIVERY GROUP USING ALL FMS RECORDS." The table on page 32 is titled "COST PER SQFT BY DELIVERY GROUP USING ESTIMATED RECORDS."
  - i. Please explain the difference between these two measures of cost per square foot.
  - ii. Please explain the difference between "FMS RECORDS" and "ESTIMATED RECORDS."
  - iii. The cost per square foot for group 1A is 18.8322 using FMS records and 21.7575 using estimated records. Which estimate is correct? Are these two cost figures

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

meant to be used for different purposes? If so, please explain. If not, then please explain why they differ.

Does your response to subpart iii, above, apply to similar cost per square foot discrepancies for groups 1B, 1C, 2, and 3? If not, please explain the reason for discrepancies in these other delivery groups.

NOTE: Copyright (c) 1989-1993 by SAS Institute Inc., Cary, NC, USA.

NOTE: SAS (r) Proprietary Software Release 6.10 TS019

Licensed to POSTAL RATE COMMISSION, Site 0009866002.

NOTE: The SAS System for Microsoft Windows, Release 6.10 Limited Production

```
1 filename in1 't:\mc96-3\libref\ssr-156\disk1\fmsrte.dat';
2 data disk1;
3     infile in1;
4     input cag $ 1 delgrp $3-4 costsqft 8-15;
```

NOTE: The infile IN1 is:

```
FILENAME=t:\mc96-3\libref\ssr-156\disk1\fmsrte.dat,
RECFM=V,LRECL=256
```

NOTE: 25692 records were read from the infile IN1.

The minimum record length was 15.

The maximum record length was 15.

NOTE: The data set WORK.DISK1 has 25692 observations and 3 variables.

NOTE: The DATA statement used 7.79 seconds.

```
5 proc means data=disk1;
6     class cag;
7     var costsqft;
8     output out=disk1m mean=;
```

NOTE: The data set WORK.DISK1M has 15 observations and 4 variables.

NOTE: The PROCEDURE MEANS used 2.25 seconds.

```
9 proc means data=disk1;
10     class delgrp;
11     var costsqft;
12     output out=disk1m mean=;
13 run;
```

NOTE: The data set WORK.DISK1M has 7 observations and 4 variables.

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

NOTE: The PROCEDURE MEANS used 1.92 seconds.

## Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

The SAS System

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Analysis Variable : COSTSQFT

CAG	N Obs	N	Mean	Std Dev	Minimum	Maximum
A	1148	1148	9.1283281	8.0532141	0.0024000	42.0312000
B	673	673	9.0698978	7.3087888	0.0046000	40.8187000
C	1075	1075	9.2900011	7.0639571	0.0417000	36.8938000
D	478	478	8.5359510	6.9629967	0.0182000	40.0398000
E	788	788	7.6487110	5.6757703	0.6418000	30.2521000
F	983	983	7.1309731	4.9104418	1.0243000	27.0000000
G	2232	2232	6.3480236	3.6149872	0.9195000	18.8267000
H	3330	3330	6.0409474	3.0708928	1.3282000	18.5393000
J	4556	4556	5.7517561	2.7312186	1.2633000	16.7977000
K	8875	8875	5.7541049	2.8566395	1.1342000	18.1818000
L	1548	1548	5.5643677	3.0595709	0.6667000	18.5185000
M	1	1	4.1500000	.	4.1500000	4.1500000
S	1	1	10.2100000	.	10.2100000	10.2100000
W	3	3	6.9303333	5.7189624	1.5802000	12.9578000

The SAS System

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Analysis Variable : COSTSQFT

DELGRP	N Obs	N	Mean	Std Dev	Minimum	Maximum
1A	25	25	18.8322440	12.6951011	1.2585000	42.0312000
1B	143	143	15.5100678	9.8252027	0.0051000	40.8187000
1C	5830	5830	7.3935275	6.0268073	0.0024000	41.9595000
2	14986	14986	5.7545453	2.9465303	0.3333000	32.6033000
3	4397	4397	6.7366738	3.4801157	0.7674000	28.0567000
NA	311	311	7.2493990	5.6447102	0.0033000	37.5000000

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

RESPONSE:

