

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 3
(February 17, 2000)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 10 days.

Attached is an extract of a spreadsheet (designated as POIR No. 3, Attachment 1) of costs that witness Meehan identifies as "Priority Mail Network Costs". The spreadsheet is taken from witness Meehan's workpapers that are used to develop Base Year costs presented in USPS-T-11. Please refer to this attachment in answering questions 1 through 4.

1. Please confirm that the attachment includes all costs associated with the Emery Contract, and only those costs associated with the contract. If you do not confirm, please identify missing costs or costs that should be excluded from the attached spreadsheet.

2. Please provide a detailed description of the activities, services, or supplies associated with each listed cost. For example, for account number 52316, please provide a description of the major types of activities involved, such as mail processing labor, supervision, transportation, facility related, equipment related, etc.

3. For each row in the worksheet, please identify the costs that are treated as: (1) volume variable; (2) fixed but product specific to Priority Mail for purposes of the incremental cost test; and (3) purely institutional.

4. (a) Please confirm that witness Meehan treats all costs that are direct contract payments to Emery as 100% volume variable. (b) Please explain the rationale for this treatment in contrast to the variabilities of less than 100% proposed for mail processing operations and the other corresponding categories of costs, such as transportation, facility, equipment, and supervision incurred by the Service.

5. In USPS-T-32, Table 32 D, witness Mayes provides the percent increase of proposed rates over current rates for mail subclasses. At USPS-T-32, page 36, line 7, the system average increase is identified as 6.4%. Please provide the calculations witness Mayes uses to develop these figures and identify the sources of data used in the calculations.

6. In USPS-T-36, Attachment H, the number given as the "Nonmach. Cost Diff. For DDU for over 108" is 1.919 cents and the citation is to USPS-T-27. (a) Please provide a specific page number or attachment in USPS-T-27, or other testimony, where this number originates. (b) The number given as the "Estimated Cubic Feet per Piece for over 108" is 8.193 and the citation is to LR USPS-105. Please provide a specific page number where the 8.193 can be found.

7. Please refer to USPS-T-36, Attachment G. (a) On page 4, "DESTINATION SCF PARCEL POST Test Year Transportation Costs and Savings by Zone and Weight Increment," the source given at the bottom of the page is DBMC cube per piece from Attachment F. However, the actual cube per piece figure used in the formula is the Inter-BMC cube per piece from attachment F. Please reconcile this apparent anomaly. (b) On page 5, "DESTINATION DELIVERY UNIT PARCEL POST Test Year Transportation Costs and Savings by Zone and Weight Increment," the source given at the bottom of the page is DBMC cube per piece from Attachment F. However, the actual cube per piece figure used in the formula is the Intra-BMC cube per piece from attachment F. Please reconcile this apparent anomaly. (c) Please discuss the rationale for using intra-BMC, inter-BMC, or DBMC cube per piece data to calculate transportation costs for DSCF and DDU. (d) Would an overall parcel post cube per piece better reflect the source of the DSCF and DDU volume? Why or why not?

8. Please refer to the response of USPS Witness Plunkett to Presiding Officer's Information Request No.1, Question 10. USPS LR-125, H1 does not include the revenue and revenue adjustment factors for parcel post that have been provided in prior year's billing determinants. Please provide these figures.

9. LR USPS-I-62, attachment K, "REVENUE ADJUSTMENT," states, "For calculating the unadjusted revenue, Alaska Bypass revenue, OMAS revenue, and revenue from combination enclosures were projected to remain the same percentage of total parcel post revenue, excluding fees, in the test year as they had been in the base year." (a) Please confirm that there is no OMAS volume in Intra-BMC. (b) Please explain the rationale for taking the percentage of OMAS revenue from total parcel post rather than from the inter-BMC and DBMC categories. (c) Please confirm that Alaskan bypass volume is only found in the intra-BMC category. (d) Please explain the rationale


for taking the percentage of Alaskan Bypass revenue from total parcel post rather than from intra-BMC.

10. Please refer to USPS-T-35 at 12-13. Will Regular and Nonprofit Subclass pre-barcoded letters weighing between 3.3 and 3.5 ounces per piece pay the minimum-per-piece rate or the pound rate? To eliminate any potential confusion, please provide the current and proposed rates for a 3.4 ounce letter-shaped piece assuming nondestination entry in the following categories.