- a. The smaller of the two FMSRTE.DAT files should not have been provided since it omits data regarding Group III boxes. The larger of the two files is, accordingly, the one that should be used. Our copy of the library reference indicates that the correct file has 436,764 bytes and a date stamp of October 30, 1996.
- b. No. The explanation follows in responses to subparts c through f.
- c. The SAS program filed in LR-SSR-99 was executed on May 16, 1996. It is an extract from a larger program that had earlier estimated costs per square foot by each of various categories (such as CAG and CAG group). This larger program, executed on March 5, 1996 was filed with LR-SSR-156 specifically in response to a request for all studies on cost per square foot by CAG (OCA/ USPS-88). These studies were not used in my testimony.
  - i. The cost per square foot by delivery group calculated in LR-SSR-156 requires the same input files as in LR-SSR-99. Any other input files were used in exploring other variations of cost per square foot and are not required to examine cost per square foot by delivery group.
  - ii. 1. ROUTES.LDLSMN.PS754D01.STATB.VOLUME00x comprise the Delivery Statistics File. FMS.DATA is a text dump of the FMS file.  
INSTMAST.FY9603.TXT is a text dump of the Corporate Data Base Installation Master. POBOX.SVYSTEP2.JAN30.DAT is the PO Box survey data.  
H30005.POBOX.ADDRFMS.DATA is a file of estimated rental costs per square

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

foot (see subpart g below).

2. There are dozens of variables used in the SAS program. CAG is the CAG from the Installation Master file. FMSCAG is the CAG from the FMS file.

ACAG is the CAG from the PO Box Survey file. The variables relied upon are explained in LR-SSR-99. Other variables were not relied upon and are accordingly irrelevant.

d-e. See response to subpart c. Any differences in cost per square foot by delivery group between LR-SSR-99 and LR-SSR-156 are due to changes in the Delivery Statistics File between March 5, 1996 and May 16, 1996. The DSF is dynamic and is updated regularly. Thus each table is correct as of a different time. The differences are, in this case, insignificant. LR-SSR-156 was submitted only at the request of the OCA and is not relied upon by the Postal Service.

- f. i. The SAS program in LR-SSR-156 did not use FMSRTE to generate observations by CAG. The observations by CAG shown at pages 22-24 of LR SSR-156 were produced by a proc means performed on the data set FMSO (at lines 78-81 of the SAS code). Note, however, that the means for both CAG and delivery group in LR-SSR-156 and in the table attached to this interrogatory by OCA are virtually the same (to three significant figures in most cases). Therefore, differences in the number of observations are not significant.
- ii. FMSRTE.DAT was created by a special SAS program run on October 28, 1996. FMSRTE. DAT shows different numbers of observations by delivery group than

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

the FMSRTE data sets in LR-SSR-99 and LR-SSR-156 for two reasons: First, the Delivery Statistics File (DSF) accessed by the October 28 program was different than the DSF accessed by the SAS program in LR-SSR-99 (May 16) and in LR-SSR-156 (March 5, 1996). (See subpart d above). Second, prior to creating FMSRTE.DAT, the October 28 program deleted those records that did not report cost per square foot values. These records were included in the earlier SAS programs, although those records were (correctly) ignored by the proc means operation in those programs.

- g. Two different runs were made last March, as part of our exploratory efforts to determine the best way to analyze costs. "FMS RECORDS" are taken directly from the Facility Management System (FMS), eliminating outliers as described in LR-SSR-99. "ESTIMATED RECORDS" are derived from the Address List Management System (ALMS). For these records, we estimated the rental costs per square foot for those records that had no such entry, using the values of neighboring facilities.
  - i. Both measures are the average cost per square foot, but for somewhat different data sets.
  - ii. See above.
  - iii. The averages are different because the two data sets are different; each is therefore "correct" given that definition. The purpose of looking at two different ways was to decide which would be better. We ultimately used actual rather than estimated data, as reflected in USPS-T-4 and LR-SSR-99.

Response of Witness Lion to Interrogatory OCA/USPS-89, MC96-3

(iv) Yes.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-27.**

Please provide all notes, spreadsheets, workpapers, electronic files, and other documentation related to your analysis contained at Tr.6/2039-41 and as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

**RESPONSE**

I have made a copy of my revised EXCEL file on a 3.5" diskette, which is being sent to the Postal Service via Federal Express for Monday morning delivery. If any other party is interested I will be glad to send an additional copy. I have made slight corrections (typographical errors and the addition of three footnotes) to the original files. Therefore, I cannot provide a computer copy of the original workpapers on diskette underlying Tr. 6/2039-41 since they have been erased and cannot be retrieved.

**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

**USPS/MMA-28.**

Please refer to your analysis contained at Tr.6/2039-41 and revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- a. Please confirm that these analyses use Commission cost and volume figures from the Docket No. R94-1 initial Recommended Decision. If you do not confirm, please explain the source for the Commission figures.

**RESPONSE**

Confirmed, as shown in footnotes 2 and 4.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-28.**

Please refer to your analysis contained at Tr.6/2039-41 and revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- b. Please confirm that "the Commission-approved cost methodology", as you use the phrase, is that used in the Further Recommended Decision in Docket No. R94-1. If you do not confirm, please explain what "the Commission-approved cost methodology" is.

**RESPONSE**

Confirmed. Please refer to my answer to your previous interrogatory USPS/MMA-9a and

- b.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-30.**

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- a. Please confirm that row 2, column 4 represents Commission accrued costs. If you do not confirm, please explain what this number represents.

**RESPONSE**

Not confirmed. The same figure shown in column 1, rows 1 and 2 represents the Commission's total accrued cost using the Commission's recommended rates in Docket No. R94-1. This same cost figure (\$52,530,344) in row 2, column 4 represents an estimate of the Postal Service's total accrued costs under the Commission's recommended rates and the projected volumes resulting from those rates.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-30.**

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- b. Please confirm that row 2, column 5 represents an attributable cost figure derived by multiplying Commission accrued costs times the percentage of Postal Service accrued costs which are attributable (from column 6). If you do not confirm, please explain what this number represents.

**RESPONSE**

The cost figure (\$33,225,443) in row 2, column 5 represents an estimate of the amount of costs that would be attributed under the Postal Service's costing methodology at the Commission's recommended rates. It is computed by multiplying the estimated USPS total accrued costs (\$52,530,344, see my answer to part a) by the USPS percentage of total accrued costs that is attributed (63.25%). See footnote 3.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-31.**

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- a. Please confirm that row 3, column 1 represents Postal Service accrued costs. If you do not confirm, please explain what this number represents.

**RESPONSE**

Not confirmed. The same figure shown in row 1, column 4 represents the Postal Service's total accrued costs. This same cost figure (\$52,592,438) in row 3, column 1 represents an estimate of the Commission's total accrued costs under the Postal Service's recommended rates.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-31.**

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- b. Please confirm that row 3, column 2 represents an attributable cost figure derived by multiplying Postal Service accrued costs times the percentage of Commission accrued costs which are attributable (from column 3). If you do not confirm, please explain what this number represents.

**RESPONSE**

The cost figure (\$34,232,418) in row 3, column 2 represents an estimate of the amount of costs that would be attributed under the Commission's costing methodology at the Postal Service's proposed rates. It is computed by multiplying the estimated Commission total accrued costs (\$52,592,438, see my answer to part a) by the Commission percentage of total accrued costs that is attributed (65.09%). See footnote 5.

**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

**USPS/MMA-32.**

Please explain in detail your understanding of why the Commission and Postal Service cost models show different costs in the test year.

**RESPONSE**

The Commission and Postal Service cost models show different accrued costs in the test year since each set of costs was developed using a different set of rates. Since the rates are different, the volumes would change. Thus, the total accrued costs would change.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-33.**

Please confirm that certain figures in OCA/MME-XE-1 were taken from Appendix D of the Commission's initial Recommended Decision in Docket No. R94-1, whereas certain figures in OCA/MME-XE-2 and 3 were taken from Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1. If you do not confirm, please explain in full detail.

**RESPONSE**

Confirmed.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-34.**

Why do Appendix D and Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 show different accrued cost totals? Why do Appendix D and Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 show different attributable cost totals? Please explain in detail.