- a. Regular Subclass basic presort nonbarcoded
- b. Regular Subclass basic presort barcoded
- c. Regular Subclass 3-digit presort nonbarcoded
- d. Regular Subclass 3-digit presort barcoded
- e. Regular Subclass 5-digit presort nonbarcoded
- f. Regular Subclass 5-digit presort barcoded
- g. Nonprofit Subclass basic presort nonbarcoded
- h. Nonprofit Subclass basic presort barcoded
- i. Nonprofit Subclass 3-digit presort nonbarcoded
- j. Nonprofit Subclass 3-digit presort barcoded
- k. Nonprofit Subclass 5-digit presort nonbarcoded
- l. Nonprofit Subclass 5-digit presort barcoded

11. Does witness Moeller rely on witness Eggleston's cost study (See USPS-T-26, Attachment B) as the cost basis for the proposed parcel barcode discount of 3 cents per piece?

12. On page 11 of USPS-T-35, witness Moeller states that "...selection of 100 percent [passthrough for letter presort] may result in outcomes for other rate cells that defeat rate design objectives." Please list and discuss those rate design objectives.


Edward J. Gleiman
Presiding Officer

Attachment 1

Priority

Priority Mail Network		FY 1998 PQ 1	FY 1998 PQ 2	FY 1998 PQ 3	FY 1998 PQ 4	PFY 1998	
Personnel							
	191	827,684	827,684	827,684	1,103,579	3,586,630	
	191	604,656	351,957	358,817	354,352	1,669,782	
Subtot	191	1,432,340	1,179,641	1,186,501	1,457,930	5,256,413	CS 18
Non Personnel Accts							
54101	165	-	-	117,633	170,951	288,584	CS 15
54151	167	-	-	3,149	11,204	14,353	
54165	168	16,086	19,927	10,542	13,837	60,393	CS 15
54251	169	17,441	-	-	-	17,441	
52122	187	-	-	-	160,561	160,561	CS 16
52270	182	-	-	-	4,250	4,250	
52336	174	-	-	-	20,000	20,000	
52342	210	-	-	-	201,323	201,323	CS 18
53135	143	-	-	-	83,484	83,484	CS 14
53191	143	-	-	-	(4,550)	(4,550)	
53607	143	-	-	-	55,073	55,073	CS 14
52171	174	11,354	13,007	9,603	12,804	46,768	
52327	210	3,888	29,697	41,726	3,534	78,845	CS 18
52411	211	4,300	8,159	38,302	35,104	85,865	CS 18
54406	174	2,695	1,210	-	-	3,905	
54518	175	632	-	-	-	632	
52101	177	321	55,727	89,014	-	145,062	CS 16
52105	177	-	176,118	1,493	2,949	180,560	CS 16
52111	177	56,463	46,355	31,307	41,660	175,785	CS 16
52121	177	1,759	1,759	1,759	2,345	7,621	
52172	177	4,588	6,484	-	-	11,072	
52359	177	2,529,969	64,741,698	(64,641,436)	1,664,788	4,295,019	CS 16
52418	177	90	90	90	120	390	
52419	177	91	743	75	(65)	844	
54411	177	1,020	14,122	-	-	15,142	
52174	179	1,507	1,506	1,506	2,007	6,525	
52316	187	-	-	135,666,549	133,012,897	268,679,446	CS 16
52435	179	-	496	-	-	496	
52431	179	197	315	197	263	972	
52436	179	224	224	224	1,398	2,069	
52106	184	629,798	4,091,024	3,600,136	4,097,229	12,418,187	CS 16
52120	184	4,994	2,827	2,460	3,279	13,559	
52331	210	325	325	325	434	1,410	
52321	210	30,806	84,817	447,136	199,105	761,864	CS 18
52323	210	21,639	18,683	33,666	102,186	176,174	CS 18
56605	211	9,974	8,372	-	-	18,346	
52439	211	3,816	3,395	1,759	2,097	11,066	
52454	211	36	36	36	49	158	
56603	211	4,521	4,521	4,521	6,029	19,593	
56605	211	1,819	1,819	1,819	2,425	7,882	
56701	211	-	-	-	-	-	

Priority

Priority Mail Network		FY 1998 PQ 1	FY 1998 PQ 2	FY 1998 PQ 3	FY 1998 PQ 4	PFY 1998	
52914	213	90	90	90	120	390	
52363	220	17,367	17,367	17,367	23,157	75,259	CS 19
52367	220	35	35	35	47	153	
54330	232	12,682	12,221	11,663	9,789	46,355	
52326	210	78,485	135,760	120,312	120,777	455,334	CS 18
56617	1437	(326)	1,258	1,450	114	2,496	
Totals		4,901,027	70,679,828	76,801,010	141,520,703	293,902,567	

Allocation Summary

Cost Segment	Component	Amount
14	143	138,557
15	165	288,584
	168	60,393
Subtotal 15		348,977
16	177	4,796,427
	184	12,418,187
	187	268,840,006
Subtotal 16		286,054,620
18	191	5,256,413
	210	1,673,540
	211	85,865
Subtotal 18		7,015,818
19	211	75,259
Total Allocated		293,633,230
Total		293,902,567
Not allocated		269,337