**RESPONSE**

The Appendix D accrued costs do not include contingency costs or prior year losses. As shown in Appendix D, total accrued costs amount to \$52,530,344. If contingency costs (\$1,050,607, p. III-66) and prior year loss recovery costs (\$936,226, Appendix G) are added, the result (\$54,517,177) will be the total accrued costs shown in Appendix G.

The Appendix D attributable costs do not include contingency costs or final adjustments, as shown on page III-66 of the Docket No. R94-1 Opinion. If the attributable contingency cost (\$680,008) is added to, and the final adjusted attributable cost (\$192,593) is subtracted from, the Appendix D attributable cost (\$34,193,077), the result (\$34,680,492) is just about the same as the attributable cost total shown in Appendix G (\$34,680,457).

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-35.**

Why did you use Appendix D of the Commission's initial Recommended Decision in Docket No. R94-1 in OCA/MMA-T1-XE-1 and Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 in OCA/MMA-XE-2 and 3? Is one better than the other for a particular purpose or comparison? Please explain in detail.

**RESPONSE**

I used the cost totals from Appendix D of the Commission's Docket No. R94-1 Decision in OCA/MMA-XE-1 since the total accrued costs, total attributable costs, and computations of the percent of accrued costs that were attributable, for both the Commission and Postal Service, were readily available (with no additional computations required) and comparable.

I used the cost figures from Appendix G of the Commission's Docket No. R94-1 Decision in OCA/MMA-XE-2 and 3 since these data were comparable to the Postal Service's data that were used from USPS-11A in Docket No. R94-1.

It is not a question of which data are better but which data are comparable.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-36.**

Please confirm that if you had used Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 in OCA/MMA-XE-T1-1, the Commission attributable cost percentage in column 3 would be 63.61 percent (including Prior Years Loss Recovery) and 64.73 percent (excluding Prior Year Loss Recovery). If you do not confirm, please explain in detail.

**RESPONSE**

Had I used the total revenue requirement as shown in Appendix G as the Commission's total accrued cost in OCA/MMA-XE-1, and the Appendix G total attributable costs, then the percent of attributable costs computes to  $34,680,457 / 54,517,176 = 63.61\%$  including prior year losses and  $34,680,457 / (54,517,176 - 936,226) = 64.73\%$  excluding prior year losses. However, it is incorrect to use the Appendix G figures since they are not comparable to the Postal Service's total accrued cost, total attributable cost and percent of total accrued costs that is attributable, as shown in Schedule D.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-38.**

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek). Should footnote 5 be changed to read "Col 2 \* (Col 4/Col 3)?" If not, please explain in detail why the footnote is accurate.

**RESPONSE**

Yes. That correction has been made on the diskette provided in answer to USPS/MMA-T1-27.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-39.**

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- a. Please confirm that you make an adjustment to Commission attributable costs with the intent of reflecting "USPS volumes at USPS Proposed Rates." If you do not confirm, please explain in detail.

**RESPONSE**

Confirmed.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-39.**

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- b. Please confirm that the volume adjustment referred to in subpart a, above is the only difference between OCA/MMA-XE-2 and 3. If you do not confirm, please explain in detail.

**RESPONSE**

Confirmed.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-39.**

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- e. Please confirm that the effect of your volume adjustment in OCA/MMA-XE-3 is to inflate the numbers in columns 6 and 7 for First-Class and All Other and deflate them for Third-Class BRR? If you do not confirm, please explain in detail.

**RESPONSE**

Confirmed. The rates recommended by the Commission for First-Class were slightly lower than the Postal Service's proposed rates, thereby increasing the projected volume and attributable costs. The rates recommended by the Commission for third-class were higher than the Postal Service's proposed rates, thereby decreasing the projected volume and attributable costs. I presume the Commission recommended rates for "All Other" were slightly lower than the Postal Service's proposed rates, causing the projected volumes and attributable costs to increase.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-39.**

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- f. Please confirm that the cost differences resulting from the different Commission and Postal Service forecasted mail volumes are explicitly reflected in the mail volume effect in both the Commission and Postal Service rollforward cost models. If you do not confirm, please explain in detail.

**RESPONSE**

The roll forward cost models should and probably do take into account differences in mail volumes that result from differences in rates. However, I have not independently verified this.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-39.**

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- g. If a mail volume effect is already included in the Commission's cost model, then please confirm that your volume adjustment would result in double-counting of the impact of volume changes. If you do not confirm, please explain in detail.

**RESPONSE**

Not confirmed. The Commission's costs reflect its recommended rates and volumes. The Postal Service's costs reflect its proposed rates and volumes. Thus, total accrued costs should be and are different. In order for the totals of each to be directly comparable, one of the sets of figures should be adjusted.

**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

3701

**USPS/MMA-T1-50.**

Please refer to your response to USPS/MMA-T1-39(g) where you state, "The Commission's costs reflect its recommended rates and volumes. The Postal Service's costs reflect its proposed rates and volumes. Thus, total accrued costs should be and are different."

- c. Is it your testimony that if you used the Commission's projected volumes in the Postal Service's cost model, then the level of attributable costs as a percent of total accrued costs would be the same as if you had used the Postal Service's projected volumes? Please explain in detail.
- d. Is it your testimony that if you used the Postal Service's projected volumes in the Commission's cost models, then the level of attributable costs as a percent of total accrued costs would be the same as if you had used the Commission's projected volumes? Please explain in detail.

**RESPONSE**

Generally, yes. Small changes in volumes will probably have a small impact on the percentage of costs deemed attributable. I have not made the calculations, so I do not know whether this percentage would go up or down. In either case I expect the change would be rather modest.

USPS/OCA-T200-18. Please refer to OCA-LR-5.

- a. Will an OCA witness sponsor this library reference?
- b. If so, please identify the witness.
- c. Who prepared this library reference? Please identify all persons who assisted in the preparation.
- d. If a contractor had any role in preparing this library reference, please provide copies of the contract, the statement of work, all task orders, and all other related documents.

A.

- a. No. This library reference, like numerous Postal Service library references, neither requires (nor has) a sponsoring witness. For example, library reference SSR-90, documenting statistical data collection systems, such as the IOCS, has no sponsoring witness. The Postal Service has responded as an institution to interrogatories concerning that library reference, and the OCA will do likewise.
- b. Not applicable.
- c. OCA-LR-5 was prepared by an OCA rate and classification specialist.
- d. No contractors were used.

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32, 34-37

3703

USPS/OCA-T200-19. Please refer to OCA-LR-6.

- a. Will an OCA witness sponsor this library reference?
- b. If so, please identify the witness.
- c. Who prepared this library reference? Please identify all persons who assisted in the preparation.
- d. If a contractor had any role in preparing this library reference, please provide copies of the contract, the statement of work, all task orders, and all other related documents.

A.

- a. No. See the response to USPS/OCA-T200-18.
- b. Not applicable.
- c. OCA-LR-6 was prepared by an OCA rate and classification specialist.
- d. No contractors were used.

USPS/OCA-T200-20. Please refer to OCA-LR-5 and 6.

- a. Is the OCA now in a position to replicate the Commission's cost model? If not, please explain in detail why not.
- b. Is the OCA now in a position to produce a witness to attest to the validity of any replication of the Commission's cost model? If not, please explain in detail why not.
- c. Is the OCA now in a position to modify the Commission's cost model? If not, please explain in detail why not.
- d. Is the OCA now is a position to produce a witness to explain any OCA modifications to the Commission's cost model?

A.

a-d. No. See the response to USPS/OCA-T200-18. Since the filing of PRC-LR-2, the OCA has not had the resources to replicate the Commission's cost model. Library reference OCA-LR-5 simply executes unmodified Commission cost model programs on unmodified "before rates" factor files already included in PRC-LR-2 as if it were a "turn-key" cost model. The changes made to the batch file that executes the unmodified Commission cost programs are detailed in OCA-LR-5.

In addition to the factor files that the Commission's PRC-LR-2 used to produce the after rates costs, the Commission included other similarly named factor files in the library reference. To produce its final test year after rates costs, the library reference used factor files named "tyar96p.fac" and

"ty96mixp.fac." Also included in the library reference were files named "tybr96p.fac" and "br96mixp.fac." The OCA inferred that the purpose of including these "br" factor files in the Commission's library reference was to provide users with a turn-key system to produce test year before rates costs. Witness Thompson relies on OCA-LR-5, which accepts the model as provided by the Commission (much as Postal Service witness Patelunas accepts the results of the Postal Service's statistical data collection systems).

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-37

USPS/OCA-T200-21. Please refer to OCA-LR-6, worksheet  
PRCTYAR95.

- a. Please confirm that the R94-1 TYAR 95 cost coverages contained on pages 3 and 5 are based on the Commission cost model used in its initial recommended decision in Docket No. R94-1. If you do not confirm, please explain in detail.
- b. Should the same cost model be used to develop the attributable costs for both the R94-1 and MC96-3 cost coverages on pages 3 and 5? If not, please explain in detail.
- c. If different models produce different attributable costs, how valid is any comparison of the cost coverages produced by each? Please explain in detail.

A.

- a. The cost coverages contained on pages 3 and 5 are based on the costs and revenues as reported in Appendix G, Schedule 1, of the initial recommended decision in Docket No. R94-1.
- b. No. The OCA understands that no party uses identical cost distribution and forecasting models from case to case. The Commission's cost models have consistently replicated the Postal Service's distribution and projection of costs from case to case. There is thus no reason to believe that one case's model differs significantly from another (unless the Postal Service's models also differ). Certainly, the

differences in attributable cost between the Commission's two R94-1 cost models are trivial in the extreme. See the response to USPS/OCA-T200-35.

- c. See the response to part b., above.

USPS/OCA-T200-22. Please refer to PRC-LR-2 and PRC-LR-17 from Docket No. R94-1, and PRC-LR-2 from this docket.

- a. What is the Commission-approved cost attribution methodology? Please explain in detail.
- b. Is it the cost methodology used by the Commission in its recommended decision in Docket No. R94-1 on Reconsideration? Please explain in detail.
- c. Is it the cost methodology used by the Commission in its initial recommended decision in Docket No. R94-1? Please explain in detail.
- d. Is it the cost methodology used by the Commission in this docket? Please explain in detail.
- e. Is the cost methodology used by the Commission in some other docket? Please explain in detail.

A.

a-e. The Commission has stated in Order No. 1134 and in its library references PRC-LR-1 and PRC-LR-2 that the methodology is basically the same as in the R94-1 Further Recommended Decision. Consequently, the OCA interprets PRC-LR-2 as Commission-approved cost methodology applied to docket MC96-3.

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32, 34-37

3709

USPS/OCA-T200-23. Have you or any other OCA personnel or contractors performed any analysis of the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket? If so, please provide that analysis, including all notes, spreadsheets, workpapers, electronic files, and other related documentation. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32, 34-37

3710

USPS/OCA-T200-24. Have you or any other OCA personnel or contractors replicated or attempted to replicate the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket? If so, please provide any and all notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32, 34-37

3711

USPS/OCA-T200-25. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 with the Commission's costing methodology from its Docket No. R94-1 recommended decision on reconsideration? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

USPS/OCA-T200-26. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket with the Commission's costing methodology from its initial Docket No. R94-1 recommended decision? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20. However, the OCA has filed library reference OCA-LR-7, which compares cost coverages from the initial and further recommended R94-1 decisions. The sole purpose of OCA-LR-6 was to summarize cost coverages. Reliance on the further recommended R94-1 decision would have little, if any, effect on those coverages, as demonstrated in sheet "R941\_rec" of OCA-LR-7.

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32, 34-37

3713

USPS/OCA-T200-27. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket with the Commission's costing methodology from its Docket No. R90-1 recommended decision on remand? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32, 34-37

3714

USPS/OCA-T200-28. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket with the Commission's costing methodology from its initial Docket No. R90-1 recommended decision? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

RECEIVED  
REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

NM/USPS-8.

- a. Since Docket No. R94-1, (i) has the Postal Service revised, corrected or updated any previous study dealing with BRM, including but not limited to the study submitted as a library reference in Docket No. R94-1; and (ii) has the Postal Service initiated or commissioned any new study or analysis dealing with BRM?
- b. Unless the answer to both (i) and (ii) above is an unqualified negative, please (i) identify all BRM studies or analyses completed, and submit copies of each completed study so identified as a library reference, and (ii) identify all BRM studies or analyses underway and describe fully the scope and status of any study not yet complete, and state the target schedule for completion of all such studies now in progress (include any studies in the planning stage as well as those actually underway).

RESPONSE:

a.

- (i) No.
- (ii) Yes.

b.

- (i) No studies have been completed.
- (ii) As part of its comprehensive management review of Business Reply Mail, the Postal Service is presently working on a study of the cost of accounting for some non-letter size BRM received by Nashua/Mystic/Seattle. It is expected to be completed by the end of the calendar year.

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE

NM/USPS-27.

With respect to "other" BRM pieces (i.e., pieces not pre-barcoded and/or not machineable), does the Postal Service have in place any established procedures designed to avoid handling and accounting for each BRM piece individually? Unless your answer is an unqualified negative, please describe each such procedure and provide citations to the DMM or a library reference with all applicable instructions for use and implementation of each such procedure by post offices and field personnel.

RESPONSE:

Non-machinable/non-barcoded BRM has to be processed by the Postal Service in mechanized or manual operations. Most incoming cases and racks have a holdout for BRM mail for zone. Incoming Letter and Flat Sorting schemes also have a holdout for BRM. This mail would then have to be manually counted before delivery to the customer. Some plants have entered into local agreements with customers and have established "reverse manifest" and "weight averaging" procedures; however, there is no national policy which requires uniformity in the precise terms of these agreements.

**NMS/USPS-93.**

- (a) Based on the results of your recent surveys/studies and the best information available to the Postal Service, please provide your best estimate for the Base Year of:
  - (i) the number of mailers that have "reverse manifest" systems approved by the Postal Service for estimating BRM postage and fees;
  - (ii) the lines of business of these mailers;
  - (iii) the number of postal facilities that administer these "reverse manifest" agreements; and
  - (iv) the percentage of all BRM for which "reverse manifest" systems are used to compute postage and fees due on BRM.
- (b) See the Postal Service's response to NM-USPS-27, and please identify the "customers," "plants" and "agreements" referenced therein.

**RESPONSE:**

- (a) & (b)

The Postal Service does not maintain a centralized directory of customers or postal plants which have entered into agreements for alternative BRM accounting methods, such as reverse manifests and weight averaging. Review of the response to NM/USPS-27 suggests that the reference to "reverse manifest procedures" should read "reverse manifest and weight averaging procedures". The Postal Service, as part of the ongoing internal management review of non-letter size BRM, has begun customer research which is expected to identify mailers and postal facilities which have made such alternate arrangements. The only BRM recipient

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE

(RESPONSE to NMS/USPS-93 continued)

currently known to the task force to employ the reverse manifest method is Nashua. It is expected that the survey will identify many more weight averaging arrangements than reverse manifest arrangements.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE**

3719

**NMS/USPS-94.**

**Based on the results of your recent surveys/studies and the best information available to the Postal Service, please provide the Postal Service's best estimate for the Base Year of:**

- (i) the number of mailers for which "weight conversion" or weight averaging is used to compute postage and fees due on BRM mail;**
- (ii) the lines of business of these mailers;**
- (iii) the number of postal facilities that administer these "weight conversion" weight averaging systems; and**
- (iv) the percentage of all BRM for which "weight conversion" or weight averaging is used to compute postage and fees due on BRM in the Base Year.**

**RESPONSE:**

See the response to NMS/USPS-93. The use of weight averaging for Business Reply Mail accounting has been a decision made by local post offices. The Postal Service does not maintain any centralized records which contain information which would indicate the number of BRM recipients for whom weight averaging is employed or their lines of business. The Postal Service does not know the number of facilities at which weight averaging is utilized. Nor does it know the percentage of BRM for which weight averaging is employed. The Business Reply Mail task force has only recently begun to survey the Postal Service's thousands of Business Reply Mail recipients to collect information of the type sought by this interrogatory. The task force intends to conduct market research which could provide information responsive to these interrogatories.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE**

**NMS/USPS-95.**

**Please provide as a library reference a copy of all data and surveys (including but not limited to plants, accounts, customers, volume received, seasonality of volume flows and usage) pertaining to Business Reply Mail completed thus far during 1996. For such information as is proprietary/confidential, please provide this information pursuant to a non-disclosure agreement.**

**RESPONSE:**

**See the response to NMS/USPS-96.**

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE

NMS/USPS-96.

- (a) Please identify all cost studies pertaining to Business Reply Mail, including BRMAS, which have been undertaken, but which are not yet completed, along with target completion dates.
- (b) Please identify all cost studies pertaining to Business Reply Mail, including BRMAS, which have been undertaken and completed thus far during 1996, and provide as a library reference copies of such studies.

RESPONSE:

The Postal Service has undertaken a limited cost study pertaining to non-letter size BRM received by Nashua, Mystic, and Seattle. That study has not been completed, but is expected to be completed by the end of the calendar year.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE**

3722

**NMS/USPS-97.**

**Based on the results of your recent studies and the best information available to the Postal Service, what is the Postal Service's best estimate of the average unit cost both in Base Year 1996 and Test Year 1996 to process: (i) BRMAS mail on automation; (ii) individual pieces of BRM manually; and (iii) individual pieces of BRMAS manually?**

**RESPONSE:**

**The study described in response to NMS/USPS-97 does not address the cost of (i) BRMAS accounted for on automation, (ii) other than non-letter size BRM received by Nashua/Mystic/Seattle, individual pieces of BRM accounted for manually; or (iii) individual pieces of BRMAS accounted for manually.**

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE**

**NMS/USPS-98.**

**Please provide any supplemental or revised information learned or generated since responses were previously filed by the Postal Service that would be responsive to all Nashua/Mystic and Nashua/Mystic/Seattle Interrogatories, specifically including NM/USPS-28, 29, 30, 32, 33 and 35.**

**RESPONSE:**

The Postal Service has filed revised responses to NM/USPS-8 and 27 today. Except insofar as the responses to NMS/USPS-93, 94, or 95 may be deemed to do so, the Postal Service presently has no basis for supplementing its responses to NM/USPS-28, 29, 30, 32, 33, or 35. The Postal Service is mindful of its obligation to seasonably amend previously filed responses and will do so as circumstances require.

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

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO REQUEST OF COMMISSIONER LeBLANC  
MADE DURING HEARINGS ON DECEMBER 16  
(December 23, 1996)

During oral cross-examination of Postal Service witness Ashley Lyons, Commissioner LeBlanc cited to the First Status Report's statement that permanent general delivery service is expected to be eliminated as a general entitlement in Group 2 offices and then inquired:

13           Now, are there any data available on the effect  
14   this move will have on the box usage and demand and, if so,  
15   could you provide it to us and, if not, could you develop  
16   some best estimates and get that to us pretty quickly?

Tr. 9/3426.

In discussing this request, counsel for the Postal Service correctly surmised that no such data are available, but indicated that estimates would be provided "in a week." Tr. 9/3427-28.

Counsel had hoped that some national compendium would contain counts of general delivery customers at Group 2 offices, which could shed light on the number of general delivery customers who might be impacted by elimination of that option, and for whom box service would be one ready alternative. Unfortunately, no such counts of general delivery customers are available.<sup>1</sup>

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<sup>1</sup> Counsel was advised that a single district recently estimated that it had approximately 10,000 general delivery customers. The source and reliability of this  
(continued...)

- 2 -


The Postal Service therefore examined the underlying question, the impact upon box usage and demand, and concluded there is not likely to be much impact. The reasons for this are several fold. First, a substantial but unknown number of general delivery customers are transients or homeless who would still be entitled to general delivery service under the rules now applied to Group 1 offices. Second, where the demand for boxes outstrips the supply, general delivery is expected to handle the surfeit -- at least until the imbalance between supply and demand are corrected. Third, box service is only one alternative for a former general delivery customer such that only some and not all of them would be expected to avail themselves of box service.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-3083; Fax -5402  
December 23, 1996

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<sup>1</sup> (...continued)

estimate are unknown, but a knowledgeable postal official also ventured that this particular district, owing to the number and types of its offices and the economic status of its customers, is one of the two districts that lie at the extreme upper end of the range of districts; in other words, with one possible exception, no district would have as many general delivery customers and virtually all would have substantially fewer. So if one assumes that districts have an average of 2,000 such customers, this can be multiplied by the number of districts (85) to arrive at a very loose estimate of 170,000 general delivery customers. This estimate pales in comparison to the approximately sixteen to twenty million box customers.